Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Vancouver

Clark County

For the period January 1, 2017 through December 31, 2017

Published April 5, 2018

Report No. 1021096

Office of the Washington State Auditor

Pat McCarthy

April 5, 2018

Board of Commissioners
Port of Vancouver
Vancouver, Washington

Report on Financial Statements

Please find attached our report on the Port of Vancouver's financial statements.

We are issuing this report in order to provide information on the Port's financial condition.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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Port of Vancouver
Clark County
January 1, 2017 through December 31, 2017

Board of Commissioners
Port of Vancouver
Vancouver, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Port of Vancouver, Clark County, Washington, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated March 30, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Port's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of the Port's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

March 30, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Vancouver
Clark County
January 1, 2017 through December 31, 2017

Board of Commissioners
Port of Vancouver
Vancouver, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Vancouver, Clark County, Washington, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Vancouver, as of December 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements as a whole. The debt covenant information listed on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2018 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

March 30, 2018

FINANCIAL SECTION

Port of Vancouver
Clark County
January 1, 2017 through December 31, 2017

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Introduction

As management of the Port of Vancouver (port), we offer readers of the port's financial statements this narrative overview and analysis of the financial activities of the port for the fiscal year ended December 31, 2017, with selected comparative information for the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements which immediately follow this discussion.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the port's financial statements. The port's financial statements include two components: 1) the port's basic financial statements, and 2) the notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the port's financial statements. The notes to the financial statements can be found following the financial statements of this report.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position tell us whether the port's financial position has improved as a result of the year's activities. The Statement of Net Position provides information on all of the port's assets, liabilities and deferred inflows and outflows, with the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources is called net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the port is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Fund Net Position show how the port's net position changed during the year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows (Accrual Basis).

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The port uses only one fund, an enterprise fund, which is a type of proprietary fund. An enterprise fund reports business type activities.

Financial Analysis

<u>Condensed Financial Position Information</u>
The *Statement of Net Position* reflects the port's financial position at year end. Financial position is represented by the difference between assets owned, deferred outflows, liabilities owed at a specific point in time, and deferred inflows. The difference between the two is reflected as net position. As previously noted, changes in net position over time can be an indicator of the port's financial position.

<u>Financial Highlights</u>
- Total assets of the port and deferred outflows exceeded its liabilities and deferred inflows by $289.476 million (reported as total net position). Total net position increased by $2.874 million in comparison with the prior year, primarily due to the increase of $30.309 million in capital assets net of accumulated depreciation and an increase in total liabilities of $23.618 million resulting from the issuance of debt for construction projects.
- Total current and restricted assets increased by $27.918 million over 2016.
- Current liabilities increased by $1.878 million from the prior year. In addition to the port's 2017 Series Revenue Bond Issuance primarily in support of the completion of the West Vancouver Freight Access Project, the port also incurred other long-term obligations related other right-of-way acquisition projects, as a result, noncurrent liabilities, inclusive of net pension liabilities, increased by $23.618 million over the previous year.

The following condensed financial information provides an overview of the port's financial position for the fiscal years ended December 31.

NET POSITION		
	2017	2016
Assets:		
Current and restricted assets	$ 29,609,279	$ 32,075,170
Capital assets, net	$397,514,366	$367,205,492
Other noncurrent assets	$ 25,286,481	$ 25,211,897
Total Assets	$452,410,126	$424,492,559
Deferred Outflows of Resources:		
Deferred Charge on Refunding	$ 1,833,095	$ 2,044,251
Deferred Outflows - Pensions	$ 1,090,670	$ 1,526,270
Total Deferred Outflows of Resources	$ 2,923,765	$ 3,570,521
Liabilities:		
Current liabilities	$ 16,063,573	$ 14,185,999
Noncurrent liabilities	$143,409,969	$120,318,982
Net pension liabilities	$ 5,482,224	$ 6,832,898
Total Liabilities	$164,955,766	$141,337,879
Deferred Inflows of Resources:		
Deferred Inflows - Pensions	$ 901,716	$ 123,011
Total Deferred Outflows of Resources	$ 901,716	$ 123,011
Net Position:		
Net Invested in capital assets	$281,648,642	$276,539,816
Restricted	$ 514,331	$ 392,908
Unrestricted	$ 7,313,436	$ 9,669,466
Total Net Position	$289,476,409	$286,602,190

Summary of Operations and Changes in Net Position

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* presents how the port's net position changed during the current and previous fiscal year as a result of operations. The port employs an accounting method that records revenue and expenses when they are incurred, regardless of when cash is exchanged. Thus, some revenues and expenses reported in this statement may affect future period cash flows (e.g. uncollected receivables).

Revenues:

- After a small retraction in 2016 from the ports record revenues in 2015, the port's diversified commodity mix continued to produce significant revenues which enabled the port to experience a small increase in 2017, while marine revenues reached $23.685 million, a change -1.79 percent or $432 thousand from 2016, other revenue sources combined to result in a $110 thousand increase (0.31 percent) over the previous year.
- The port experienced stable occupancy of its industrial leasehold facilities. Lease occupancy was 99.7 percent at yearend. 2017 lease revenue was $8.462 million, an increase of 3.98 percent over 2016.

Expenses:

- 2017 total operating expenses, before depreciation, decreased by $1.147 million (-3.84 percent) over 2016 operating expenses. This reduction in expense was primarily due to terminal labor cost decreases and a reduction in other costs associated with revenue generating opportunities. Operating income, after depreciation, was -$4.026 million at December 31, 2017 as compared to -$5.550 million at 2016 yearend. Depreciation expense decreased 2.30 percent over the previous year.

Non-Operating:

- 2017 total nonoperating revenue (expenses) increased by $6.918 million over 2016, primarily due increased federal and state grant revenue.

The table summarizes the operations for fiscal years ending December 31.

CHANGE IN NET POSITION		
	2017	2016
REVENUES		
Operating Revenues:		
Marine terminal operations	$ 23,685,135	$ 24,116,878
Property lease/rental operations	8,461,900	8,137,690
Facilities sales and service	3,281,726	2,988,571
Security sales and service	522,659	509,266
General and administrative	67,556	156,760
Nonoperating Revenues:		
Ad valorem tax revenues	10,033,153	10,005,533
Interest income	286,596	115,043
Federal and State Grants	2,393,192	50,000
Environmental remediation	(92,589)	55,381
Other nonoperating revenues	314,887	217,547
Total Revenues	$ 48,954,215	$ 46,352,669
EXPENSES		
Operating Expenses:		
Marine terminal operations	11,006,825	11,564,137
Facilities	6,745,948	6,214,094
Security	2,209,719	2,457,773
General and administrative	8,736,917	9,610,349
Depreciation	11,345,504	11,612,952
Nonoperating Expenses:		
Interest expense	4,340,749	3,265,039
Loss on disposal of assets	-	9,030,030
Other nonoperating expenses	1,694,334	3,149,770
Total Expenses	$ 46,079,996	$ 56,904,144
Capital contribution	-	(91,079)
Change in net position	2,874,219	(10,642,554)
Total net postion - beginning	286,602,190	297,244,744
Total net position - ending	$289,476,409	$286,602,190

Capital Asset and Debt Administration

Capital Assets

The port's investment in total capital assets as of December 31, 2017 totaled $397.514 million (net of accumulated depreciation). The port's investment in capital assets includes land, buildings, improvements (other than buildings), machinery and equipment, and construction in progress. The total increase in the port's investment in capital assets for the current year was $30.328 million or 8.26 percent.

Major capital asset events during 2017 included the following:

Components of the multi-year West Vancouver Freight Access project continue through engineering and construction. The port completed several Right-of-Way acquisition projects ($35.388 million), Centennial Industrial Building project ($9.436 million), High Tank Replacement project ($1.495 million), and various other port asset maintenance projects ($5.590 million).

Additional information on the port's capital assets activity may be found in Note 4 in the notes to the financial statements.

Long-term Debt

At December 31, 2017, debt outstanding totaled $141.090 million. Of this amount, $42.135 million comprises general obligation debt, $25 million represents special revenue bonds secured by a letter of credit, and $70 million represents the 2016 and 2107 Series Revenue Bonds secured by a net revenue pledge.

Additional information on the port's long-term debt can be found in Note 10 in the notes to the financial statements.

Economic Factors and 2018 Budget

Economic Factors

- Strategic investments and a diverse portfolio of commodities have positioned the Port of Vancouver USA to take full advantage of opportunities in the global economy. Leveraging revenue, tax dollars, and federal and state grant funds, the port continues to invest in critical infrastructure and assets, including rail, equipment, dock improvements and world-class staff. Fluctuations in currency and the global economy had an impact in 2017, but the port still saw an increase in tonnage, which contributed to a slight increase in operating revenue from $35.909 million to $36.018 million.

- This past year was the port's fourth consecutive record tonnage year. Tonnage in 2017 was at 7.50 million metric tons, an increase from 7.48 million metric tons in 2016. The port's cargo mix and tonnage are good reflections of the national and global market, namely because materials essential to many industries move across Port of Vancouver docks. As economies worldwide mature, consumers are demanding more grain products. Grains continue to be the largest exports at the Port of Vancouver by volume, and in 2017 they decreased very slightly from 5.33 million to 5.30 million metric tons. The port's ability to support impressive tonnage in grains is made possible by its partnership with United Grain Corp., and both entities' willingness to invest in infrastructure to support the efficient movement of these products in a very competitive market. United Grain Corp. has continuously invested in its facility to take advantage of increased rail capacity from the port's West Vancouver Freight Access project.

- Overall import volume in 2017 increased by 75,585 metric tons – a 6.47 percent gain over 2016 – mainly due to increases in dry bulk and breakbulk cargoes, such as urea fertilizer and steel products.

- Export volumes were down slightly, from 6.32 million metric tons in 2016 to 6.26 million in 2017 – a 1 percent decrease. With these numbers, the Port of Vancouver USA is currently operating at 83 percent exports and 17 percent imports.

- There was a slight decrease in the number of vessels that came through the port in 2017. One contributing factor is the Columbia River Channel Deepening Project, completed in 2010. The project deepened the river's navigation channel to 43 feet, allowing larger ships carrying more cargo to traverse the river. There was, however, a 16.51 percent increase in railcars. In 2017, a record-breaking 65,398 railcars moved across port-owned track, carrying Subaru vehicles, wind energy components, grains, copper concentrate and many other products across the Pacific Northwest and Midwest.

- Industrial occupancy at the port continues to exceed 99 percent. Construction is nearly complete on the port's 125,000-square-foot light-industrial facility at Centennial Industrial Park, and the building should be ready for occupancy in March 2018.

- The port's 50-plus tenants offer a wide range of products and services, from wood paneling and aluminum extrusion to food transportation and electronics recycling. Tenant businesses employ thousands of people and contribute significantly to the local economy and tax base.

- For the seventh year in a row, the port continued its commitment to renewable energy through the purchase Renewable Energy Credits (RECs) equal to 100 percent of its purchased electricity. The port also continues its innovative stormwater management with biofiltration technology that enables the port to meet regulatory requirements to control zinc, oil and other runoff contaminants. Other efforts include floating treatment wetlands in the port's Terminal 4 stormwater retention pond to assist in reducing copper and zinc.

- The port continues to invest in its Terminal 1 waterfront redevelopment project, which includes plans for a hotel, public marketplace, commercial and retail space, public art and a connection to the city's Renaissance Trail. In June 2017, the Vancouver City Council unanimously approved the port's Concept Development Plan. In August 2017 the port signed a lease with hotel developer Vesta Hospitality, which expects to break ground on a 160-room AC by Marriott hotel in late 2018. The port also received a $485,000 grant for extension of the City's Renaissance Trail; ground stabilization and utility work is slated for this summer.

2018 Budget
The port's 2018 operating revenues are forecast at $38.216 million, which is an increase over the $36.019 million 2017 actual operating revenues. This increase is attributed to retaining strong imports of heavy lift cargos, continued industrial development, customers interested in connecting the Midcontinent to international and domestic markets, and bulk exports. 2018 operating expenses are forecast at $30.320 million, a slight increase over the actual 2017 operating expenses of $28.477 million.

The $25.494 million 2018 capital budget represents various facility maintenance and terminal improvements. However, the continued engineering and construction of the West Vancouver Freight Access project, which is nearing completion, remains a priority to improve the passenger and freight network operating on the Pacific Northwest Rail Corridor.

Requests for Information
This financial report is designed and intended to provide a general overview of the Port of Vancouver's financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Port of Vancouver, Auditor, 3103 NW Lower River Road, Vancouver, WA 98660 or www.portvanusa.com.

PORT OF VANCOUVER USA
STATEMENT OF NET POSITION
For the Year Ended December 31, 2017

ASSETS	
Current Assets	
Cash and cash equivalents (Note 1)	$ 20,258,801
Restricted cash and cash equivalents (Note 1)	1,043,941
Investments (Note 2)	2,934,234
Total Cash and Investments	24,236,976
Other Current Assets	
Accounts receivable - trade (net)	2,984,008
Grants receivable	12,480
Taxes receivable	190,610
Note receivable (current portion)	36,871
Inventory	1,544,614
Prepaid benefits	145,376
Prepaid expenses	133,449
Prepaid insurance	324,895
Total Other Current Assets	5,372,303
Total Current Assets	29,609,279
Noncurrent Assets	
Capital Assets Not Being Depreciated (Note 4)	
Land and land rights	121,490,284
Construction in progress	69,609,285
Total Capital Assets Not Being Depreciated	191,099,569
Capital Assets Being Depreciated (Note 4)	
Buildings and structures	92,022,359
Machinery and equipment	24,684,748
Improvements	245,031,829
Intangible asset (Note 4)	27,990
Total Capital Assets Being Depreciated	361,766,926
Accumulated Depreciation	(155,352,129)
Total Net Capital Assets	397,514,366
Other Noncurrent Assets	
Minimum lease payments-revenue bonds (Note 10)	25,000,000
Prepaid bond insurance	223,394
Note receivable	63,087
Total Other Noncurrent Assets	25,286,481
TOTAL ASSETS	**$ 452,410,126**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge on Refunding (Note 10)	1,833,095
Deferred Outflows - Pensions (Note 7)	1,090,670
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$ 2,923,765**

See Accompanying Notes to the Financial Statements

PORT OF VANCOUVER USA
STATEMENT OF NET POSITION
For the Year Ended December 31, 2017

LIABILITIES	
Current Liabilities	
Accounts payable	$ 6,840,886
Payroll payable	640,317
Taxes payable	397,838
Retainage	791,099
Payable from restricted assets (customer deposits)	518,693
Current portion of GO Bonds (Note 10)	4,240,000
Current portion of Revenue Bonds (Note 10)	905,000
Current portion of other long-term obligations (Note 10)	1,390,747
Bond interest payable	338,993
Total Current Liabilities	16,063,573
Noncurrent Liabilities	
Employee leave benefits	1,166,143
General obligation bonds - net (Note 10)	38,796,166
Revenue bond (Note 10)	69,095,000
Special revenue bond (Note 10)	25,000,000
Note payable (Note 10)	3,271,907
Environmental remediation (Note 14)	6,015,042
Unearned Revenue	65,711
Total Net Pension Liability	5,482,224
Total Noncurrent Liabilities	148,892,193
TOTAL LIABILITIES	**$ 164,955,766**
DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows - Pension	$ 901,716
TOTAL DEFERRED INFLOWS OF RESOURCES	**$ 901,716**
NET POSITION	
Total net investment in capital assets	281,648,642
Restricted (Note 13)	514,331
Unrestricted	7,313,436
TOTAL NET POSITION	**$ 289,476,409**

See Accompanying Notes to the Financial Statements

PORT OF VANCOUVER USA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2017

OPERATING REVENUES	
Marine terminal/operations	$ 23,685,135
Property lease/rental operations	8,461,900
Facilities sales and service	3,281,726
Security sales and service	522,659
General and administrative	67,556
Total Operating Revenues	36,018,976
OPERATING EXPENSES	
Marine terminal/operations	11,006,825
Facilities	6,745,948
Security	2,209,719
General and administrative	8,736,917
Total before depreciation	28,699,409
Depreciation	11,345,504
Total Operating Expenses	40,044,913
Operating Income(Loss)	$ (4,025,937)
NONOPERATING REVENUES (EXPENSES)	
Ad valorem tax revenues	$ 10,033,153
Interest income	286,596
Federal and state grants	2,393,192
Other revenues	169,615
Repair and replacement revenue	137,245
Miscellaneous taxes	6,000
Gain(Loss) on disposal of assets	2,027
Environmental remediation	(92,589)
Columbia River Channel Improvement expense	(887,179)
Interest expense	(4,340,749)
Other expense	(807,155)
Total Nonoperating Revenues (Expenses)	6,900,156
Income(Loss) before other revenues, expenses, gains, loses, and transfers	2,874,219
Increase (decrease) in net position	2,874,219
Net Position as of January 1	286,602,190
Net Position as of December 31	**$ 289,476,409**

See Accompanying Notes to the Financial Statements

PORT OF VANCOUVER USA
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 36,091,321
Payments to suppliers	(18,230,556)
Payments to employees	(10,491,406)
Other payments	1,034,522
Net cash provided (used) by operating activities	8,403,881
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments for environmental remediation	(515,947)
Net cash provided by noncapital financing activities	(515,947)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from restricted property taxes	5,707,860
Proceeds from unrestricted property taxes	4,317,845
Grants received	37,522
Acquisition and construction of capital assets	(41,273,537)
Principal paid on bonds	(4,075,000)
Interest paid on bonds	(4,034,014)
Proceeds from bond issuance	30,000,000
Principal paid on notes payable	(753,980)
Interest paid on notes	(300,705)
Proceeds from bond administration	6,000
Net cash used for capital and related financing activities	(10,368,009)
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash received (paid) from sales (purchases) of investment	(1,949,036)
Interest and dividends	259,819
Net cash provided by investing activities	(1,689,217)
Net increase (decrease) in cash and cash equivalents	(4,169,293)
Cash and cash equivalents and January 1	25,472,035
Cash and cash equivalents at December 31	$ 21,302,742
Reconcile operating income to net cash provided by operating activities	
Net operating income (loss)	$ (4,025,937)
Adjustments:	
Depreciation	11,345,504
Change in assets and liabilities:	
Accounts receivable	508,338
Inventory	(282,888)
Unearned revenues	(473,110)
Other operating receivables	21,255
Accounts payable	436,870
Prepaid expenses	8,242
Taxes payable	(95,223)
Accrued liabilities	(73,694)
Nonoperating revenues (expenses)	1,034,522
Total adjustments	1,084,314
Net cash provided by operating activities	**$ 8,403,881**

See Accompanying Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port of Vancouver (port) was incorporated in 1912 and operates under the laws of the state of Washington applicable to a public port district as a municipal corporation under the provisions of Chapter 53 of the *Revised Code of Washington* (RCW). The financial statements of the port have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments.

A. Reporting Entity

The port is located in Clark County, Washington, and comprises territory less than the entire county, which is divided into three port districts. The port is governed by a three-member Board of Commissioners (commission) elected by port voters. The commission possesses final decision-making authority and is held primarily accountable for decisions. The commission appoints management, which is responsible for the day-to-day operations of the port. Management is held accountable to the commission. The commission and appointed management possess the ability to significantly influence operations, including authority to review and approve budgets, sign contracts as the contracting authority, approve the hiring and retention of key managerial personnel, exercise control over facilities and properties, and determine the outcome or disposition of matters affecting the port's customers. The port is independent from Clark County, which levies and collects taxes on behalf of the district. The port is a primary government and does not have any component units.

The RCW authorizes the port to provide and charge rentals, tariffs and other fees for docks, wharves and similar harbor facilities, including associated storage and traffic handling facilities for waterborne commerce. The port may also provide freight and passenger terminals and transfer and storage facilities for other modes of transportation, including air, rail and motor vehicles. The port may acquire and improve land for sale or lease for industrial or commercial purposes and may create industrial development districts.

The powers of eminent domain and ad valorem taxation upon the real and personal property within the district are also within the scope of port districts.

B. Basis of Accounting and Reporting

The accounting records of the port are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The port uses the *Budgeting, Accounting and Reporting System for GAAP Port Districts* in the State of Washington.

Funds are accounted for on a cost of services or economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity, are included on their statements of net position (or balance sheets). Their reported fund position is segregated into net investment in capital assets, restricted and unrestricted components of net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. The port discloses changes in cash flows by a separate statement that presents their operating, noncapital financing, capital and related financing and investing activities.

The port uses the full-accrual basis of accounting where revenues are recognized when earned, and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund.

The port distinguishes between operating revenues and expenses from nonoperating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the port’s principal ongoing operations. Terminal services and property rental revenues are charges for use of the port's facilities and are reported as operating revenue. Operating expenses for the port include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Ad valorem tax levy revenues, interest income, grant reimbursements and other revenues generated from non-operating sources are classified as non-operating revenue.

C. Use of Estimates
The preparation of the port's financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents
It is the port's policy to invest all temporary cash surpluses. At December 31, 2017, the treasurer was holding $21,302,742 in short-term residual investments of surplus cash. The amount was classified on the statement of net position as cash and cash equivalents.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balance maintained in 2017 was approximately $1,759,812.

For purposes of the statement of cash flows, the port considers short-term, highly liquid investments (including restricted assets) with maturity of three months or less from the purchase date to be cash equivalents.

2. Investments – See (Note 2, Deposits and Investments)

3. Receivables
Taxes receivable consist of property taxes and related interest and penalties (See Note 3). Accrued interest receivable consists of amounts earned on investments, notes and contracts at the end of the year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

Receivables have been recorded net of estimated uncollectible amounts. Because property taxes and special assessments are considered liens on property, no estimated uncollectible amounts are established. Estimated uncollectible amounts for trade receivables are $316,680.

Allowance for Uncollectable consists of the estimated amounts of customer accounts, notes and contracts that will never be collected.

Note Receivables consist of short and long-term customer trade obligations related to lease payments and right-of-way acquisitions.

4. Amounts Due to and from Other Governments
These accounts include amounts due to or from other governments for grants, entitlements and temporary loans, taxes and charges for services.

5. Inventories
Reported inventory is rail material purchased for the West Vancouver Freight Access Project and general rail system maintenance and environmental mitigation bank credits. Rail material inventory is valued at cost and will be used for rail system maintenance and phased rail construction based on engineering design and part specification over the next several years. Environmental mitigation bank credits will be used in future land developments.

The port maintains a small inventory of office supplies and maintenance parts. Parts and supplies are expensed as purchased and no inventory of these items is maintained.

6. Restricted Assets and Liabilities
These accounts contain resources for construction, debt service and in accordance with certain agreements or policies. The current portion of related liabilities is shows as *Payables from Current Restricted Assets*. The restricted assets are composed of the following:

Customer Deposits	518,694
R&R Fund	514,331
FSA	10,916
	$ 1,043,941

Only customer deposits are shown with a related liability. See (Note 13 – Restricted Component of Net Position)

7. Compensated Absences
In accordance with GASB Statement No. 16, *Accounting for Compensated Absences,* the port accrues a liability for compensated absences.

As of January 1, 2008, the port implemented a paid time off (PTO) policy for eligible administrative and union employees. The PTO policy takes the place of accounting for sick and vacation leave separately. PTO is accrued monthly based on years of service. PTO can be accrued to a maximum of 600 hours. Employees will receive remuneration upon resignation, separation or retirement for all PTO hours accumulated at their current rate of pay.

8. Unearned Revenues
This account includes amounts recognized as receivables (assets) but not revenues because the revenue recognition criteria have not been met.

9. Deferred Compensation Plans
The port offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all port employees, permits them to defer a portion of their salary until future years. The plan is fully funded and held in an outside trust.

The port has established a plan for non-represented employees in accordance with Internal Revenue Code Section 401(a). The port contributes to each eligible employee's 401(a) account based on tenure. A minimum contribution of $500 up to a maximum of $1,100 will be made annually. In addition, the port matches employee 457 plan deferrals dollar for dollar to a fixed maximum of $2,200 based on length of service.

A 457(f) Nonqualified Executive Retirement Plan and a 401(a) Supplemental Employer Contribution Savings Plan is provided to key employees. The Board of Commissioners has discretionary authority to make determinations as to eligibility and benefits under the plan. The participants' accrued benefits shall be fully vested providing they remain in continuous service for the term of the agreement or until they leave under a qualifying event. If participants terminate under a non-qualifying event, they forfeit all accrued benefits.

10. Capital Assets (See Note 4)

11. Long-term Debt (See Note 10)

12. Deferred Inflows and Outflows of Resources
    The port reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The port classified deferred charges on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price amortized over the shorter of the life of the refunded or refunding debt as deferred outflows of resources.

13. Pensions
    For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - DEPOSITS AND INVESTMENTS

Treasury Function

The port commission adopted Resolution 06-03 appointing its own port treasurer. The treasurer is responsible for the management and investment decisions of the port's deposits and investment accounts. The port commission adopted an investment policy pursuant to its Resolution 8-03, that directs the port to invest funds in a manner which provide maximum security with the highest investment return while meeting the daily cash flow demands of the port and conforming to all state and local statutes governing the investment of public funds. The port's investment policy sets forth three criteria to determine what investments are appropriate. The three criteria, in order of importance are: safety of principal, liquidity of the investment, and overall return on investment. The port's investment policy establishes guidelines on types of investments, the maximum holding of any one type of investment, diversification of investments and maximum maturity of its investments both on an individual security type basis and for the entire investment portfolio.

A. Deposits

Petty cash on hand at December 31, 2017 was $200. The carrying amount of the port's deposits $1,776,445 and the bank balances were $2,066,618.

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the port would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The port's deposits are deposited in qualified depositories as required by state statute. The port's deposits are mostly covered by federal depository insurance coverage (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC) and therefore do not have custodial risk. The port has not experienced any losses in its deposit accounts.

B. Investments

Investments, are stated at fair value, based on quoted market prices in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in the fair-value of investment is recognized as an increase or decrease to the investment assets and investment income.

Interest income on investments is recognized in non-operating revenue as earned. Changes in fair value of investments are recognized on the Statements of Revenues, Expenses, and Changes in Net Position.

State of Washington under Chapter 39.59 RCW limits the investment of public funds by local governments to the following authorized instruments: (i) bonds of the State or any local government in the State, (ii) general obligation bonds of any other state or local government thereof which have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency, (iii) registered warrants of a local government in the same county as the local government making the investment, (iv) obligations of the U.S. government, its agencies and wholly owned corporations, or obligations issued or guaranteed by supranational institutions, provided, that at the time of investment, the United States government must be the largest shareholder of such institution, (v) obligations of the Federal Home Loan Bank, Fannie Mae and other government-sponsored enterprises whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system, (vi) bankers' acceptances purchased in the secondary market, (vii) commercial paper purchased in the secondary market, subject to State Investment Board policies, and (viii) corporate notes purchased in the secondary market, subject to State Investment Board policies.

Risks
Investments are subject to the following risks:

Interest Rate Risk – Interest rate risk is the risk that changes in interest will adversely affect the fair market value of an investment. Through its investment policy the port manages its exposure to fair market value losses arising from increasing interest rates by laddering its investments by maturity, establishing maturity limits for individual investments and maturity limits for its investment portfolio as a whole. In addition to the extent possible, the port attempts to match its investments with anticipated cash flow requirements.

The table below identify the type of investments, concentration of investments in any one issuer, and maturities of the port investment portfolio:

As of December 31, 2017	Maturities (in Years)					
Investment Type	Fair Value	Less than 1	1 to 3	3 to 5	More than 5	% of Total Portfolio
Federal Home Loan Bank	$ 979,584	$ -	$ 491,712	$ 487,872	$ -	4.36%
Federal Farm Credit Bank	1,229,051	-	739,266	489,785	-	5.47%
Federal National Mortgage Association	487,062	-	-	487,062	-	2.17%
FICO Strip	238,537	-	238,537	-	-	1.06%
WA State Local Government Investment Pool *	19,526,097	19,526,097	-	-	-	86.94%
Total	**$ 22,460,331**	**$ 19,526,097**	**$ 1,469,515**	**$ 1,464,719**	**$ -**	**100.00%**
Percentage of Total Portfolio		**86.94%**	**6.54%**	**6.52%**	**0.00%**	**100.00%**

* The fair value of the investments in the Washington State Local Government Investment Pool are same as the amortized cost of the pool
With the exception of amounts in the WA State Local Governement Investment Pool, which are considered Cash and Cash Equivalents, all other amounts are included within Investments .

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Washington State Local Investment Pool is an unrated 2a-7 like pool, as defined by the Government Accounting Standards Board. State statute and the port's investment policy establishes the type of investments and the credit quality rating the port can invest in.

The table below identifies credit quality ratings for the port's investment portfolio:

As of December 31, 2017	Moody's Equivalent Credit Ratings					
Investment Type	Fair Value	Aaa	Aa1	Aa2	Aa3	Not Rated
Federal Home Loan Bank	$ 979,584	$ 979,584	$ -	$ -	$ -	$ -
Federal Farm Credit Bank	1,229,051	1,229,051	-	-	-	-
Federal National Mortgage Association	487,062	487,062	-	-	-	-
FICO Strip	238,537	238,537	-	-	-	-
WA State Local Government Investment Pool *	19,526,097	-	-	-	-	19,526,097
Total	**$ 22,460,331**	**$ 2,934,234**	**$ -**	**$ -**	**$ -**	**$ 19,526,097**

* The fair value of the investments in the Washington State Local Government Investment Pool are same as the amortized cost of the pool shares.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of a counterparty to an investment transaction the port will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. To minimize this risk, the port's investment policy requires that all security transactions, except the Washington State Local Government Investment Pool are settled "delivery verses payment" basis. This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the port's custodial safekeeping bank, Key Bank. With the exception of the Washington State Local Government Investment Pool, the port's investments are registered, or held by Port of Vancouver or its agent in the Port of Vancouver's name by the custodial safekeeping bank.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of an investment of a single issuer. The port's investment policy establishes limits on the portfolios maximum holding by type of security and per issue.

Investments in Local Government Invest Pool (LGIP)

The port is a participant in the Local Government Investment Pool authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP Advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at http://www.tre.wa.gov.

Investments Measured at Fair Value

The port measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3: Unobservable inputs for an asset or liability.

The table below identifies the port's investments measured at fair value and amortized cost:

	As of December 31, 2017	Fair Value Measurements Using Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Federal Home Loan Bank	$ 979,584	$ -	$ 979,584	$ -
Federal Farm Credit Bank	1,229,051	-	1,229,051	-
Federal National Mortgage Association	487,062	-	487,062	-
FICO Strip	238,537	-	238,537	-
Total Investments measured at fair-value	$ 2,934,234	$ -	$ 2,934,234	$ -
Investments measured at amortized costs				
WA State Local Government Investment Pool (LGIP)	$ 19,526,097			
Total Investments measured at amortized costs	$ 19,526,097			
Total Investments	**$ 22,460,331**			

With the exception of amounts in WA State Local Governement Investment Pool, which are considered Cash and Cash Equivalents, all other amounts are included within Investments.

C. <u>Summary of Deposit and Investment Balances</u>

The table below reconciles the port's deposits and investment balances:

As of December 31, 2017	Total
Cash and Cash Equivalents	
Cash on-hand	$ 200
Deposits	1,776,445
WA State Local Government Investment Pool (LGIP)	19,526,097
Total Cash and Cash Equivalents	$ 21,302,742
Investments	
Federal Home Loan Bank	$ 979,584
Federal Farm Credit Bank	1,229,051
Federal National Mortgage Association	487,062
FICO Strip	238,537
Total Investments	$ 2,934,234
Total Cash and Investments	**$ 24,236,976**

NOTE 3 – PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

Propety Tax Calendar	
January 1	Tax is levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's lev at 100 percent of market value.
October 31	Second installment is due.

Property taxes are recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The port may levy up to $0.45 per $1,000 of assessed valuation for general governmental services. The Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. The port may also levy taxes at a lower rate.

The port's regular levy for 2017 was $0.12909 per $1,000 on an assessed valuation of $33,079,223,893 or a total regular levy of $4,270,193. The port also levied an additional $0.17282 per $1,000 for the repayment of general obligation bonds for a total additional levy of $5,716,665. For 2017, the port collected 98.90% of ad valorem taxes levied.

NOTE 4 - CAPITAL ASSETS

A. Major expenses (defined by the port as those in excess of $5,000) for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. All capital assets are valued at historical cost (or estimated historical cost, where historical cost is not known/or estimated market value for donated assets).

   The port has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the port has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable account.

   Interest on funds used during construction, less interest earned on related interest-bearing investments if the asset is financed with the proceeds from externally restricted tax-exempt proceeds, is capitalized as part of the cost of the asset. This process is intended to remove the cost of financing construction activity from the comparative statements of revenues, expenses and changes in net assets, and to treat such cost in the same manner as construction labor and material costs. The port had no capitalized interest in 2017.

   Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method. Buildings and improvements are assigned lives of 5 to 50 years; equipment 3 to 10 years; and furniture and fixtures 3 to 5 years.

   In accordance with generally accepted accounting principles for regulated businesses, the port has a deferred intangible asset of $27,990 as of December 31, 2017. The initial cost of $29,072 in 2004 and $20,427 in 2015 were for the easement of two disposal sites for the Columbia River Channel Improvement Project. The costs are amortized on the straight-line method over 20 years.

   Capital assets activity for the year ended December 31, 2017 was as follows:

Capital Assets Activities	Beginning Balance 01/01/2017	Increases	Decreases	Ending Balance 12/31/2017
Capital assets, not being depreciated:				
Land	83,760,295	37,729,989	-	121,490,284
Construction in progress	77,467,025	41,534,222	49,391,962	69,609,285
Total capital assets, not being depreciated	**$161,227,320**	**$79,264,211**	**$49,391,962**	**$191,099,569**
Capital assets, being depreciated:				
Buildings	79,546,111	12,476,248	-	92,022,359
Improvements other than buildings	245,841,105	1,631,134	2,440,410	245,031,829
Machinery and equipment	24,567,079	117,669	-	24,684,748
Intangible	30,502	-	2,512	27,990
Total capital assets being depreciated	**$349,984,797**	**$14,225,051**	**$2,442,922**	**$361,766,926**
Less accumulated depreciation for:				
Buildings	31,478,528	1,435,710	-	32,914,238
Improvements other than buildings	97,565,095	8,070,461	69,500	105,566,056
Machinery and equipment	14,963,001	1,908,834	-	16,871,835
Total accumulated depreciation	**$144,006,623**	**$11,415,005**	**$69,500**	**$155,352,129**
Total net capital assets	**$367,205,494**	**$82,074,257**	**$51,765,384**	**$397,514,366**

NOTE 5 - Construction and Other Significant Commitments

The port has active construction projects as of December 31, 2017. At year-end the port's commitments with contractors are as follows:

Project	Contract Amount	Spent to Date	Remaining Commitment
LaFarge Pretreatment Facility	$ 297,210	$ -	$ 297,210
Building 2501 Loading Dock & Door Repair	$ 38,718	$ -	$ 38,718
Building 2501 Electrical Improvements	$ 201,526	$ 17,302	$ 184,224
Building 2501 Fire Suppression Retrofit	$ 552,840	$ -	$ 552,840
High Tank Replacement Phase II	$ 1,011,963	$ -	$ 1,011,963
WVFA Grain Track Unit Train Improvements Phase B	$ 15,893,688	$ 10,846,236	$ 5,047,452
	$ 17,995,945	**$ 10,863,538**	**$ 7,132,407**

NOTE 6 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 7 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2017:

Aggregated Pension Amounts - All Plans	
Pension liabilities	$ (5,482,224)
Pension assets	$ -
Deferred outflows of resources	$ 1,090,669
Deferred inflows of resources	$ (901,717)
Pension expense/expenditures	$ 757,442

State Sponsored Pension Plans

Substantially all port full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions
The **PERS Plan 1**member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January - June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**
July - December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**12.70%**	**6.00%**

* For employees participating in JBM, the contribution rate was 12.26%.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

<u>Contributions</u>
The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently

set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January - June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**11.18%**	**6.12%**
July - December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**12.70%**	**7.38%**

* For employees participating in JBM, the contribution rate was 15.30%.

The port actual PERS plan contributions were $372,274 to PERS Plan 1 and $521,536 to PERS Plan 2/3 for the year ended December 31, 2017.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.

- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.

- For all plans, the average expected remaining service lives calculation was revised.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of NPL

The table below presents the port's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 3,438,825	$ 2,822,894	$ 2,289,367
PERS 2/3	$ 7,164,512	$ 2,659,330	$ (1,031,999)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the port reported a total pension liability of $5,482,224 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$ 2,822,894
PERS 2/3	$ 2,659,330

At June 30, the port's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.0578%	0.0595%	0.0017%
PERS 2/3	0.0740%	0.0765%	0.0025%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the port recognized pension expense as follows:

	Pension Expense
PERS 1	$ 254,916
PERS 2/3	$ 502,527

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (105,342)
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 192,409	$ -
Total	$ 192,409	$ (105,342)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 269,453	$ (87,461)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (708,913)
Changes of assumptions	$ 28,247	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 313,942	$ -
Contributions subsequent to the measurement date	$ 286,618	$ -
Total	$ 898,260	$ (796,374)

Deferred outflows of resources related to pensions resulting from the port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended 12/31	PERS 1
2018	$ (71,205)
2019	$ 22,480
2020	$ (5,220)
2021	$ (51,398)
2022	
Thereafter	
Total	$ (105,342)

Year ended 12/31	PERS 2/3
2018	$ (137,444)
2019	$ 171,202
2020	$ (37,226)
2021	$ (270,352)
2022	$ 38,734
Thereafter	$ 50,354
Total	$ (184,732)

NOTE 8 - PENSION PLANS - NONGOVERNMENTAL PLANS (PENSIONS PROVIDED THROUGH CERTAIN MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLANS)

Some port employees may be provided with pensions through a cost-sharing, multiple-employer defined benefit pension plan that, (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions to both employees of state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The port has six union sponsored pension plans meeting these criteria. As of December 31, 2017, the nongovernmental plans are composed of the following:

Name of Pension Plan	Entity	Cost-Sharing	Financial Report	Benefit Type	# of Covered Employees	Benefit Terms	Contribution Requirments	Balance of Payables *	Expiration Date
47P	Oregon-Washington Carpenters-Employers Trust	Yes	Yes	Pension	4 Carpenters	Collective-bargaining agreement	4.40 multiple by hours worked	$2,554.20	6/1/2018
47AP Non-accrruing pension	Oregon-Washington Carpenters-Employers Trust	Yes	Yes	Non-Accruing Pension	4 Carpenters	Collective-bargaining agreement	2.20 multiple by hours worked	$1,277.10	6/1/2018
47PNA- Non-accruing pension	Oregon-Washington Carpenters-Employers Trust	Yes	Yes	Non-Accruing Pension	4 Carpenters	Collective-bargaining agreement	.40 multiple by hours worked	$ 232.20	6/1/2018
47PNAO	Oregon-Washington Carpenters-Employers Trust	Yes	Yes	Non-Accruing Pension	4 Carpenters	Collective-bargaining agreement	.66 multiple by hours worked	$ 383.13	6/1/2018
Dist 9 ER	Electrical Trust Funds	Yes	No	Pension	2 Electricians	Collective-bargaining agreement	3.64, 3.37 muliptle by hours worked	$1,094.64	1/1/2018
Edison Pension	Electrical Trust Funds	Yes	No	Pension	2 Electricians	Collective-bargaining agreement	7.25, 7.00 multiple by hours worked	$2,224.00	1/1/2018
NEBF	Electrical Trust Funds	Yes	Yes	Pension	2 Electricians	Collective-bargaining agreement	.03 multiple by hours worked	$ 429.77	1/1/2018
Pension	NW Laborers-Employers Trust Fund	Yes	Yes	Pension	10 NW Laborers	Collective-bargaining agreement	4.09 multiple by hours worked	$6,390.89	6/1/2018
Pension	AGC-IUOE Local 701 Trust Funds	Yes	Yes	Pension	6 Operating Engineers	Collective-bargaining agreement	4.40 multiple by hours worked	$3,394.60	1/1/2018
Local 290 Pension	UA Local Union 290 Plumbing and Pipfitting Industry	Yes	Yes	Pension	1 Plumber	Collective-bargaining agreement	10.98 multiple by hours worked	$1,767.78	4/1/2018
National Pension	UA Local Union 290 Plumbing and Pipfitting Industry	Yes	Yes	Pension	1 Plumber	Collective-bargaining agreement	1.51 multiple by hours worked	$ 243.11	4/1/2018
NASI Pension Fund	National Automatic Sprinkler Indsutry	Yes	No	Pension	2 Sprinkler Fitters	Collective-bargaining agreement	6.20 multiply by hours worked	$2,015.00	1/1/2018
Sprinkler Industry Supplemental Pension	National Automatic Sprinkler Indsutry	Yes	No	Pension	2 Sprinkler Fitters	Collective-bargaining agreement	5.63 multiply by hours worked	$1,829.75	1/1/2018

* The amounts were earned by 12/31/2017, and payables are due in January 2018. Required contributions to the pension plans are related to past services performed per union contracts.

NOTE 9 – RISK MANAGEMENT

The port is exposed to various risks of loss related to torts; damage to, theft of and destruction of assets or cargo; natural disasters; and employee injuries. To limit exposure, the port purchases property, liability and related insurance coverage annually through a commercial insurance broker which provides coverage against most normal hazards. In comparison to prior years, there were no significant changes in the type and coverage of insurance policies purchased by the port in 2017. Settlement claims have not exceeded commercial insurance coverage in any of the past three years.

The port participates in the State of Washington Labor and Industries workman's compensation program. However, management has elected to become self-insured through the Washington State Employment Security Department on a reimbursement basis. Unemployment claims are processed by the Washington State Employment Security Department. No reserve for self-insurance has been established as the potential liability is not considered to be material to the financial statements.

NOTE 10 – LONG-TERM DEBT

A. Long-Term Debt

The port issues general obligation bonds and special revenue bonds to finance the purchase and construction of capital assets. Unamortized debt issue costs are recorded as deferred charges and bonds are displayed net of premium, discount or deferred amount on refunding. Annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs, discounts, and deferred amounts on refunding. The port is also liable for a right-of-way settlement agreement for the West Vancouver Freight Access Project.

B. General Obligation Bonds

General Obligation bonds currently outstanding are as follows:

Obligation	Original Issue	Interest Rate	Maturity	Balance 12/31/17
2009 Series A	15,000,000	3.0-5.0%	2028	7,545,000
2009 Series B	7,335,000	3.0-5.0%	2018	720,000
2011	5,600,000	2.0-4.0%	2021	2,450,000
2012 Seriers A	5,905,000	2.0-4.0%	2022	3,520,000
2012 Seriers B	29,745,000	0.38-3.614%	2028	27,900,000
		Total GO Bonds before current portion		$ 42,135,000
		Current portion		4,240,000
		Discount		(77,154)
		Premium		978,320
		Deferred amount on refunding		(1,833,095)
		Total long-term GO bonds, net		$ 38,796,166

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31 2017	Principal	Interest
2018	4,240,000	1,474,941
2019	4,420,000	1,287,484
2020	4,555,000	1,158,507
2021	4,695,000	1,011,731
2022	4,955,000	886,917
2023-2027	15,770,000	2,567,462
2028	3,500,000	196,299
Total	$ 42,135,000	$ 8,583,342

C. Revenue Bonds

Revenue Bonds currently outstanding are as follows:

Obligation	Original Issue	Interest Rate	Maturity	Balance 12/31/17
2016 Revenue Bonds	40,000,000	1.325%-4.010%	2046	40,000,000
2017 Revenue Bonds	30,000,000	2.001%-4.693%	2047	30,000,000
			Total Revenue Bonds before current portion	$ 70,000,000
			Current portion	905,000
			Discount	-
			Premium	-
			Total long-term Revenue Bonds, net	$ 69,095,000

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31 2017	Principal	Interest
2018	905,000	2,592,975
2019	1,530,000	2,580,984
2020	1,560,000	2,554,352
2021	1,585,000	2,523,030
2022	1,625,000	2,487,818
2023-2027	8,780,000	11,773,868
2028-2032	10,250,000	10,303,449
2033-2037	10,810,000	8,203,422
2038-2042	14,785,000	5,436,507
2043-2047	18,170,000	1,978,182
Total	$ 70,000,000	50,434,589

D. Special Revenue Bonds

Port Resolution 9-2009 provided for the issuance of refunding revenue bonds of the port in the principal amount of $25,000,000. A lease agreement provides for unconditional payment of rent equal to the debt service of the special revenue bonds. The bonds are not general obligations of the port, are payable solely from the pledged revenues of the lease and do not constitute a lien on the unpledged revenues of the port. The special revenue bonds are supported by direct payment of irrevocable bank letters of credit.

The outstanding special revenue bonds are adjustable tender bonds subject to purchase on demand of the holder at a price equal to the principal plus accrued interest under certain notification requirements. Interest rates on these bonds are adjustable.

The special revenue bonds currently outstanding are as follows:

Obligation	Original Issue	Interest Rate	Maturity	Balance 12/31/17
Series 2009	$ 25,000,000	Adjustable	2029	$ 25,000,000

E. Notes Payable

a. The State of Washington, Department of Transportation is authorized and empowered under RCW 47.76A to provide financial assistance to cities, counties, ports and railroads for the purposes of acquiring, rebuilding, rehabilitating, or improving rail lines necessary to maintain essential rail services. The port and the State of Washington negotiated a loan to a not to exceed amount of $250,000 to construct a rail spur consisting of 542 track feet of rail, two #9 turnouts, sub-ballast, and other materials necessary to provide rail service to the Farwest Steel facility. Total expenditures related to this project are $103,770.

Date	Obligation
7/1/2018	10,377
7/1/2019	10,377
7/1/2020	10,377
7/1/2021	10,377
7/1/2022	10,377
Total	$ 51,885

b. The port is authorized and empowered under RCW 53.08.010 to acquire all lands, property, property rights, leases and easements necessary to carry out the West Vancouver Freight Access Project. The port and Lafarge North America, Inc. negotiated a comprehensive settlement of $516,000 that allows for the port to move forward with right of way acquisition within and over the property owned by Lafarge North America. Terms of the settlement are as set forth in the *Purchase and Sale Agreement* with one final installment payment to be paid on December 31, 2018. Prior to the Maturity Date of the Promissory Note, Lafarge has the right to request the port to complete certain work benefitting Lafarge. The costs and expenses incurred by the port in completing a project will reduce the principal balance of the Promissory Note. During the year ending December 31, 2017, the port completed work and subsequently reduced the promissory note in the amount of $63,469.

Date	Obligation
12/31/2018	452,531
Total	$ 452,531

c. On December 8, 2015, the port approved Settlement Agreement with Columbia River Alliance for Nurturing the Environment (CRANE) and agreement to transfer property with Columbia Land Trust. The agreements accomplish the following goals: Allow the Port of Vancouver to complete its efforts to entitle approximately 450 net acres of marine and industrial development; respond to market demand primarily in the agriculture, dry bulk, liquid bulk, roll on roll off and heavy manufacturing sectors; creation of approximately 540 acres of habitat for Sandhill Cranes and other wildlife in the Vancouver lowlands; participate with the well-known and well respected Columbia Land Trust as steward of the habitat and open space; provide opportunity for substantial job creation and beneficial economic development to Vancouver, Clark County and the greater Portland region. Starting on August 1, 2016, the port will make16 quarterly installments of $345,093.56 to Columbia Land Trust, to fund an endowment totaling $5,521,481 by May 1, 2020. The endowment held in perpetuity by Columbia Land Trust will be utilized for long term maintenance and operations.

Date	Obligation
2/1/2018	345,093
5/1/2018	345,093
8/1/2018	345,093
11/1/2018	345,093
2/1/2019	345,093
5/1/2019	345,093
8/1/2019	345,093
11/1/2019	345,093
2/1/2020	345,093
5/1/2020	345,093
Total	$ 3,450,926

d. The Washington and Oregon ports entered into the "Intergovernmental Agreement Among Lower Columbia River Ports for Columbia River Channel Deepening and Maintenance" with the U.S. Army Corps of Engineers for the Channel Improvement Project on June 21, 2004. The Project Cooperation Agreement identifies disposal, mitigation and restoration sites needed for the Channel Improvement Project. The State of Washington appropriated $27.7 million for the Washington sponsor's share of project costs. The Oregon-Washington Ports Agreement allocates costs of the Channel Improvement Project. All costs incurred, with the exception for port-owned beneficial use sites, will be shared 50/50 between the states. The Washington ports share of the costs is shared equally between the three Washington ports. At the completion of the Columbia River Channel Improvement Project a final accounting of the project will occur to ensure that the non-federal sponsors have equally contributed to the project, met their obligations to U.S. Army Corps of Engineers, and equalization will occur between the States of Washington and Oregon. Having reached substantial completion, on December 31, 2017, the port has accrued cost of $707,312, and will start amortization on the straight-line method over 20 years when the U.S. Army Corps of Engineers completed the project. See (Note 16, Columbia River Channel Improvement Project)

NOTE 11 - CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2017, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2017	Additions	Reductions	Ending Balance 12/31/2017	Due within One Year
G.O. Bonds	$ 46,210,000	$ -	$ 4,075,000	42,135,000	$ 4,240,000
Discounts/premiums/refunding	(960,955)	-	29,026	(931,929)	-
Special Revenue Bond	25,000,000	-	-	25,000,000	-
Revenue Bond	40,000,000	30,000,000	-	70,000,000	905,000
Total Bonds Payable	110,249,045	30,000,000	4,104,026	136,203,071	5,145,000
Notes Payable	5,416,631	707,312	1,461,289	4,662,654	1,390,747
Environmental Remediation	6,438,400	-	423,358	6,015,042	-
Compensated Absences	1,108,271	57,872		1,166,143	-
Pension Obligations	6,832,898		1,350,674	5,482,224	-
Total long-term liabilities	**$ 130,045,245**	**$ 30,765,184**	**$ 7,339,347**	**$ 153,529,134**	**$ 6,535,747**

NOTE 12 – LEASE COMMITMENTS

Operating Leases

The port is committed under various leases for the lease of several pieces of office equipment and a vehicle. Such leases are considered to be operating leases for accounting purposes. Total cost for such leases was $34,979 for the year ended December 31, 2017. The leases expire between December 2018 and December 2020. Future minimum lease payments as follows:

Year	Obligation
2018	32,616
2019	29,041
2020	26,668
2021	-
	$ 88,325

Property Leases
The port leases industrial properties on a long-term basis and are reported as property rentals. The following is a schedule of future minimum rental income under non-cancelable leases having an initial term in excess of one year:

Year	Forecast
2018	8,134,395
2019	7,219,959
2020	6,655,664
2021	6,275,615
2022	6,312,643
Thereafter	15,436,729
Total minimum future rents	$ 50,035,005

NOTE 13 – RESTRICTED COMPONENT OF NET POSITION
The port's statement of net position reports $1,043,941 of restricted net assets.

Repair & Replacement Fund: To cover potential dock damage resulting from EVRAZ Inc, NA. Operations and use of the Terminal Storage Area, EVRAZ agrees to pay an additional $0.25 per mt, to be held by the port in a separate account, to be used by the port to pay for repairs to the Terminal Storage Area. In the event that the fund amount is insufficient to cover the costs of repairs, EVRAZ shall be responsible for any additional costs for repair as provided under the port's Terminal Use Agreement. EVRAZ's contributions will continue until $600,000 is in the fund and will resume at such time as the fund amount falls below $600,000 and continue until the amount is replenished.

NOTE 14 - POLLUTION REMEDIATION OBLIGATION
TCE: Soil and shallow ground water samples taken in 1997 during the Mill Plain extension project showed concentrations of trichloroethylene (TCE) which exceeded Department of Ecology's (Ecology) ground water and industrial soil cleanup levels. Chlorinated solvent-related contamination was subsequently discovered at the Cadet Manufacturing facility located north of the former Swan site. Both Cadet and Swan formerly used chlorinated solvents, primarily trichloroethylene (TCE), to degrease metal parts which leached into the ground.

Ecology named the port as a potentially responsible party (PRP) under the Model Toxics Control Act (MTCA). In 1998 and 2001 the port entered into agreed orders with Ecology. Under the agreed orders, the port must investigate and remediate TCE and other chlorinated solvent contamination associated with the former Swan site.

In 1999, Cadet was named as a PRP and subsequently entered into an agreed order with Ecology under the MTCA. At the same time, the port filed a contribution claim against Cadet, the corporate successor to Swan, for all costs expended by the port for the Swan cleanup. In February 2006, the port reached an agreement with Cadet to settle the lawsuit. Under this agreement, the port purchased the

Cadet site and assumed full responsibility for the remedial activities contained in the agreed order between Cadet and Ecology. Effective May 1, 2008, the port and Ecology negotiated a combined agreed order (07-TC-S-DE5189) for both the Swan and Cadet sites. No significant changes to Ecology's requirement were made with this revision.

Currently, the TCE cleanup is in the final measurement benchmark established by GASB 49: "Remediation design and implementation, through and including operation and maintenance, and post remediation monitoring." At this stage, the port is required to continue to refine its estimate of its liability as additional information becomes available.

In June 2009, the port completed construction of its new Groundwater Cleanup Facility to expedite the completion of the remediation of TCE and other solvents in the groundwater. Using a process known as "air stripping," the facility pumps contaminated water from the aquifer, and filters it through various tanks before the air stripping removes contaminants from the water and discharging the clean water.

The Yakama Nation is a tribal government with a role in the investigation and cleanup of environmental contamination under both federal law (CERCLA) and state law (MTCA). Following the publication of the remedial investigation reports and feasibility study for public notice and comment, the Yakama Nation expressed its interest in resources impacted by the site, and its desire to participate in the development of the proposed remedial action for the site. In February 2015, the tribe requested that the port enter into a funding and participation agreement that would enable the Yakama Nation to be involved in the development and implementation of remedial actions. The Yakama Nation informed the port that if the port declined to enter into an FPA, the tribe would participate in the development and implementation of remedial actions at the site anyway, and seek recovery of its costs through appropriate means, including but not limited to litigation. The port and the Yakama Nation negotiated a reasonable and appropriate FPA.

A budget for remediation costs has been prepared by the port's environmental engineer. This budget is the basis for estimates for the year ending December 31, 2017. There are no other responsible parties and no estimated recoveries reducing this liability as of December 31, 2017.

This estimated liability for TCE was prepared using the expected cash flow technique, which measures the liability as the sum of probability weighted amounts in a range of possible estimated amounts. This is an estimate only and potential for change exists resulting from price increases or reductions, technology or changes in applicable laws or regulations. Time assumptions for TCE tasks varying between 5 and 30 years have been assigned estimated values and probability weighted to arrive at expected costs. The estimates and assumptions will be reevaluated as material events occur. The total expected cost for TCE tasks at December 31, 2017 is $4,680,500.

<u>Other Sites:</u> This estimated environmental remediation obligation also includes long-term monitoring costs at additional sites: Fort Vancouver Plywood, Brazier, ASI and Terminal 5 (formerly the Alcoa/Evergreen sites). These sites have been in a monitoring status for many years as required by the Department of Ecology. There are no indications of additional future regulatory requirements, no other responsible parties, or potential cost recoveries. Groundwater monitoring costs have very little variability and costs are projected for the next 15 years. Total expected costs for these sites are $1,334,542. In May 2016, the port performed subsurface investigations at the terminal one. The result indicated some localized areas of shallow soil contamination (1-8 feet below ground surface) that exceed the state cleanup levels for petroleum hydrocarbons and some heavy metals. The investigations also indicate localized areas of groundwater contamination that exceed state cleanup levels for petroleum hydrocarbons, naphthalene and some heavy metals. Estimated costs for cleanup can be determined once future development impacts to the site are determined.

The total environmental remediation obligation for all sites is disclosed on the Statement of Net Position at $6,015,042. Adjustment shown on the statement of Revenues, Expenses and Changes in Fund Net Position represents the modification to the expected cash flow estimate for changes in the remediation obligation. This is a result of annually refining the estimate of the port's remediation obligation liability as additional information becomes available. Remediation expenses, as incurred, flow through the statement of net position as a reduction of the environmental remediation obligation.

NOTE 15 – CONTINGENCIES AND LITIGATION

The port has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the port will have to make payment of $300,000. In the opinion of management, the port (insurance policies and/or self-insurance reserves) are adequate to pay all known or pending claims.

As discussed in Note 10 Long-Term Debt, the port is contingently liable for repayment of refunded debt.

The port participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Port management believes that such disallowances, if any, will be immaterial.

NOTE 16 – COLUMBIA RIVER CHANNEL IMPROVEMENT PROJECT

The Columbia River Channel Improvement Project is a bi-state project supported by port sponsors from the States of Oregon and Washington. Over the past decade, The Washington Ports of Kalama, Longview, and Vancouver, have cooperated with the U.S. Army Corps of Engineers and the ports of Portland and St. Helens, regarding improvements to the Columbia River Federal Navigation Channel. This has included, among other activities, a reconnaissance study, a feasibility study under the auspices of the Columbia River Improvement Project, the Dredged Material Management Plan and associated environmental impact statements for both the maintenance of the existing channel and the plans to increase the channel depth from 40 to 43 feet.

The ports entered into the Washington Ports Agreement in 1999 for the purpose of participating as non-federal sponsors for the Channel Improvement Project. The ports expanded the agreement by amendments on October 17, 2001, on February 19, 2002, on March 15, 2002, and January 30, 2004.

The Washington and Oregon ports entered into the “Intergovernmental Agreement Among Lower Columbia River Ports for Columbia River Channel Deepening and Maintenance” with the U.S. Army Corps of Engineers for the Channel Improvement Project on June 21, 2004. The Project Cooperation Agreement identifies disposal, mitigation and restoration sites needed for the Channel Improvement Project.

The State of Washington appropriated $27.7 million for the Washington sponsor’s share of project costs. The Oregon-Washington Ports Agreement allocates costs of the Channel Improvement Project. All costs incurred, with the exception for port-owned beneficial use sites, will be shared 50/50 between the states. The Washington ports share of the costs is shared equally between the three Washington ports. At the completion of the Columbia River Channel Improvement Project a final accounting of the project will occur to ensure that the non-federal sponsors have equally contributed to the project, met their obligations to U.S. Army Corps of Engineers, and equalization will occur between the States of Washington and Oregon.

The deepening portion of the 103-mile navigation channel was completed in November 2010. There are two remaining disposal sites to be acquired. Disposal sites are reported as capital contributions for financial statement purposes and are carried at one-third of value by the ports of Kalama, Longview and Vancouver.

NOTE 17 – TAX ABATEMENT

While the port has the capability to provide tax abatements in conjunction with the City of Vancouver and Clark County, it has no outstanding tax abatement agreements or abatements that are entered into by other governments that reduce tax revenues.

NOTE 18 – ACCOUNTING AND REPORTING CHANGES

In March 2016, GASB issued Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The adoption of this standard on the port's financial statements and related disclosures had no material impact on the net position and changes in net position.

In June 2015, GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The port has not offered any postemployment benefits plans and as such, the adoption of this guidance had no impact on the net position and changes in net position.

In January 2016, GASB issued Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The adoption of this guidance did not have a material impact on the net position and changes in net position.

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The port is currently evaluating the effect of this standard on its financial statements and related disclosures.

NOTE 19 - UNIQUE AND UNUSUAL TRANSACTIONS

A. Major Customer

The port had two major customers in 2017 that represented individually more than 10% percent of total operating revenues. These customers' commodities are derived from both the agriculture and automotive industries.

B. Subsequent Event

On December 12, 2017, the Port of Vancouver commissioners approved Resolution No. 8-2017, authorizing the issuance and sale of senior lien revenue and refunding bonds in one or more series in the aggregate principal amount of not to exceed $25,000,000, for the purpose of financing the acquisition of real property and interests therein and the completion of capital improvements and repairs to the Port's properties and Facilities, including, but not limited to, those in connection with the West Vancouver Freight Access Project, Centennial Industrial Park, and the Waterfront Project, as well as capital improvements related to noise pollution remediation and dredging of Port's berths in the Columbia River within the boundaries of the Port, together with refinancing the acquisition of real property and interests therein and the completion of capital improvements and repairs to the Port's properties and Facilities which are currently financed with the proceeds of certain outstanding revenue bonds of the Port pursuant to an existing credit facility, if any; setting forth certain bond terms and covenants; and delegating authority to approve final terms and conditions and the sale of the bonds. The issuance and sale of the senior lien revenue and refunding bonds is anticipated to take place in the first half of 2018.

On February 27, 2018, the Port of Vancouver commissioners approved Resolution No. 2-2018, authorizing the execution of a Master Installment Purchase Agreement with Key Government Finance Inc. Key Government has agreed to finance the acquisition of certain equipment, machinery and vehicles under the terms of the Master Installment Agreement, with specific financial terms and interest rate for each acquisition to be set forth in the property schedule agreed upon at the time of each financing. Taxable or tax-exempt status will be determined based on use of the Equipment in each property schedule. The maximum aggregate principal amount of property schedules under the Agreement to finance the Equipment shall not exceed $1,500,000. Authority to approve each property schedule is being delegated to the Authorized Official.

Introduction

The Port of Vancouver is presenting Required Supplementary Information (RSI) to meet the minimum financial reporting requirements and is an integral part of the accompanying financial statements. RSI generally includes schedules, statistical data, and other information.

REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Port of Vancouver USA
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30 2017
Last 10 Fiscal Years*

		2015	2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset) PERS 1	%	0.001600%									
Employer's proportion of the net pension liability (asset) PERS 1 UAAL	%	0.053507%	0.057846%	0.059491%							
Employer's proportionate share of the net pension liability	$	2,882,609	3,106,603	2,822,894							
Employer's covered employee payroll	$	6,214,804	7,097,085	7,439,677							
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	46.38%	43.77%	37.94%							
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%	57.03%	61.24%							

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)*

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Port of Vancouver USA
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30 2017
Last 10 Fiscal Years*

		2015	2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.069126%	0.074009%	0.076538%							
Employer's proportionate share of the net pension liability	$	2,469,911	3,726,295	2,659,330							
Employer's covered employee payroll	$	6,133,352	7,097,085	7,439,677							
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	40.27%	52.50%	35.75%							
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%	85.82%	90.97%							

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)*

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Port of Vancouver USA
Schedule of Employer Contributions
PERS1
As of December 31 *2017*
Last 10 Fiscal Years*

		2015	2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	293,077	353,389	372,274							
Contributions in relation to the statutorily or contractually required contributions	$	(293,077)	(353,389)	(372,274)							
Contribution deficiency (excess)	$	-	-	-							
Covered employer payroll	$	6,640,591	7,408,568	7,595,932							
Contributions as a percentage of covered employee payroll	%	4.41%	4.77%	4.90%							

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)*

** Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8)*

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans											
Port of Vancouver USA Schedule of Employer Contributions PERS 2/3 As of December 31 *2017* Last 10 Fiscal Years*											
		2015	2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	372,787	461,653	521,536							
Contributions in relation to the statutorily or contractually required contributions	$	(372,787)	(461,653)	(521,536)							
Contribution deficiency (excess)	$	-	-	-							
Covered employer payroll	$	6,610,511	7,408,568	7,595,932							
Contributions as a percentage of covered employee payroll	%	5.64%	6.23%	6.87%							

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)*

** Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8)*

REQUIRED SUPPLEMENTARY INFORMATION – NONGOVERNMENTAL PLANS

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans										
Port of Vancouver USA Schedule of Employer Contributions Nongovernmental Plans (Pensions Provided Through Oregon-Washington Carpenters - Employers Trust Fund) 47P As of December 31 *2017* Last 10 Fiscal Years*										
		2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	36,806	34,355								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through Oregon-Washington Carpenters - Employers Trust Fund)
47AP Non-accruing pension
As of December 31 *2017*
Last 10 Fiscal Years*

		2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	7,643	13,770								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through Oregon-Washington Carpenters - Employers Trust Fund)
47PNA Non-accruing pension
As of December 31 *2017*
Last 10 Fiscal Years*

		2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	2,779	2,849								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through Oregon-Washington Carpenters - Employers Trust Fund)
47PNAO Non-accruing pension
As of December 31 *2017*
Last 10 Fiscal Years*

		2017	2018	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	2,048									

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through Electrical Trust Funds)
NEBF Pension
As of December 31 *2017*
Last 10 Fiscal Years*

		2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	6,254	5,476								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through Electrical Trust Funds)
Dist 9 ER
As of December 31 *2017*
Last 10 Fiscal Years*

		2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	15,159	13,940								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through Electrical Trust Funds)
Edison Pension
As of December 31 *2017*
Last 10 Fiscal Years*

	2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$ 30,634	28,335								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through NW Laborers-Employers Trust Fund)
As of December 31 *2017*
NW Laborers Pension
Last 10 Fiscal Years*

	2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$ 76,224	79,483								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through AGC-IUOE Local 701 Trust funds)
AGC-IUOE Pension
As of December 31 *2017*
Last 10 Fiscal Years*

	2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$ 53,238	48,028								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through UA Local Union 290 Plumbing and Pipefitting Industry)
Local 290 Pension
As of December 31 *2017*
Last 10 Fiscal Years*

	2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$ 21,056	21,999								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through UA Local Union 290 Plumbing and Pipefitting Industry)
National Pension
As of December 31 *2017*
Last 10 Fiscal Years*

	2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$ 3,085	3,063								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through National Automatic Sprinkler Industry)
NASI Pension
As of December 31 *2017*
Last 10 Fiscal Years*

	2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$ 23,322	25,008								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

REQUIRED SUPPLEMENTARY INFORMATION - Nongovernmental Plans

Port of Vancouver USA
Schedule of Employer Contributions
Nongovernmental Plans (Pensions Provided Through National Automatic Sprinkler Industry)
As of December 31 *2017*
Sprinkler Industry Supplemental Pension
Last 10 Fiscal Years*

	2016	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$ 21,150	22,549								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

PORT OF VANCOUVER
Debt Covenant Information
December 31, 2017

Introduction

The Supplementary and Other Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. This information generally includes schedules, statistical data, and other information.

SUPPLEMENTARY AND OTHER INFORMATION

Table 2
Outstanding Port Obligations
(For the Year Ended December 31, 2017)

Revenue Bonds[1]	**Date of Issue**	**Date of Maturity**	**Amount Issued**	**Amount Outstanding**
Series 2016 Bonds	6/22/2016	12/1/2046	$40,000,000	$40,000,000
Series 2017 Bonds	5/25/2017	12/1/2047	30,000,000	30,000,000
Bond Total			$70,000,000	$70,000,000
Subordinate Lien Obligations[1]	**Date of Issue**	**Date of Maturity**	**Amount Issued**	**Amount Outstanding**
Taxable Revenue Bonds, Series 2013 (Subordinate)	2/28/2013	9/26/2019	$35,000,000	$0
Subordinate Lien Obligation Total			$35,000,000	$0
Special Revenue Bonds[1]	**Date of Issue**	**Date of Maturity**	**Amount Issued**	**Amount Outstanding**
Refunding Revenue Bonds (United Grain Corporation of Oregon Project) Series 2009	10/21/2009	10/1/2029	$25,000,000	$25,000,000
Special Revenue Bond Total			$25,000,000	$25,000,000
General Obligation Bonds and Notes[1]	**Date of Issue**	**Date of Maturity**	**Amount Issued**	**Amount Outstanding**
LTGO Bonds, 2009A	03/26/2009	12/01/2028	$15,000,000	$7,545,000
LTGO Bonds, 2009B	03/26/2009	12/01/2018	7,335,000	720,000
LTGO Refunding Bonds, 2011	12/20/2011	12/01/2021	5,600,000	2,450,000
LTGO Refunding Bonds, 2012	03/19/2012	12/01/2022	5,905,000	3,520,000
LTGO Refunding Bonds, 2012B	12/03/2012	12/01/2028	29,745,000	27,900,000
WSDOT Note	03/08/2012	07/01/2022	250,000	51,885
LaFarge Note	05/22/2012	12/31/2018	516,000	452,531
CRANE Note	03/31/2016	05/01/2020	5,521,481	3,450,926
State of Oregon - Channel Deepening			707,312	707,312
General Obligation Bond/Note Total			$70,579,793	$46,797,654

[1] See Note 10 "Long-Term Debt" of the "Notes to the Financial Statements" of the Port's 2017 Audited Financial Statements

Table 4
Net Revenue Available for Debt Service as Defined in the Bond Resolution
(For the Year Ended December 31)

	2017
Gross Revenue as defined in the Resolution	
Operating Revenue	$ 36,018,975
Plus: Investment Income	286,596
Plus: Other Revenues	328,662
Plus: Gain on sale of Disposal of Assets	-
Gross Revenue	**$36,634,233**
Operating Expenses as defined in the Resolution	
Operating Expenses Before Depreciation	$ 28,699,408
Less: Ad Valorem Tax Revenues not used for debt service on limited tax general obligation bonds	(4,321,060)
Less: Non-cash Pension Expense	136,369
Operating Expenses	**$24,514,717**
Net Revenues Available for Debt Service	**$12,119,516**
Maximum Annual Debt Service on Outstanding Senior Lien Bonds	**$4,114,685**
Coverage Ratio on Outstanding Senior Lien Bonds	**2.95x**

Table 6
Marine Terminal Revenues
(For the Year Ended December 31, 2017)

Marine Terminal Revenues		
Dockage		12,164,220
Wharfage		3,385,675
Service & Facilities		1,537,599
Marine Facilities		1,979,848
Equipment Rentals		565,666
Loading /Unloading Operations		3,192,744
Other Sales & Services		859,383
Rail Transportation		-
Total Marine Terminal Revenue		**23,685,135**

Table 7 Historical Cargo Volumes (Tonnage) and Vessel Calls	
	2017
Vessel Calls:	392
Outbound/Exports:	
Dry Bulk	5,720,895
Liquid Bulk	147,468
General – Breakbulk	386,969
Inbound/Imports:	
Dry Bulk	119,393
Liquid Bulk	279,315
General Breakbulk	845,294

Table 10
Statement of Revenues, Expenses, and Changes in Net Fund Position

See the "Statement of Revenues, Expenses, and Changes in Net Fund Position" and associated "Notes to the Financial Statements" located in the Port's 2017 Audited Financial Statements.

Table 11
Statement of Net Position

See the "Statement of Net Position" and associated "Notes to the Financial Statements" located in the Port's 2017 Audited Financial Statements.

Table 12 Port Investments (as of December 31,)	
Investments	**2017**
Federal Home Loan Bank	$ 979,584
Federal Farm Credit Bank	1,229,051
Federal National Mortgage Association	487,062
FICO Strip	238,537
WA State Local Government Investment Pool (LGIP)	19,526,097
	$ 22,460,331
For further detail on the Port's investment portfolio, see "Note 1 D-1 & D-2", and "Note 2" located in the "Notes to the Financial Statement" of the Port's 2017 Annual Report	

Table B-2
Trends in Assessed Values

Tax Collection Year	Regular Assessed Valuation	Percent Change
2018	$ 36,028,142,900	8.9% (1)

(1) Based on a 2017 regular assessed valuation of $33,079,223,893

Table B-3
Ad Valorem Tax Levies
(dollars per $1,000 of Assessed Valuation)

	Levy Rates			Levy Amounts		
Collection Year	Regular	Bond(1)	Total(2)	Regular	Bond(1)	Total(2)
2018	$0.118572	$0.158624	$0.277196	$4,271,917	$5,714,941	$9,986,858

(1) For non-voted, general obligation bonds.
(2) Totals may not foot due to rounding.
Source: Clark County Assessor's Office.

Table B-4
Regular Levy Tax Collection Record

Collection Year	Regular Assessed Valuation(1)	Ad Valorem Levy Rate	Ad Valorem Tax Levy	Tax Collection in Year of Levy
2018	$36,028,142,900	$ 0.118572	$ 4,271,917	(2)
2017	$33,079,223,893	$ 0.129090	$ 4,270,193	98.9%

(1) Asssessed valuation is based upon 100% of estimated actual valuation
(2) In process of collection
Source: Clark County Assessor's Office.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as fraud, state whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov