Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Anacortes

Skagit County

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

Published April 19, 2018

Report No. 1021153

Office of the Washington State Auditor

Pat McCarthy

April 19, 2018

Board of Commissioners
Port of Anacortes
Anacortes, Washington

Report on Financial Statements

Please find attached our report on the Port of Anacortes 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

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • Pat.McCarthy@sao.wa.gov

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Port of Anacortes
Skagit County
January 1, 2017 through December 31, 2017

Board of Commissioners
Port of Anacortes
Anacortes, 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 Anacortes, Skagit 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 April 12, 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

April 12, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Anacortes
Skagit County
January 1, 2017 through December 31, 2017

Board of Commissioners
Port of Anacortes
Anacortes, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Anacortes, Skagit 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 10.

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 Anacortes, 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 pension plan information on pages 10 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 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

State Auditor

Olympia, WA

April 12, 2018

FINANCIAL SECTION

Port of Anacortes
Skagit County
January 1, 2017 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Introduction

The following is the Port of Anacortes' (the Port's) Management Discussion and Analysis (MD&A) of financial activities and performance for the fiscal year ended December 31, 2017, with selected comparative information for the year ended December 31, 2016. Please read it in conjunction with the financial statements and notes to the financial statements, which immediately follow this discussion.

The Port is a Special Purpose Municipal Government, created in 1926 under provision of the Revised Code of Washington (RCW Title 53). The Port is independent from other local or state governments and has geographic boundaries that consist of Fidalgo, Guemes, Cypress, Sinclair, and other neighboring islands, and a small strip of land bordering Padilla Bay up to and including Samish Island. The Port's primary mission is the fostering of economic development via job creation and maintenance of family wage jobs, while protecting the quality of life, needs, and desires for the citizens of the district.

Five elected Commissioners, elected to four-year terms, serve as the governing body of the Port. The Board of Commissioners appoints an Executive Director to manage Port operations, and a Port Auditor (currently the Director of Finance and Administration) to manage the Port's finances. Skagit County levies and collects taxes on behalf of the Port as determined by the Commissioners. These tax revenues go to support public access improvements/amenities, provide financing for industrial land acquisition and development (including environmental costs) and debt service payments for general obligation bonds.

Overview of the Financial Statements

This discussion and analysis is 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 basic financial statements and can be found following the financial statements of this report.

The basic financial statements include; the *Statement of Net Position*, the *Statement of Revenues, Expenses, and Changes in Fund Net Position,* and the *Statement of Cash Flows*.

The *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position* indicate 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 of resources. 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

Condensed Financial Position Information

The *Statement of Net Position* reflects the Port's financial position at year-end. Financial position is represented by the difference between assets owned and deferred outflows, and liabilities owed and deferred inflows at a specific point in time. 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.

Financial Highlights

- Total assets and deferred outflows of the Port exceeded its liabilities and deferred inflows by $40.517 million (reported as total net position). This is an increase of $2.177 million over the prior year and results from a variety of factors, including: achieving forecasted revenues while controlling operating costs, a record year at the Marina, and insurance recoveries from prior year environmental claims.
- The unrestricted component of net position is a negative number due to significant balances in noncurrent liabilities, most notably, the net pension liability and the environmental remediation liability (see Notes 7 and 12 in the *Notes to the Financial Statements* for further discussion of those items).
- The Port maintained consistent cash and investment balances during 2017 with a total of $11.488 million as of December 31, 2017 as compared to $10.483 million as of December 31, 2016. All of this is unrestricted and is well above the Port's internal operating reserve of approximately $2.7 million.
- Total liabilities decreased $2.483 million over the prior year. The Port continued to pay down its outstanding general obligation bonds and acquired no new debt in 2017. Additionally, the Port's net pension liability decreased approximately $400,000 based on the Department of Retirement Services actuarial estimates and accounts payable decreased over 45% due to a reduction in Marine Terminal activity and the timing of vessel and barge shipments at year-end.

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

	2017	2016
Current assets	$ 13,161,547	$ 12,515,862
Capital assets, net	53,440,555	54,118,413
Other noncurrent assets	198,000	163,095
Total Assets	66,800,102	66,797,370
Total Deferred Outflows of Resources	465,231	588,779
Current liabilities	4,160,029	4,893,553
Noncurrent liabilities	22,010,060	23,759,115
Total Liabilities	26,170,089	28,652,668
Total Deferred Inflows of Resources	577,952	393,341
Net Position:		
Invested in capital assets, net of related debt	44,300,574	43,660,238
Unrestricted	(3,783,281)	(5,320,098)
Total Net Position	**$ 40,517,293**	**$ 38,340,140**

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 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.

Revenues:

As anticipated in the 2017 budget, total operating revenues decreased by approximately $(3.482) million (-19.5%) over 2016 revenues. A planned refinery maintenance shutdown, differences in crude oil diet, and an initial delay in production due to quality issues in late 2017 contributed to bulk product shipments of about 52% of 2016 volumes. In addition, 2016 revenues included over $1.14 million in operating grants, concluding a comprehensive fence line improvement and tree obstruction removal project at the Airport, while 2017 operating grants totaled only about $123,000. Revenues by operating area are summarized as follows:

- Airport revenues decreased $(1.046) million, all of which is attributable to operating grants as mentioned. There were no major changes in the Airport's leasehold tenants, demand for hangar space persisted resulting in a consistent wait list over the past few years, and fuel sales (in terms of gallons sold) increased 23% over the prior year.
- Total revenues reported at the Marina increased approximately $748,000 from the prior year, as overall the Marina experienced increased volumes in every aspect of its operation. Moorage revenues increased over $290,000, or 7.1%. While rate increases of 3% contributed to this, the Marina saw increased boater nights and a higher permanent moorage occupancy earlier in the boating season. At the fuel dock, sales topped 1.072 million gallons, an increase of 9% over 2016.
- Marine Terminal revenues decreased $(3.299) million or 41%. Petroleum coke and prilled sulfur remain as the Port's main bulk product export and volumes decreased from 440,510 metric tons in 2016 to 229,015 metric tons in 2017. This decrease, to a large extent, was anticipated as detailed above.
- Property revenues increased $115,000 as the Port experienced stable occupancy at all of its leasehold facilities, slight market rate increases, and a more successful year in terms of event venue rentals and sponsorships.

Expenses:

- Similar to the decrease in operating revenues, 2017 total operating expenses decreased by approximately $(2.829) million (-17.8%) over 2016 expenses, primarily due to the reduction of bulk product shipments (reflected in the table below in general operations) and the absence of the Airport project (reflected in the table below in facilities), which was substantially completed in the prior year.

Non-Operating (including Environmental Activity):

- Non-operating revenue for the year ended December 31, 2017 was $797,000, of which, $619,000 represented taxes levied, as compared to a levy of $500,000 in 2016. As stated previously, property tax funds are used for property acquisition, industrial development including environmental costs, debt service for general obligation bonds and public access improvements. Property tax funds are not used to support general operations. The Port has historically levied a tax well below the maximum allowed. The 2017 tax levy of $619,000 was approximately $0.10/$1,000 of assessed value, as compared to the maximum levy allowed of $0.23/$1,000 or $1.494 million.
- Non-operating expense, which is primarily comprised of general obligation bond interest expense, totaled $444,000 as of year-end. The Port has three outstanding general obligation bonds that mature at various dates between 2018 and 2024.
- Environmental activities totaled a net income of $514,000, primarily due to settlements and recoveries of costs previously incurred from the Port's historical insurance policy.

The table below summarizes the operations and change in net position for fiscal years ending December 31:

	2017	2016
Airport	$ 402,818	$ 1,448,487
Marina	7,698,647	6,950,640
Marine Terminal	4,714,786	8,013,516
Properties	1,514,490	1,399,865
Total Operating Revenues	14,330,741	17,812,508
General operations	6,863,940	8,532,806
Facilities	1,067,147	2,272,641
General and administrative	2,840,763	2,919,318
Depreciation	2,310,108	2,185,830
Total Operating Expenses	13,081,958	15,910,595
NET OPERATING INCOME	1,248,783	1,901,913
Non-operating revenues	796,964	644,204
Non-operating expenses	(444,494)	(500,427)
Net environmental activities	514,440	226,131
Total Non-Operating and Environmental	866,910	369,908
INCOME BEFORE CAPITAL CONTRIBUTIONS	2,115,693	2,271,821
Capital grants	61,460	274,557
INCREASE IN NET POSITION	2,177,153	2,546,378
NET POSITION – BEGINNING OF PERIOD	38,340,140	35,874,151
PRIOR PERIOD ADJUSTMENTS	-	(80,389)
NET POSITION – END OF PERIOD	**$ 40,517,293**	**$ 38,340,140**

Capital Assets and Debt Administration

Capital Assets

The Port's investment in capital assets includes land, facilities (structures/buildings), machinery and equipment, and construction in progress. The Port's investment in capital assets as of December 31, 2017 totaled $53.441 million (net of accumulated depreciation). This is a decrease of $678,000 over the prior year investment in capital assets and results from current year depreciation expense, capital asset purchases and/or progress/completion of capital improvement projects, and adjustments resulting from an internal audit.

In 2017, the Port began an internal audit into the fixed asset listing to ensure the accuracy, completeness and compliance of capitalized assets with the Port's Capitalization and Depreciation Policy. This work is ongoing, but approximately $1.9 million of previously capitalized assets, most of which were fully depreciated, were removed. Many of these assets had been disposed of via trade-in or surplus sale, however approximately half of the write-offs represented strategic or comprehensive plans or documents that did not result in any actual development or improvement, and really should have been considered consulting or other outside services expenses when incurred. Those expenses were all incurred prior to the implementation of the Port's Capitalization and Depreciation Policy, which should alleviate the same errors in the future. In addition, a new policy regarding disposition of surplus property has been implemented to ensure the timely disposal of assets going forward.

Major capital asset additions or improvements during 2017 included the following:

- Dredging at the near shore sections of the Marina's M, N, and O docks to -7 mean lower low water (MLLW). Continued frequent grounding of these floats during low tide had resulted in damaged dock systems including uneven float surfaces, failure of float system components, listing of floats, and inability to moor vessels safely at impacted slips.
- Replacement of the Port's network server, and utilization of Port Security Grant Program funds for the purchase and installation of a Spikes Network Isolation Appliance and Dell SonicWall Firewall (cybersecurity appliances) providing enhanced protection against web based threats.

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

Long-term debt (net of current portion) totaled $7.675 million as of December 31, 2017, consisting of outstanding general obligation bonds which mature at various dates between 2018 and 2024. This is a decrease of $1.345 million over the prior year. No new debt was acquired or issued in 2017 and the Port does not have any outstanding revenue bonds, lines of credit, or other bank financing.

The current portion of long-term debt, including accrued interest payable, totaled $1.453 million as of year-end.

Additional information on the Port's long-term debt can be found in Note 9 in the *Notes to the Financial Statements*.

Economic Factors and the 2018 Budget

Economic Factors

- Anacortes, located on Fidalgo Island, is most notably known for the Washington State Ferries system, servicing the San Juan Islands and British Columbia. Thus, it is a popular tourist destination for those visiting the Islands, including recreational boaters. The town has historically been a mecca for commercial fisherman and marine trades, such as yacht building and repair, yacht brokerage firms and whale watching tours. In the 1950's, oil companies built two large refineries (currently operated by Andeavor, formerly Tesoro, and Shell Corporations) near town and today, refining remains the largest industry in the area. The Port of Anacortes, with one of eight natural deep water marine terminal facilities in Puget Sound, its 1,000+ slip marina and its roughly 80 acres of commercial properties, is instrumental to the success and economic development of the community. Since 2011, the economy has been steadily improving and the Port has seen significant increases in operating revenues, particularly at the Marina, though also in record-breaking project and bulk product cargo quantities at the Marine Terminal in 2015 and 2016. This has allowed the Port to reduce its long-term debt, maintain healthy cash reserves, and set aside money for capital improvement projects. In 2017, the Port kicked-off a scoping effort to determine if it is practically and financially feasible to relocate Port Administrative Offices and the events at the Transit Shed to a future events center located in the North or West Basin of the Marina. This would accomplish two major items: 1) it would return Pier 1 and the Transit Shed to its original industrial use, and 2) kick start the development of the Marina's North and West basin, bringing more people to downtown businesses and more visitors to the Marina. To this end, the Port is currently in early discussions with a local fitness center and a restaurant owner regarding further expansion on properties at or near the Marina. While the focus remains on economic development and bettering the community, the Port's aging infrastructure and deferred maintenance costs remain a challenge. The Port has been proactive in leveraging operating revenues, tax dollars, federal and state grant funds, and proceeds from bond issuances, in order to invest in critical asset maintenance and improvement, and will need to continue to do so in the coming years.

- As mentioned above, oil refining is the largest industry in the area. Two by-products generated as a result of the refining process, petroleum coke and prilled sulfur, are shipped via vessel and barge from the Port's Pier 2 Marine Terminal facility to customers in Canada and the Asian markets, under multi-year pricing agreements with Shell Puget Sound Refinery and Chemtrade Sulex, Inc. Quantities shipped are not guaranteed and are affected by activity at the local refineries, such as, demand for the products they produce, impurities in the crude oil used in the production of their fuels, and shutdowns for maintenance and repairs. In 2017, as was predicted, the Port saw a 48% decrease in overall tonnage due to planned maintenance shutdowns. Despite the reduction in breakbulk, the Marine Terminal saw increased activity with a large heavy lift project, in which nine large refining components weighing over 600 metric tons, were offloaded, temporarily stored, and transported via truck over multiple nights to Anacortes' Andeavor refinery. These components, or modules, were built to support Andeavor's Clean Products Upgrade Project enabling the local refinery to meet new federal environmental standards to reduce emissions as well as bring diversification to their refining process that will generate jobs and bring additional economic growth to Anacortes. While bulk product shipments are anticipated to return to more "normal" levels in 2018, and additional heavy lifts on 35 additional modules for Andeavor are in the works, the Port continues to pursue additional opportunities and diversify the cargo mix. The 2018 budget includes funds to develop a more in-depth business strategy and related marketing effort with the intent to both retain the current products and increase utilization of this valuable Port asset.

- The Port maintains vibrant land-based businesses by providing improved property rentals, ground leases, and warehouse space for several large employers, including the Washington State Ferry System, Dakota Creek Industries, Cortland Company, Transpac Marinas, the Northwest Marine Skills & Technical Academy, Anthony's Restaurant, and many other tenants, most of which are secured under long-term leases. The Port implemented changes to the organizational structure in 2016 to introduce a new Director position, responsible for planning, properties, and environmental. A major component of this position is the determination of a real estate planning strategy to attain the highest and best use of Port properties. Acquisitions of property in recent years, including the temporary dog park adjacent to the Marina's North and West basin, Quiet Cove adjacent to Curtis Wharf, and the Marine Supply & Hardware property south of Cortland Company all provide opportunities for economic development and growth and will be an integral part of this strategy.

- The Port continues to manage its environmental remediation obligations via grant funds in cooperation with the Washington State Department of Ecology (DOE). To date, clean-ups have occurred and are significantly completed at the Cap Sante Marine site, the in-water portion of Dakota Creek Shipyard (DCI), the former Scott Paper Mill Site, and the former Shell Tank Farm site. 2018 will bring post-construction monitoring at the completed sites, in addition to continued planning and testing for remediation efforts at Quiet Cove, the Former Pier 2 Log Haul Out site (also known as "Log Pocket"), and the uplands portion of DCI. Critical to the ongoing success of the environmental program is the funding of clean-up activities by the Model Toxics Control Act (MTCA), which is funded through several different mechanisms, including a tax assessed on hazardous materials. Revenues from hazardous substance tax collections largely come from petroleum products. Those particular products suffered a prolonged period of low prices resulting in MTCA fund balances significantly overspent in the 2015-2017 biennium. It was for this reason that the Port was among the many whose requests for additional environmental grants for the 2015-2017 biennium were denied. Fortunately, DOE honored the Port's previously awarded environmental grant funds, resulting in approximately $3 million in re-appropriated grant money which kept the Port's environmental projects progressing through 2017. Through concerted efforts at the state level, shortfalls in MTCA funding were covered by the passage of a bond package in January 2018. The Port was recently notified it was awarded new funds of approximately $3 million as part of this bond package. These funds are only guaranteed through June 30, 2019 (the end of the current biennium) so the Port is staying attentive to developments in the legislature and may modify its environmental strategy accordingly. However, this news ensures that the Port's plans for remediation activities of at least the uplands portion of Quiet Cove can continue, along with the remedial investigation and feasibility studies of Log Pocket and DCI.

2018 Budget

The Port's 2018 operating revenues are forecast at $14.575 million, which is only a small increase of $244,000 or 1.7% over the 2017 actual operating revenues. This minimal increase is primarily attributed to conservative Marina and Marine Terminal estimates due to budget timing and uncertainty surrounding the petroleum coke and prilled sulfur markets as they relate to exports at Pier 2. The budget process is completed over the summer months, and into early autumn. Marina revenues, in particular, were forecast from the most recent 12-month activity and yet more guest boater nights and higher occupancy longer into the shoulder seasons continue to be realized. Actual 2017 Marina revenues were about 6% higher than budgeted, and with a major boat show planned for spring and fishing derbies returning, the 2018 budget will likely prove to be conservative as well. From a Marine Terminal standpoint, bulk product shipments were budgeted conservatively at a five-year historical average, with 2016's record breaking year removed as an outlier.

The Port budgeted total operating expenses in 2018 of $14.006 million (after depreciation), which would be an increase of about $924,000 over 2017's actual operating expenses of $13.082 million. The majority of this increase is attributed to budgeted increases for salaries, medical benefits, general liability and property insurance premiums, utilities and other expenses affected by CPI or Cost of Living Adjustments, however the Port is anticipating the addition of at least one full-time staff member as administrative support for the Planning, Properties, and Environmental department.

The $3.820 million 2018 capital budget primarily focuses on long-term deferred maintenance and repair projects within the Port's Marina and Marine Terminal operations. At Cap Sante Marina, pre-construction elements for the A-Dock Demolition and Replacement will continue. The pace of completion of this project will largely depend on the intensive permitting process required for over-water structures. In addition, the Port plans to complete an electrical upgrade at the web lockers and a pier expansion at the head of P/Q Docks for public safety and greater accessibility. At the Marine Terminal properties, the Port will complete Pier 2 Bulkhead Wall Improvements. Slated at Curtis Wharf are rub rail repairs and design and permitting for piling cathodic protection. Phase one of piling repairs at Pier 1 will also commence in 2018. Capital procurement to include a new Facilities truck and new Marina pumpout float equipment round out the bulk of the 2018 capital budget.

Requests for Information

The Port of Anacortes designed this financial report to provide our citizens, customers, investors and creditors with an overview of the Port's finances. If you have questions or need additional financial information, please visit our website at www.portofanacortes.com or contact Jill Brownfield, Director of Finance and Administration, 100 Commercial Ave, Anacortes, WA 98221 or via phone at 360-293-3134.

PORT OF ANACORTES
STATEMENT OF NET POSITION
December 31, 2017

ASSETS		
Current Assets		
Cash and cash equivalents (Note 1)	$	8,793,495
Investments (Note 2)		2,694,399
Total Cash and Investments		11,487,894
Other Current Assets		
Taxes receivable		8,229
Accounts receivable (net of allowance for uncollectible)		742,685
Interest receivable		13,851
Due from others		473,294
Fuel inventory		65,497
Prepaid expenses		195,097
Current portion of environmental remediation		175,000
Total Other Current Assets		1,673,653
Total Current Assets		13,161,547
Noncurrent Assets		
Capital Assets Not Being Depreciated (Note 4)		
Land		19,664,530
Construction in progress		726,857
Total Capital Assets Not Being Depreciated		20,391,387
Capital Assets Being Depreciated (Note 4)		
Facilities		67,508,789
Equipment		4,761,750
Total Capital Assets Being Depreciated		72,270,539
Accumulated depreciation		(39,221,371)
Total Net Capital Assets		53,440,555
Other Noncurrent Assets		
Environmental remediation (Note 12)		198,000
TOTAL ASSETS	**$**	**66,800,102**
DEFERRED OUTFLOWS OF RESOURCES		
Bond discounts		10,350
Deferred charge on refunding		157,933
Deferred outflows – pensions (Note 7)		296,948
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$**	**465,231**

The notes to the financial statements are an integral part of this statement.

PORT OF ANACORTES
STATEMENT OF NET POSITION
December 31, 2017

LIABILITIES		
Current Liabilities		
Warrants payable	$	227,861
Accounts payable		928,944
Accrued liabilities		638,548
Unearned income		210,288
Interest payable		108,387
Current portion of long-term debt (Note 9)		1,345,000
Current portion of environmental remediation (Note 12)		701,000
Total Current Liabilities		4,160,028
Noncurrent Liabilities		
General obligation bonds (Note 9)		7,675,000
Net pension liability (Note 7)		1,675,726
Environmental remediation (Note 12)		12,659,334
Total Noncurrent Liabilities		22,010,060
TOTAL LIABILITIES	**$**	**26,170,088**
DEFERRED INFLOWS OF RESOURCES		
Bond premiums		288,264
Deferred inflows – pensions (Note 7)		289,688
TOTAL DEFERRED INFLOWS OF RESOURCES	**$**	**577,952**
NET POSITION		
Invested in capital assets, net of related debt		44,300,574
Unrestricted		(3,783,281)
TOTAL NET POSITION	**$**	**40,517,293**

The notes to the financial statements are an integral part of this statement.

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

OPERATING REVENUES	
Airport	$ 402,818
Marina	7,698,647
Marine Terminal	4,714,786
Properties	1,514,490
Total Operating Revenues	14,330,741
OPERATING EXPENSES	
General operations	6,863,940
Facilities	1,067,147
General and administrative	2,840,763
Depreciation	2,310,108
Total Operating Expenses	13,081,958
NET OPERATING INCOME	1,248,783
NON-OPERATING REVENUES	
Taxes levied	618,075
Investment income	87,428
Miscellaneous taxes	9,070
Other income	74,656
Gain on disposal of assets	7,735
Total Non-Operating Revenues	796,964
NON-OPERATING EXPENSES	
Interest expense	(408,833)
Other expense	(35,661)
Total Non-Operating Expenses	(444,494)
ENVIRONMENTAL ACTIVITY	
Environmental recoveries	755,096
Environmental remediation expense	(363,104)
Environmental remediation costs previously accrued	122,448
Total Environmental Activity	514,440
INCOME BEFORE CAPITAL CONTRIBUTIONS	2,115,693
Capital grants	61,460
INCREASE IN NET POSITION	2,177,153
NET POSITION – BEGINNING OF PERIOD	38,340,140
NET POSITION – END OF PERIOD	**$ 40,517,293**

The notes to the financial statements are an integral part of this statement.

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 14,435,533
Payments to suppliers	(7,843,882)
Payments to employees	(3,788,463)
Operating grants received	254,915
Net cash provided by operating activities	3,058,103
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments for environmental expenses	(304,274)
Receipts from environmental recoveries	702,362
Net cash provided by other non-operating income	5,150
Net cash provided by noncapital financing activities	403,238
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on general obligation bonds	(1,300,000)
Interest paid on general obligation bonds	(441,530)
Purchases of capital assets	(1,543,536)
Proceeds from Build America Bonds subsidy	72,629
Cash received from property taxes	617,605
Cash received from grants and other agencies	61,460
Net cash (used) by capital and related financing activities	(2,533,372)
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash (paid) from (purchases) of investments	(2,694,399)
Net interest earned on investments	77,026
Net cash (used) by investing activities	(2,617,373)
Net (decrease) in cash and cash equivalents	(1,689,404)
CASH AND CASH EQUIVALENTS	
Beginning of year	10,482,899
End of year	8,793,495
(Decrease) in cash and cash equivalents	(1,689,404)
Reconciliation of operating income to net cash provided by operating activities:	
Net operating income	1,248,783
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	2,310,108
Decrease in accounts receivable	357,008
(Increase) in inventory and prepaid expenses	(1,542)
(Increase) in accounts payable & other current liabilities	(856,254)
Total adjustments	1,809,320
Net cash provided by operating activities	$ 3,058,103

The notes to the financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port of Anacortes was incorporated in 1926 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 of Anacortes have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The **Port of Anacortes** (the Port) is a special purpose municipal government providing marine terminal, marina and aviation services fostering economic activity within the district. The Port is supported primarily through user charges, property leases, tariffs, and fees.

The Port is independent from other local or state governments and operates within district boundaries which include the northwest corner of Skagit County. It is administered by a five-member Board of Commissioners (the Commission), each of whom is elected to a four-year term. The Commission delegates authority to an Executive Director and administrative staff who conduct the operations of the Port. Skagit County levies and collects taxes and issues warrants for payment of expenditures on the Port's behalf.

As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The component unit discussed below is included in the district's reporting entity.

Industrial Development Corporation of the Port of Anacortes (IDC), a public corporation established by the Commission in 1982, is authorized to facilitate the issuance of tax-exempt non-recourse revenue bonds to finance industrial development within the corporate boundaries of the Port. The IDC may construct and maintain industrial facilities, which it leases, or sells to industrial users. Revenue bonds issued by the IDC are payable from revenues derived as a result of the industrial development facilities funded by the revenue bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than industrial facilities for which they are issued.

The Commission governs the IDC. The IDC's account balances and transactions are included as a blended unit within the Port's financial statements and there were no tax-exempt non-recourse revenue bonds outstanding as of December 31, 2017.

B. Basis of Accounting and Reporting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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 reported on the Statement of Net Position.

The Port distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and facilities in connection with the Port's principal ongoing operations. The principal operating revenues of the Port are facility use charges to customers for marine terminals, the marina, and the airport, as well as industrial and commercial property leases. Operating expenses are expenses for the benefit of customers and include the cost of labor, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Use of Estimates
The preparation of the Port's financial statements in conformity with accounting principles generally accepted in the United States of America 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, cash on hand and short-term residual investments of surplus cash were $8,793,495. This amount is classified on the Statement of Net Position as cash and cash equivalents.

For purposes of the Statement of Cash Flows, the Port considers short-term, highly liquid investments, with maturity of three months or less from the purchase date to be cash equivalents.

2. Investments – See Note 2, Deposits and Investments

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

   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.

   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 for these items. Allowance for uncollectible amounts consists of the estimated amounts of customer accounts, notes and contracts that will never be collected. Estimated uncollectible amounts for trade receivables are $18,382 as of December 31, 2017.

4. Due from Others
   This account includes amounts owed from governmental grants and other settlements.

5. Fuel Inventory
   Reported fuel inventory is non-ethanol gasoline, diesel fuel, aviation gasoline, and jet fuel held at the Port's marina fuel dock and airport fuel island as of December 31, 2017. Inventory has been valued based on the First In First Out (FIFO) method of accounting, which approximates fair market value.

6. Prepaid Expenses
   Prepaid expenses represent amounts paid in advance for items of future benefit. The amount reported on the Statement of Net Position primarily consists of prepaid insurance for the Port's property and general liability coverage.

7. Capital Assets and Depreciation – See Note 4, Capital Assets and Depreciation

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

   Vacation pay, which may be accumulated up to a 24-month accrual, is payable upon separation of employment or death. Sick leave may accumulate up to 960 hours. Upon separation without cause and a minimum of ten years of service, employees are paid for accumulated sick leave at 50% of their final balance, but not more than 480 hours. At December 31, 2017, the recorded liability for unpaid vacation and sick leave was $244,107 and is included in the Statement of Net Position under Accrued Liabilities.

9. Unearned Income
   This account includes amounts recognized as receivables (assets) but not revenues because the revenue recognition criteria have not been met and consists primarily of customer deposits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

10. Long-Term Debt – See Note 9, Long-Term Liabilities

11. 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.

12. Deferred Inflows/Outflows of Resources
In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, the Port reports separate sections for these items on the Statement of Net Position. Deferred outflows represent a consumption of net assets that applies to a future period(s); conversely, deferred inflows represent an acquisition of net assets that applies to a future period(s). As of December 31, 2017, the Port recorded deferred outflows of resources and deferred inflows of resources of $465,231 and $577,952, respectively.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Treasury Function
At the direction of the Port Auditor, the Skagit County Treasurer (the Treasurer) is responsible for execution and administration of the Port's deposit and investment accounts, based on the Port's management and investment decisions. A Commission resolution provides general guidance and policy direction for all investments of Port funds. This resolution, in combination with state statutes and the Treasurer's investment policy, serves as the template for the investment of all Port funds.

B. Deposits
The Port has established direct banking services with Skagit Bank. The Port also maintains deposits in the Local Government Investment Pool (LGIP) managed by the Washington State Treasurer. The Port's bank deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Commission (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington State Public Deposit Protection Commission (PDPC). The Port has not experienced any losses in its deposit accounts. All bank deposits as well as deposits in the LGIP are considered to be cash equivalents and are reported at cost.

C. Investments
Investments, stated at fair value, are 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 an investment is recognized as an increase or decrease to the investment asset and investment income. As required by state law, all investments of Port funds are obligations of the

NOTE 2 - DEPOSITS AND INVESTMENTS – *continued*

U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of state and local government, or certificates of deposit with PDPC qualified banks and savings and loan institutions.

All investments are purchased directly from financial institutions or through broker relationships. Investments purchased through brokers are deposited into a "safekeeping" account in the Port's name administered by Wells Fargo Bank, N.A.

Investments Measured at Amortized Cost

As of December 31, 2017, the Port had the following investments measured at amortized cost:

	Amortized Cost			
Investment Type	Maturities	Port's Own Investment	Investments Held by Port as Agent for Others	Total
Local Government Investment Pool	Less than 1 year	$5,593,535	$ -	$5,593,535
Money Market Funds	Less than 1 year	$2,107,603	$ -	$2,107,603
Total		**$7,701,138**	**$ -**	**$7,701,138**

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.

As of December 31, 2017, the Port had the following investments measured at fair value:

	Fair Value			
Investment Type	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. Agency	$2,694,399	$ -	$ -	$2,694,399
Total	**$2,694,399**	**$ -**	**$ -**	**$2,694,399**

NOTE 2 - DEPOSITS AND INVESTMENTS – *continued*

Interest rate risk
Interest rate risk is the risk that changes in interest will adversely affect the fair market value of an investment. Through the Treasurer's investment policy, the Port manages its exposure to fair market value losses arising from increasing interest rates by laddering its investments by maturity.

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 Governmental Accounting Standards Board.

Custodial Risk
Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction, the Port would not be able to recover the value of the investment or collateral securities. The Port conducts all investment transactions, except the LGIP, on a delivery-verses-payment (DVP) basis with all securities purchased through broker relationships and delivered to Wells Fargo, N.A. who serves as the Port's third party custodian.

NOTE 3 - PROPERTY TAXES

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

Property Tax Calendar:
January 1 ....Taxes are 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 levy at 100% of market value
October 31............Second installment is due

Property taxes are recorded as a receivable and revenue when levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. (State law allows for the sale of property for failure to pay taxes.) Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The Port is permitted by law to levy up to $0.45 per $1,000 of assessed valuation for general governmental purposes. The Washington State Constitution and 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 $0.101 per $1,000 on an assessed valuation of $6,158,094,142 for a total regular levy of $618,987. In 2016, the regular levy was $500,000.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

A. Major expenditures (defined by the Port as those in excess of $5,000) for capital assets 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 and state financial assistance programs. Depending on the terms of the agreements involved, the 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 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 20 to 50 years; equipment 5 to 10 years; and software and furniture and fixtures 3 to 7 years.

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

	Beginning Balance 12/31/2016	Increases	Decreases	Reclassifications	Ending Balance 12/31/2017
Capital assets, not being depreciated:					
Land	19,664,530	-	-	-	19,664,530
Construction in progress	1,111,933	1,574,991	(1,960,067)	-	726,857
Total capital assets, not being depreciated:	20,776,463	1,574,991	(1,960,067)	-	20,391,387
Capital assets being depreciated:					
Facilities	67,148,348	1,727,425	(1,631,297)	264,313	67,508,789
Machinery and Equipment	4,982,075	325,780	(281,792)	(264,313)	4,761,750
Total capital assets being depreciated	72,130,423	2,053,205	(1,913,089)	-	72,270,539
Less accumulated depreciation for:					
Facilities	35,907,611	1,966,537	(1,711,268)	101,950	36,264,830
Machinery and Equipment	2,880,862	343,571	(165,942)	(101,950)	2,956,541
Total accumulated depreciation	38,788,473	2,310,108	(1,877,210)	-	39,221,371
Total capital assets, being depreciated, net:	**$ 33,341,950**	**$ (256,903)**	**$ (35,879)**	-	**$ 33,049,168**

NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The Port has active construction projects as of December 31, 2017. These projects include:

PROJECT	AMOUNT SPENT TO DATE
A Dock Demo and Replacement	$ 254,416
Marina Signage	1,835
B Dock Cathodic Protection	79
Curtis Wharf Cathodic Protection	35,731
Per 2 Bulkhead Replacement	434,717
Curtis Wharf Fend/Rub Board	79
Total Construction In Progress	**$ 726,857**

At year-end the Port had no material unfulfilled commitments with contractors.

NOTE 6 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At December 31, 2017 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 No. 68, *Accounting and Financial Reporting for Pensions* for the year 2017:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ (1,675,726)
Pension assets	$ -
Deferred outflows of resources	$ 296,948
Deferred inflows of resources	$ (289,688)
Pension expense/expenditures	$ 202,859

State Sponsored Pension Plans

Substantially all of the Port's 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:

NOTE 7 - PENSION PLANS – *continued*

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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%	
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%.

NOTE 7 - PENSION PLANS – *continued*

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.

Contributions

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.

NOTE 7 - PENSION PLANS – *continued*

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**	**Employee***
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% for January – June 2017 and 18.45% for July – December 2017.

The Port's actual PERS plan contributions were $115,883 to PERS Plan 1 and $160,584 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:** 3.0% 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%

NOTE 7 - PENSION PLANS – *continued*

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 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.

NOTE 7 - PENSION PLANS – *continued*

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 Net Pension Liability

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	$ 1,051,341	$ 863,035	$ 699,921
PERS 2/3	$ 2,189,474	$ 812,691	$ (315,379)

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, 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 $1,675,726 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$ 863,035
PERS 2/3	$ 812,691

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	0.017568%	0.018188%	0.000620%
PERS 2/3	0.022487%	0.023390%	0.000903%

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*.

NOTE 7 - PENSION PLANS – *continued*

The collective net pension liability was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability 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	$ 84,918
PERS 2/3	$ 117,941

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 Plan 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	$ -	$ (32,206)
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 59,111	$ -
TOTAL	$ 59,111	$ (32,206)

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 82,345	$ (26,728)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (216,644)
Changes of assumptions	$ 8,632	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 60,395	$ (14,111)
Contributions subsequent to the measurement date	$ 86,465	$ -
TOTAL	$ 237,837	$ (257,483)

NOTE 7 - PENSION PLANS – *continued*

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 December 31:	PERS Plan 1
2018	$ (21,769)
2019	$ 6,873
2020	$ (1,596)
2021	$ (15,714)
TOTAL	**$ (32,206)**

Year ended December 31:	PERS Plan 2/3
2018	$ (78,780)
2019	$ 36,644
2020	$ (11,090)
2021	$ (81,859)
2022	$ 12,597
Thereafter	$ 16,377
TOTAL	**$ (106,111)**

NOTE 8 - RISK MANAGEMENT

The Port is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, collective bargaining disputes, security and natural disasters, as well as regulations and changes in law of federal, state and local governments.

To limit exposure, the Port maintains commercial insurance coverage against most normal hazards except for unemployment insurance where it has elected to become self-insured through the Washington State Employment Security Department on a reimbursement basis. No reserve for self-insurance has been established as the potential liability is not considered to be material to the financial statements.

The Port participates in an insurance buying group which is brokered through a contract with Alliant Insurance Services, Inc. The policy has been tailored for the risk management needs of public port authorities. General liability coverage is in effect to a limit of $1 million per occurrence ($3 million general aggregate) with a $10,000 deductible. Excess liability coverage is in effect with a limit of $50 million over the first $1 million of loss.

Commercial property replacement cost coverage with a total insured value of $120.5 million with a deductible of $10,000 is in effect. In addition, the Port maintains standard business automobile, construction, and boiler and machinery coverage. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 8 - RISK MANAGEMENT – *continued*

The Port provides medical, vision, dental, life, and long-term disability converge for Port employees through standard plans. The Port does not administer any of these plans.

NOTE 9 - LONG-TERM LIABILITIES

A. Long-Term Debt

The Port issues general obligation and revenue bonds to finance the acquisition or construction of capital assets. Bonded indebtedness has also been entered into in prior years to advance refund several general obligation and revenue bonds.

The general obligation bonds currently outstanding are as follows:

Issue Name and Purpose	Original Amount	Maturity Range	Interest Rate	Amount Outstanding
Limited Tax General Obligation Refunding Bonds, 2009 Purpose: Refunding	3,000,000	9/1/2015 - 9/1/2018	2.75% - 4.00%	885,000
Limited Tax General Obligation Bonds, 2010 Purpose: Construction	4,500,000	9/1/2019 - 9/1/2024	4.387% - 4.487%	4,500,000
Limited Tax General Obligation Refunding Bonds, 2012 Purpose: Refunding	5,075,000	9/1/2014 - 9/1/2024	2.75% - 4.00%	3,635,000
Total General Obligation Bonds				**$ 9,020,000**

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

Year Ended December 31,	Principal	Interest
2018	1,345,000	398,020
2019	1,170,000	349,890
2020	1,210,000	300,420
2021	1,255,000	248,538
2022	1,300,000	189,613
2023-2024	2,740,000	193,807
Total	**$ 9,020,000**	**$ 1,680,288**

There were no outstanding revenue bonds or bond reserves as of December 31, 2017.

B. Net Pension Liability

The net pension liability totaled $1,675,726 as of December 31, 2017. See Note 7 for further discussion of the net pension liability and related deferred outflows and inflows of resources.

NOTE 9 - LONG-TERM LIABILITIES – *continued*

C. Environmental Remediation Liability

Current and long-term environmental remediation liability totaled $13,360,334 as of December 31, 2017. See Note 12 for further discussion of pollution remediation obligations.

D. Changes in Long-Term Liabilities

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

	Beginning Balance 12/31/2016	Additions	Reductions	Ending Balance 12/31/2017	Due Within One Year
G.O. bonds payable	$ 10,320,000	-	$ (1,300,000)	$ 9,020,000	$ 1,345,000
Net pension liability	2,075,687	-	(399,961)	1,675,726	-
Environmental remediation	13,515,327	-	(154,993)	13,360,334	701,000
Total long-term liabilities	**$ 25,911,014**	-	**$(1,854,954)**	**$ 24,056,060**	**$ 2,046,000**

NOTE 10 - RESTRICTED COMPONENT OF NET POSITION

Net Position is segregated into three components: invested in capital assets, restricted, and unrestricted. Items are categorized as restricted when constraints are externally imposed on their use by contract or agreement, or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2017, the Port's net position did not include a restricted component as no such constraints were in place.

NOTE 11 - 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. In the opinion of management, the Port's insurance policies and self-insurance reserves are adequate to pay all known or pending claims.

As discussed in Note 9 – Long-Term Liabilities, 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 terms of the grants. Management believes that such disallowances, if any, will be immaterial.

NOTE 12 - POLLUTION REMEDIATION OBLIGATIONS

In November 2006, the Governmental Accounting Standards Board issued Statement No. 49 (GASB 49), *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution and contamination remediation obligations. These obligations address current or potential future detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The provisions of this Statement are effective for fiscal periods beginning after December 15, 2007. The Port adopted this standard in 2008.

To date, the Port has identified six contaminated sites on various Port properties that require investigation, and potential remediation, in order to comply with state environmental laws and regulations. As of December 31, 2017, remediation activities at three of these sites is substantially complete. Although the Port may not bear ultimate liability for the contamination at the remaining sites, the Port is presumptively liable as the property owner.

The Port’s estimate of its pollution remediation obligations is analyzed by independent environmental consultants annually (using the expected cash flow technique) and has been estimated at $16,478,900 as of December 31, 2017. The Port’s historical insurance policy provides unlimited defense and indemnity coverage of $3.5 million, of which $3,118,566 remains. This policy constitutes an unrealizable recovery, which reduces the liability as presented in current and long-term liabilities, totaling $13,360,334. The Port has and will continue to actively pursue cost sharing and cost recovery agreements with current and former tenants, former site operators, the Port’s former insurance carriers, the tenants’ former insurance carriers and granting agencies. The Port has been extremely successful in negotiating these agreements on the three completed sites, and in partnership with the other liable parties and the Washington State Department of Ecology (DOE), has expended minimal out of pocket costs relative to total remediation expenses. As of December 31, 2017, the Port has estimated realizable recoveries from these agreements (not including DOE grant funds) totaling $373,000. The Port estimates $8,014,000 in future expected recoveries that are not yet included on the balance sheet as of December 31, 2017. These amounts consist of estimated future grant reimbursements expected from DOE, and will be recognized as a receivable as the work is performed.

The Port liability will change over time due to changes in cost estimates, changes in technology, and changes in governing laws and regulations. In 2017, the Port recognized a decrease in the accrued net liability in the amount of $122,448. During the fiscal year 2017, the Port recorded recoveries in the amount of $755,096, and expended $363,104 in cleanup activities.

Introduction: The Port of Anacortes is providing the following Required Supplementary Information to meet our financial reporting requirements. This information is an integral part of the accompanying financial statements. RSI generally includes schedules, statistical data, and other information.

Port of Anacortes
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System Plan 1
As of June 30,
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.016440%	0.017568%	0.018188%							
Employer's proportionate share of the net pension liability	$859,965	$943,484	$863,035							
TOTAL	$859,965	$943,484	$863,035							
Employer's covered employee payroll	$1,884,289	$2,114,171	$2,291,088							
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	45.64%	44.63%	37.67%							
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%							

Notes to Schedule:
***This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Port of Anacortes
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System Plan 2/3
As of June 30,
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.021235%	0.022487%	0.023390%							
Employer's proportionate share of the net pension liability	$758,739	$1,132,203	$812,691							
TOTAL	$758,739	$1,132,203	$812,691							
Employer's covered employee payroll	$1,884,289	$2,114,171	$2,291,088							
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	40.27%	53.55%	35.47%							
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%							

Notes to Schedule:
*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Port of Anacortes
Schedule of Employer Contributions
Public Employees' Retirement System Plan 1
As of December 31,
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions	$84,102	$105,734	$115,883							
Contributions in relation to the statutorily or contractually required contributions	$(84,102)	$(105,734)	$(115,883)							
Contribution deficiency (excess)	-	-	-							
Covered employer payroll	$1,940,212	$2,216,729	$2,372,021							
Contributions as a percentage of covered employee payroll	4.33%	4.77%	4.89%							

Notes to Schedule:
*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Port of Anacortes
Schedule of Employer Contributions
Public Employees' Retirement System Plan 2/3
As of December 31,
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions	$107,712	$138,097	$160,584							
Contributions in relation to the statutorily or contractually required contributions	$(107,712)	$(138,097)	$(160,584)							
Contribution deficiency (excess)	-	-	-							
Covered employer payroll	$1,940,212	$2,216,729	$2,372,021							
Contributions as a percentage of covered employee payroll	5.55%	6.23%	6.77%							

Notes to Schedule:
*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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