Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

Port of Ridgefield

Clark County

For the period January 1, 2013 through December 31, 2014

Published September 28, 2015

Report No. 1015202

Washington State Auditor's Office

September 28, 2015

Board of Commissioners
Port of Ridgefield
Ridgefield, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Port of Ridgefield's financial statements and compliance with federal laws and regulations.

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

Sincerely,

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

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FEDERAL SUMMARY

Port of Ridgefield
Clark County
January 1, 2014 through December 31, 2014

The results of our audit of the Port of Ridgefield are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the basic financial statements.

Internal Control Over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.

- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Port.

Federal Awards

Internal Control Over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.

- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Port’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

CFDA No.	Program Title
20.205	Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $300,000.

The Port did not qualify as a low-risk auditee under OMB Circular A-133.

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 Ridgefield
Clark County
January 1, 2013 through December 31, 2014

Board of Commissioners
Port of Ridgefield
Ridgefield, 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 Ridgefield, Clark County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated September 18, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits 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.

In addition, we noted certain matters that we have reported to the management of the Port in a separate letter dated September 18, 2015.

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.

Jan M Jutte

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

September 18, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Port of Ridgefield
Clark County
January 1, 2014 through December 31, 2014

Board of Commissioners
Port of Ridgefield
Ridgefield, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Port of Ridgefield, Clark County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The Port's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Port's compliance.

Opinion on Each Major Federal Program

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report 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.

Jan M Jutte

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

September 18, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Ridgefield
Clark County
January 1, 2013 through December 31, 2014

Board of Commissioners
Port of Ridgefield
Ridgefield, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Ridgefield, Clark County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 14.

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 audits. We conducted our audits 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 Ridgefield, as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years 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 on pages 15 through 19 and information on postemployment benefits other than pensions on page 42 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port’s basic financial statements. The accompanying Schedule of

Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule 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 is 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 September 18, 2015 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.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

September 18, 2015

FINANCIAL SECTION

Port of Ridgefield
Clark County
January 1, 2013 through December 31, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014 and 2013

BASIC FINANCIAL STATEMENTS

Comparative Statement of Net Position – 2014 and 2013
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position – 2014 and 2013
Comparative Statement of Cash Flows – 2014 and 2013
Notes to Financial Statements – 2014 and 2013

REQUIRED SUPPLEMENTARY INFORMATION

Other Post Employment Benefit Schedule of Funding Progress – 2014 and 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

We offer readers this narrative overview and analysis of the Port of Ridgefield's financial activities for the fiscal years ended December 31, 2014, and 2013. 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

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

Condensed financial position information
The statement of net position presents information concerning the Port's assets, liabilities and net position. Net position is the difference between assets and liabilities. Increases or decreases in net position may indicate, over time, if either the financial position of the Port is improving or deteriorating.

The following condensed financial information provides an overview of the Port's financial position for the years ended December 31, 2014, 2013, and 2012.

NET POSITION
December 31, 2014 2013, and 2012

	2014	2013	2012
Assets:			
Current and other assets	$ 15,628,813	$ 14,281,804	$ 15,515,981
Capital assests, net	13,991,383	12,590,272	10,020,842
Total Assets	29,620,196	26,872,076	25,536,823
Liabilities:			
Other liabilities	3,647,906	568,676	671,530
Long-term liabilities	5,403,420	5,868,585	6,973,669
Total Liabilities	9,051,326	6,437,261	7,645,199
Net Position:			
Net invested in capital assets	13,157,583	11,234,219	7,233,718
Unrestricted	7,411,287	9,200,596	10,657,906
Total Net Position	$ 20,568,870	$ 20,434,815	$ 17,891,624

The 2014 net position of the Port is $20.6 million, an increase in the Port's financial position of roughly $134,000 over 2013. The 2013 net position was $20.4 million, a $2.5 million increase in the Port's financial position from 2012. The improvement in both years is a result of a decrease in the environmental remediation obligation and increase in capital assets funded by grants.

At the end of 2014 and 2013, notes receivable represent $10.1 million or 34% and $10.7 million or 40% of total assets, respectively. Cash, cash equivalents and investments at December 31, 2014 and 2013 represent 11% and 12% of total assets, respectively. Notes receivable and cash on hand have remained fairly stable over the last two years.

At December 31, 2014, long-term liabilities decreased by approximately $465,000. This is due primarily to loan payments of $1.3 million offset by new bonds issued of $750,000, and the decrease in future pollution remediation obligation. In 2014, a loan of $1.1 million was paid off with some of the proceeds of the sale of unrelated property. The State of Washington continues to cost share in the environmental project at over 90% and remediation obligation activities are nearing conclusion. At December 31, 2013, long-term liabilities decreased by $1.1 million. This was attributed to the decrease in the pollution remediation obligation.

At December 31, 2014, other liabilities increased by approximately $3.1 million compared to 2013. This is due to large capital projects and pollution remediation payables outstanding at year end, along with retainage payables related to remediation projects. This is due merely to timing of invoicing and payments; no invoices were past due at year-end.

The Port's investment in capital assets (land, structure and facilities, equipment and construction in progress) less any related debt is $13.2 million at December 2014, $11.2 million at December 2013, and $8.4 million at December 2012. The 17% increase of investment in capital assets in 2014, the 33% increase in 2013 and the 16% increase in 2012 are the result of continued redevelopment of the Lake River site and the rail overpass projects combined with decreasing capital debt.

In 2014, 2013 and 2012, the Port presented a positive unrestricted net position of $7.4 million, $9.2 million, and $9.5 million, respectively. Normally, net position represents the amount that may be used to meet the Port's ongoing non-capital obligations. The 19% decrease between December 2013 and December 2014 is a result of pollution remediation cost.

The Port is working to increase its revenue generation potential by planning, permitting and developing new industrial developments.

<u>Summary of operations and changes in net position</u>

The statement of revenues, expenses and changes in fund net position shows how the Port's net position changed during the most recent fiscal year. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will only affect future period cash flows (e.g. uncollected receivables).

The following is a condensed version of the Statement of Changes in Net Position for the Port:

CHANGES IN NET POSITION

	2014	2013	2012
Revenues			
Operating Revenues	$ 172,142	$ 61,092	$ 51,209
Non-Operating Revenues			
Taxes Levied	464,155	441,142	423,945
Interest Earned	644,264	717,369	736,797
Other Revenues	227,670	311,112	474,991
Gain (Loss) on Disposal of Assets	873,065	-	585,056
TOTAL REVENUES	2,381,296	1,530,715	2,271,998
Expenses			
Operating Expenses	1,221,121	1,191,083	1,282,239
Non-Operating Expenses			
Interest and Fiscal Charges	35,835	78,849	91,920
Remediation Obligation Adjustment	1,395,927	(1,066,450)	1,416,854
Other Non-Operating Expense	220,059	203,330	215,398
TOTAL EXPENSES	2,872,942	406,812	3,006,411
Excess or Deficiency before Contributions	(491,646)	1,123,903	(734,413)
Capital Contributions	1,386,181	1,419,288	347,618
Special Item	(760,480)	-	-
Extraordinary Item	-	-	14,666,123
Change in Net Position	134,055	2,543,191	14,279,328
Net Position - Beginning	20,434,815	17,891,624	3,612,296
Net Position - Ending	$ 20,568,870	$ 20,434,815	$ 17,891,624

Total operating revenues for the Port in 2014, 2013 and 2012 were $172,142, $61,092 and $51,209, respectively. These revenues have increased 182% from 2013 to 2014 and increased 19% from 2012 to 2013. The increase in both 2014 and 2013 was due to greater property lease income. At December 31, 2014, 2013 and 2012, property and lease rentals represent 68%, 27%, and 14% of operating revenues, respectively. The remaining operating revenues represent boat launch fees. Nonoperating revenues have varied over the past three years. The increase in 2014 compared to 2013 was largely due to the sale of property which resulted in a gain of $873,065. The decrease in 2013 compared to 2012 is due to decreased project management fee income and no property sales.

Total operating expenses for 2014, 2013 and 2012 were $1,221,121, $1,191,083, and $1,282,239, respectively. 2014 operating expenses increased 2.5% compared to 2013 due to an increase in general and administrative costs being offset by a decrease in lease operating expenses. 2013 operating expenses decreased 7.4% over 2012, due to a slight reduction in general and administrative costs. Nonoperating expenses continue to reflect the changes in environmental remediation activities. The remediation obligation adjustment reflects the re-measurement of the expected remediation obligation upon certain benchmarks established in GASB 49. Portions of the remediation activity have been finalized and the engineers are better able to estimate the amount of time and costs remaining on the remediation.

The Port presents operating losses in 2014, 2013 and 2012. These losses are covered by property taxes and interest earned on long-term receivables.

Notes to the basic financial statements

The notes to the Port's basic financial statements provide additional information that is essential to a full understanding of the basic financial statements.

Capital Asset and Debt Administration

Capital assets

The Port's investment in capital assets as of December 31, 2014 and 2013, amounted to $13,991,383 and $12,590,272 (net of accumulated depreciation), respectively. 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 2014 and 2013 was 11% and 26%, respectively, caused each year by increased rail and Lake River redevelopment construction in progress.

CAPITAL ASSETS, NET

December 31, 2014, 2013 and 2012

	2014	2013	2012
Land	$ 7,022,153	$ 6,117,572	$ 5,836,022
Right of Way	679,414	-	-
Buildings and Improvements	4,206,646	1,846,427	1,165,702
Machinery and Equipment	48,428	58,565	37,040
Construction in progress	2,034,742	4,567,708	2,982,078
	$ 13,991,383	$ 12,590,272	$ 10,020,842

Additional information on the Port's capital assets can be found in Note 5.

Long-term debt

In May 2014, the remaining balance of $1,102,229 on the land acquisition note was paid in full. In December 2014, a limited tax general obligation bond was issued in the amount of $750,000 to be used to purchase and improve real property.

Additional information on the Port's long-term debt can be found in Note 8.

Economic Outlook and Currently Known Facts

Demand for commercial and industrial property in the Ridgefield area continues to strengthen. The port executed several industrial land transactions and construction projects during the reporting period. The Port of Ridgefield sold approximately ten gross acres of industrial property to a private individual for industrial development. The Port used the sale proceeds to pay off a note owning on seventeen acres of property previously purchased by the Port. In addition, the Port made improvements to two properties by building new public roads and installing public utilities. These improvements will support the development of Port property in the short, mid and long term.

In 2013, the Port and Washington State Department of Ecology signed a consent decree declaring the cleanup of all Port owned property complete pending successful groundwater monitoring. The decree, coupled with improvements to the Port's balance sheet, strengthens the Port's ability to issue bonds and secure other forms of financing to support infrastructure improvements and employment land development.

Requests for Information

This financial report is designed to provide a general overview of the Port's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Accounting Manager, PO Box 55, 111 West Division, Ridgefield, WA 98642.

PORT OF RIDGEFIELD
COMPARATIVE STATEMENT OF NET POSITION
December 31, 2014 and 2013

Assets		2014		Reclassified 2013
Current Assets				
Cash & Cash Equivalents	$	3,279,763	$	3,129,580
Cash Restricted for Customer Deposits		10,000		10,000
Accounts Receivables - net of allowance for doubtful accounts		73,900		9,903
Property Taxes Receivable		21,386		22,701
Due from Other Governments		2,101,231		375,822
Notes Receivable		624,438		588,594
Prepaid Expenses		28,524		31,194
Total Current Assets		6,139,242		4,167,794
Noncurrent Assets				
Notes Receivable		9,489,571		10,114,010
Capital Assets, not being depreciated		9,736,309		10,685,280
Capital Assets, being depreciated (net)		4,255,074		1,904,992
Total Noncurrent Assets		23,480,954		22,704,282
Total Assets		29,620,196		26,872,076
Liabilities				
Current Liabilities				
Accounts Payable		3,616,669		469,270
Accrued Payroll Liabilities		17,351		14,328
Customer Deposits		10,000		10,000
Bond Payable - Current		27,738		-
Notes and Loans Payable		20,950		170,024
Accrued Compensated Absences		3,886		-
Interest Payable		-		75,078
Total Current Liabilities		3,696,594		738,700
Noncurrent Liabilities				
Notes and Loans Payable		62,850		1,186,029
Bonds Payable		722,262		-
Other Post Employment Benefit Payable		296,648		266,407
Accrued Compensated Absences		34,971		57,328
Interagency Loan for Environmental Remediation		4,087,796		3,851,897
Pollution Remediation Obligation		150,205		336,900
Total Noncurrent Liabilities		5,354,732		5,698,561
Total Liabilities		9,051,326		6,437,261
Net Position				
Net Investment in Capital Assets		13,157,583		11,234,219
Unrestricted		7,411,287		9,200,596
Total Net Position	$	20,568,870	$	20,434,815

The accompanying notes are an integral part of this statement

PORT OF RIDGEFIELD

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For Year Ended December 31, 2014 and 2013

	2014	2013
Operating Revenues		
Property Lease & Rental	$ 116,440	$ 16,330
Boat Launch Operations	55,702	44,762
Total Operating Revenues	172,142	61,092
Operating Expenses		
Property Lease & Rental	193,120	277,379
Boat Launch Operations	28,843	36,790
General and Administrative Costs	904,840	801,672
Depreciation & Amortization	94,318	75,242
Total Operating Expenses	1,221,121	1,191,083
Operating Loss	(1,048,979)	(1,129,991)
Nonoperating Revenues (Expenses)		
Interest Earned	644,264	717,369
Ad Valorem Taxes Levied for General Purposes	464,155	441,142
Other Nonoperating Revenues	227,670	311,112
Gain on Disposal of Assets	873,065	-
Interest and Fiscal Charges	(35,835)	(78,849)
Remediation Activity Adjustment	(1,395,927)	1,066,450
Other Nonoperating Expenses	(220,059)	(203,330)
Total Nonoperating Revenues (Expenses)	557,333	2,253,894
Income (Loss) before Contributions	(491,646)	1,123,903
Capital Contributions	1,386,181	1,419,288
Special Item - road and sewer assets donated	(760,480)	-
Increase (decrease) in Net Position	134,055	2,543,191
Net Position - Beginning of Period	20,434,815	17,891,624
Net Position - End of Period	$ 20,568,870	$ 20,434,815

The accompanying notes are an integral part of this statement

PORT OF RIDGEFIELD

COMPARATIVE STATEMENT OF CASH FLOWS

For Year Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Cash received from customers	$ 195,227	$ 62,089
Cash received from other operating activities	468,131	-
Cash payment for goods and services	(497,467)	(596,181)
Cash payments to employees	(686,596)	(661,147)
Other payments made	(1,639,029)	(203,330)
Net cash provided (used) by operating activities	(2,159,734)	(1,398,569)
Cash flows from noncapital financing activities		
State/Federal remediation recoveries received	3,772,736	2,227,271
Receipt of note receivables	588,595	1,390,484
Pollution remediation payments	(3,848,506)	(2,063,535)
Proceeds from unrestricted property taxes	465,470	444,944
Receipt of remediation loan proceeds	235,899	242,552
Net cash provided (used) by noncapital financing activities	1,214,194	2,241,716
Cash flows from capital and related financing activities		
Capital contributions received	1,386,181	1,332,206
Proceeds from sale of assets	74,328	-
Payment on loans and notes	(170,024)	(168,329)
Disbursements for purchase of capital assets	(1,501,306)	(2,569,166)
Proceeds on issuance of bond	750,000	-
Interest and fiscal charges paid	(87,721)	(91,292)
Net cash provided (used) for capital and related financing activities	451,458	(1,496,581)
Cash flows from investing activities		
Receipts of interest and dividends	644,265	717,371
Net cash provided by investing activities	644,265	717,371
Net increase (decrease) in cash and cash equivalents	150,183	63,937
Cash and cash equivalents - January 1	3,139,580	3,075,643
Cash and cash equivalents - December 31	$ 3,289,763	$ 3,139,580
Reconciliation to statement of net position		
Cash and cash equivalents - unrestricted	3,279,763	3,129,580
Cash and cash equivalents - restricted for customer deposits	10,000	10,000
Cash and cash equivalents - December 31	$ 3,289,763	$ 3,139,580

The accompanying notes are an integral part of this statement

PORT OF RIDGEFIELD

COMPARATIVE STATEMENT OF CASH FLOWS

For Year Ended December 31, 2014 and 2013

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	2014	2013
Operating income (loss)	$ (1,048,979)	$ (1,129,991)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	94,318	75,242
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(229,005)	(9,043)
Increase (decrease) in customer deposits	0	10,000
Decrease (increase) in prepaid items	0	6,463
Increase (decrease) in other payables	(57,260)	(147,910)
Other revenue	720,221	0
Other expenses (payments)	(1,639,029)	(203,330)
Total adjustments	(1,110,755)	(268,578)
Net cash provided (used) by operating activities	$ (2,159,734)	$ (1,398,569)
Noncash Transactions		
Reduction of note payable - economic development	$ -	$ (60,000)
Payment of commission expense on sale of land	72,285	-
Payment of note payable on sale of land	1,102,229	-
Payment of interest on sale of land	23,192	-

The accompanying notes are an integral part of this statement

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port of Ridgefield (Port) was created in 1940 by a vote of the citizens of the Port District. The Port's size was expanded in 1980 to its present boundaries. The Port 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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The Port is a special purpose government that provides boat launch and industrial and commercial property rentals to tenants and the general public and is supported by rents, user charges and the property tax levy. The Port has the capacity to provide marine terminal services in the future.

An elected three-member board governs the Port. As required by generally accepted accounting principles (GAAP), management has considered all potential component units in defining the reporting entity. The Port has no component units.

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 an economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with Port activity are included on the statement of net position. The Port's reported total net position is segregated into 1) invested in capital assets 2) restricted and 3) unrestricted net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in total 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 a Port's principal ongoing operations. The Port's business operating revenues are derived from its boat launch and property leasing lines of business. Operating expenses include the direct expenses of operating these lines of business and the general and administrative expenses of the Port as a whole, including the cost of executive management, administration, marketing, accounting, finance, legal, insurance, taxes paid, and direct and indirect costs of the Port Commission itself. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Items included as nonoperating revenue and expense are property and other tax receipts, bond interest expense, environmental remediation grant revenue and remediation expenses, and election expenses (related to services provided for ballot preparation).

The remediation activity adjustment 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 its remediation obligation liability as additional information becomes available or as the Port reaches additional recognition benchmarks as defined by GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* Environmental cost recoveries from the state are received on a cost reimbursement basis and are recorded as a reduction of remediation expenses when earned. Remediation expenses, as incurred, flow through the statement of net position as a reduction of Remediation Obligation. Environmental cleanup costs consist of consulting, contractors, and employees directly involved with the remediation process. Indirect costs associated with remediation efforts are included in general and administrative expenses.

C. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents (See Note 2)
   It is the Port's policy to invest all temporary cash surpluses. These are classified as cash and cash equivalents on the statement of net position. For purposes of the statement of cash flows, the Port considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments (See Note 2)
   All investments are stated at fair value in accordance with generally accepted accounting principles. Interest is recognized in non-operating revenues as earned. Changes in the fair value of investments are also included in non-operating revenues (expenses). Unrealized gains and losses are recognized on the books as of the statement of net positions date.

3. Receivables
   Taxes receivable consist of property taxes and related interest and penalties (See Note 3). Because such taxes are considered liens on property, no reserve for doubtful accounts has been established. 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. Accounts receivable that are written off are charged directly against earnings when they are determined by the proper Port official to be uncollectible. Use of this method does not result in a material difference from the reserve method required by generally accepted accounting principles. Notes receivable (Note 4) consist of amounts owed from customers for sale of land.

4. Inventories
   The Port maintains a small inventory of office supplies and maintenance parts. The amounts held in inventory are immaterial to the financial statements as a whole. Parts and supplies are expensed as purchased and no inventory of these items is maintained.

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

6. Capital Assets and Depreciation (See Note 5)
   Major expenses for capital assets, including major repairs that increase the useful lives of capital assets are capitalized, if the purchase price exceeds $5,000. Maintenance, repairs and minor renewals are accounted for as expenses when incurred. Capital assets are stated at historical cost. Depreciation of capital assets is computed using the straight line method, based on estimated useful lives. Depreciation expense is charged to operations to allocate the costs of capital assets over their estimated useful lives. Standard useful lives defined by the Port are:

Buildings, Structures and Improvements	10-50 years
Marina Equipment	10 years
Vehicles	5-7 years
Computer Equipment/Software	5 years
Other Equipment	10 years

   The Port acquired certain assets with funding provided by federal and state financial assistance programs. Depending upon the terms of the agreements involved, the funding governmental unit could retain an 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.

7. Compensated Absences
Compensated absences are absences for which employees will be paid, such as vacation. The Port records unpaid leave for compensated absences as an expense and liability when incurred. Accrued vacation pay is payable upon an employee taking a vacation or upon resignation, retirement or death.

   Employee absences are funded from current revenues when taken. Unused vacation balances may be carried over to the next year. Costs are expensed when incurred and unused vacation time is accrued at year-end. The Port does not record accumulated unused sick leave. Sick leave is forfeited upon termination.

8. Long-Term Debt (See Note 8)

NOTE 2 – CASH AND CASH EQUIVALENTS

Deposits

The Port of Ridgefield Treasurer is the custodian for all Port funds. The Treasurer maintains the accounts of the Port at Banner Bank, Umpqua Bank, Sterling Bank and Key Bank. The Port's deposits are covered by federal depository insurance and are held at institutions approved by the State of Washington as public depositaries. The deposits are further insured under the Washington State's Public Deposit Protection Act.

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Port does not have a policy regarding custodial credit risk related to deposits. However, none of the Port's deposits are exposed to custodial credit risk.

The Port Treasurer was holding a total of $3,289,763 in cash and cash equivalents at December 31, 2014 and $3,139,580 in cash and cash equivalents at December 31, 2013.

Investments

As required by state law, all investments of the Port's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, or negotiable certificates of deposit with Washington State banks and savings and loan institutions. All temporary investments are stated at fair value.

The Port invests its surplus cash according to a policy adopted by the Commission in Resolution 00-89 on June 28, 2000, and amended by Resolution 02-115, that uses 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 Treasurer uses a strategy of investing surplus funds in a mix of investment instruments, including: short and intermediate term bonds of the U.S. Government or its Agencies that may be held to maturity, certificates of deposit at regulated Washington banks, and mutual funds of U.S. Government Securities managed by professional fund managers.

At December 31, 2014 and 2013, the Port held no investments.

NOTE 3 – PROPERTY TAXES

The 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 percent 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. 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. 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 2014 was $0.2423 per $1,000 on an assessed valuation of $1,922,078,214 for a total regular levy of $465,641. The Port's regular levy for 2013 was $0.25348 per $1,000 on an assessed valuation of $1,748,203,405 for a total regular levy of $443,132.

NOTE 4 –NOTES RECEIVABLE

The Port has sold land and entered into long-term note receivables with two separate parties. Interest rates received on the notes are eight and six percent. The total receivable from two parties at December 31, 2014 and 2013 was $10,114,009 and $10,702,604, respectively. During 2014 and 2013, principal in the amount of $588,595 and $1,390,484 combined with interest of $639,065 and $714,220 for a total of $1,227,660 and $2,104,704 was received each year, respectively. At December 31, 2014, the remaining amounts receivable on the leases are as follows:

	Principal	Interest	Total
2015	624,438	606,394	1,230,832
2016	9,489,571	569,344	10,058,915
	$ 10,114,009	$ 1,175,738	$ 11,289,747

NOTE 5 –CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended December 31, 2014 was as follows:

	Beginning Balance 1/1/2014	Increases	Decreases	Ending Balance 12/31/2014
Capital assets, not being depreciated:				
Land	$6,117,572	$1,231,264	$326,684	$7,022,152
Right of way	$0	$679,414	$0	$679,414
Construction in progress	4,567,708	1,700,767	4,233,732	2,034,743
Total capital assets, not being depreciated	$10,685,280	$3,611,445	$4,560,416	$9,736,309
Capital assets, being depreciated:				
Buildings and Improvements	2,252,723	2,444,400	0	4,697,123
Machinery and Equipment	183,453	0	3,354	180,099
Total capital assets being depreciated	$2,436,176	$2,444,400	$3,354	$4,877,222
Less accumulated depreciation for:				
Buildings and Improvements	406,296	84,181	0	490,477
Machinery and Equipment	124,888	10,137	3,354	131,671
Total accumulated depreciation	$531,184	$94,318	$3,354	$622,148
Total capital assets, being depreciated, net	$1,904,992	$2,350,082	$0	$4,255,074
Total capital assets	$12,590,272	$5,961,527	$4,560,416	$13,991,383

Capital assets activity for the year ended December 31, 2013 was as follows:

	Beginning Balance 1/1/2013	Increases	Decreases	Ending Balance 12/31/2013
Capital assets, not being depreciated:				
Land	$5,836,022	$281,550	$0	$6,117,572
Construction in progress	2,982,078	1,588,422	2,792	4,567,708
Total capital assets, not being depreciated	$8,818,100	$1,869,972	$2,792	$10,685,280
Capital assets, being depreciated:				
Buildings and Improvements	1,514,771	737,952	0	2,252,723
Machinery and Equipment	147,741	35,712	0	183,453
Total capital assets being depreciated	$1,662,512	$773,664	$0	$2,436,176
Less accumulated depreciation for:				
Buildings and Improvements	349,069	57,227	0	406,296
Machinery and Equipment	110,701	14,187	0	124,888
Total accumulated depreciation	$459,770	$71,414	$0	$531,184
Total capital assets, being depreciated, net	$1,202,742	$702,250	$0	$1,904,992
Total capital assets	$10,020,842	$2,572,222	$2,792	$12,590,272

Construction Commitments

The Port has active construction projects as of December 31, 2014. The larger project ongoing is the Rail Overpass project. The project has $2.0 million spent to date with no commitments outstanding. There are planning and permitting commitments on the 11th street building construction, no construction costs have yet been incurred on this project.

NOTE 6 – 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 retirement plans. 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 it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description
The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were $99.0 million, and plan refunds paid out were $69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.
PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is

1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Terminated Plan Members Nonvested	101,191
Total	**368,272**

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** Plan 3 defined benefit portion only.
***Minimum rate.

Both district and the employees made the required contributions. The Port's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**
2014	$5,587	$43,969	$0
2013	$4,711	$43,070	$0
2012	$4,067	$55,677	$6,302

NOTE 7 – RISK MANAGEMENT

The Port is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance. The Port maintains insurance against most normal hazards for commercial automobile, property loss and general liability.

The Port is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2014, there are 491 Enduris members representing a broad array of special purpose districts throughout the state.

Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides "per occurrence" based policies for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of $100 million for all members. Enduris offers crime coverage up to a limit of $1,000,000 per occurrence.

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis:

•$1,000,000 deductible on liability loss - the member is responsible for the first $1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining $999,000 on liability loss.
•$250,000 deductible on property loss - the member is responsible for the first $1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining $249,000 on property loss.
• Enduris is responsible for the $4,000 deductible on boiler and machinery loss.

Insurance carriers cover all losses over the deductibles as shown on the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

NOTE 8 – LONG-TERM DEBT AND LEASES

A. Long-Term Debt

The Port receives government loans and other notes to finance the purchase and construction of capital assets and remediation activity. It has received government loans from the Community Economic Revitalization Board (CERB) and the State Department of Ecology (DOE) for construction of capital projects and remediation associated with the Lake River Site. It has also entered into notes with private parties to provide for financing and construction of capital projects. These loans are payable from the revenues of the Port and are unsecured.

Government loans and notes payable outstanding at year-end are as follows:

Name of Issuance	Issuance Date	Maturity Date	Interest Rate	Original Amount	12/31/13 Debt Outstanding	12/31/14 Debt Outstanding	Installment Amount
1997 CERB Loan	7/1/1997	7/1/2018	3%	419,000	$ 104,750	$ 83,800	$25K to $21K
Land Acquisition Note	5/10/2010	1/1/2020	6%	1,800,000	1,251,303	-	$224K
Remediation Loan L1400017	7/1/2014	7/1/2064	0%	137,573	-	137,573	$3K, deferred
Remeditaion Loan L1300009	8/9/2012	7/1/2064	0%	2,950,223	2,950,223	2,950,223	$37K, deferred
Remediation Loan L1200004	8/9/2012	7/1/2064	0%	901,674	901,674	1,000,000	$12K, deferred
Total Loans and Notes					$ 5,207,950	$ 4,171,596	

Annual debt service requirements to maturity for government loans and notes payable are as follows:

	Principal	Interest	Total Requirements
2015	20,950	2,514	23,464
2016	20,950	1,886	22,836
2017	20,950	1,257	22,207
2018	20,950	629	21,579
2019	-	-	-
2020-2024	234,390	-	234,390
2025-2029	255,490	-	255,490
2030-2034	255,490	-	255,490
2035-2039	255,490	-	255,490
2040-2044	255,490	-	255,490
2045-2049	255,490	-	255,490
2050-2054	255,490	-	255,490
2055-2059	255,490	-	255,490
2060-2064	2,064,976	-	2,064,976
	$ 4,171,596	$ 6,285	$ 4,177,881

The Port shows total interagency environmental loans for remediation activity, termed "biennial loan agreements," in the amount of $4,087,796, $3,851,897and $3,609,345 as of December 31, 2014, 2013 and 2012, respectively.

The land acquisition note was paid in full in May of 2014.

B. Bonds

The Port issued limited tax general obligation bonds in 2014 for the purpose of financing the acquisition of and improvements to real property. The Port had $750,000 in tax-exempt general obligation bonds outstanding as of December 31, 2014. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. The bonds were approved created by resolution, adopted by the commissioners, and financed from tax levies. General obligation bonds outstanding at December 31, 2014 are as follows:

Name of Issuance	Original Issue Amount	Purpose	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2014 LTGO Bonds	750,000	Capital	12/1/2014	12/1/2034	Adjusted every five years, 3.4% at 12/31/14	750,000
Total General Oblig Bonds	$ 750,000					$ 750,000

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

	Principal	Interest	Total Requirements
2015	27,738	24,401	52,139
2016	27,408	24,731	52,139
2017	28,430	23,709	52,139
2018	29,418	22,721	52,139
2019	30,441	21,698	52,139
2020-2024	168,725	91,970	260,695
2025-2029	200,250	60,445	260,695
2030-2034	237,590	23,105	260,695
	$ 750,000	$ 292,780	$ 1,042,780

The Port's legal limit of indebtedness for general obligation debt is .375% of assessed property value without a vote and .75% with a vote of the taxpayers. At December 31, 2014, the remaining nonvoted and voted remaining capacity was $6,814,121 and $15,889,139. At December 31, 2013, the remaining nonvoted and voted remaining capacity was $7,150,465 and $14,358,259.

C. Operating Leases

The Port leases certain equipment under noncancelable operating leases. The total cost for such leases was $5,614 and $5,448 for the year ended December 31, 2014 and 2013, respectively.

D. Changes in Long-Term Liabilities

During the year ended December 31, 2014 and 2013, the following changes occurred in long-term liabilities:

	1/1/14	Additions	Reductions	12/31/14	Due Within One Year
Notes and loans payable	$ 1,356,053	$ -	1,272,253	$ 83,800	$ 20,950
Bonds payable	-	750,000	-	750,000	27,738
Interagency remediation loan	3,851,897	235,899	-	4,087,796	-
Other postemployment benefits	266,407	30,241	-	296,648	-
Compensated absences	57,328	-	18,471	38,857	3,886
Pollution remediation obligation	336,900	-	186,695	150,205	-
Total long-term liabilities	$ 5,868,585	$ 1,016,140	$ 1,477,419	$ 5,407,306	$ 52,574

	1/1/13	Additions	Reductions	12/31/13	Due Within One Year
Notes and loans payable	$ 1,584,382	$ -	$ 228,329	$ 1,356,053	$ 170,024
Interagency remediation loan	3,609,345	242,552	-	3,851,897	-
Other postemployment benefits	233,985	32,422	-	266,407	-
Compensated absences	65,615	-	8,287	57,328	-
Pollution remediation obligation	1,480,342	-	1,143,442	336,900	-
Total long-term liabilities	$ 6,973,669	$ 274,974	$ 1,380,058	$ 5,868,585	$ 170,024

NOTE 9 – CONTINGENCIES AND LITIGATION

The Port has recorded in its financial statements all legally enforceable material liabilities. In the opinion of management, the Port's insurance policies are adequate to pay all known or pending claims.

The Port participates in a business environment that contains many governmental rules and regulations. The imposition of new regulations can pose significant financial risk and uncertainty to the Port. Examples include:

- Changes in environmental regulations that increase Port response costs and or reduce the net usable land owned by the Port
- Changes in local zoning and development codes that control and restrict land use and development density
- Adverse land use decisions
- Increased system development charges, transportation impact fees, utility fees, taxes and levies
- Changes in accounting standards, and other policies, procedures and reporting requirements and associated fees
- Changes in regulations that increase Port development and operating costs such as prevailing wage, building codes, climate change, insurance requirements, etc.
- Regulatory ambiguity and interagency conflicts, permitting and regulatory agency staff reductions and reduced levels of service
- Changes in Port investment policies and strategies

The Port also participates in a number of federal and state assisted programs. The grants the Port receives under these programs 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. Management believes that such disallowances, if any, will be immaterial.

NOTE 10 – POLLUTION REMEDIATION OBLIGATIONS

The remediation of the Lake River (Pacific Wood Treating or PWT) site within the Port District of Ridgefield, Washington is required by the United States Environmental Protection Agency (EPA) pursuant to its authority under the Resource Conservation and Recovery Act of 1976. The EPA transferred oversight of the cleanup to the State Department of Ecology under the Model Toxics Control Act, Ch 70.105D RCW. The Port is one of several parties named or considered a potentially responsible party.

A budget for cleanup costs has been prepared by the Port's environmental engineer. This budget is the basis for the estimates for the year ending December 31, 2014 and 2013 in the amount of $5,006,844 and $11,230,000, respectively. This is measured at current value.

The Port entered into Agreed Order No. 01TCPSR-3119 (Agreed Order) with the Washington Department of Ecology (Ecology). The Agreed Order governs the cleanup activities at the site. As part of the Agreed Order, the Site includes PWT's former fabrication, treating and storage areas (the bulk of the site). For reference, the Lake River Remediation site was broken up into four management areas or cells, which are currently at various stages in the remediation process. Cell 1 is the location of the former PWT tank farm. Cell 2 includes the PWT's former fabrication and treating areas. Cell 3 includes the former South Pole Yard and Cell 4 includes the former North Pole Yard.

Since 1985, multiple investigations have been conducted on- and off-property to characterize the impacts associated with historical PWT operations, including collection of soil samples on the Lake River site and upland off-property, groundwater samples on the property and the nearby Ridgefield National Wildlife Refuge, and sediment samples in Lake River and Carty Lake.

Under the Agreed Order interim actions have been performed on the Lake River site since 1996 by the Port, with Ecology oversight and approval. The interim actions have included initial source removal after PWT vacated the property, an emergency action that involved steam-enhanced remediation (SER) focused on removing mobile product in the subsurface, and more recent interim actions to address soil impacts. The SER system was shut down in June 2011. The remedial investigation for the property has been completed. Lake River and Carty Lake characterization has been completed. No further estimates are required for this task; therefore, at December 31, 2013, no liability is estimated for this category.

The Port has completed remedies in Cells 1, 2, 3 and 4 and no additional costs are anticipated for these areas.

The Port completed the Remedial Investigation/Feasibility Study (RI/FS) for the entire site in the fall of 2013. The RI/FS specified the remedial actions remaining at the site. These actions were incorporated into the cleanup action plan which became the basis for entering into a consent decree with Ecology.

On November 5, 2013, Consent Decree Number 13-2-03830-1 (Consent Decree) was filed in Clark County, Washington. The Consent Decree is intended to be the final agreement between the Port and Ecology as to what actions it will take to complete remedial activities at the site. The remedial activities include dredging sediments in Lake River and Carty Lake, and capping the Port's Railroad Avenue property. The Port's Railroad Avenue property was capped in 2013 and is not considered in the estimated cleanup liability going forward.

The Port started the dredging work in Lake River and Carty Lake in 2014. These projects will be completed in 2015 and estimates to complete these projects at December 31, 2014 is $4,571,844.

Property not owned by the Port, but east and south of Cell 3 (the former South Pole Yard) has contamination which may have been transported by airborne dust or drippage from trucks transporting poles from the former Pacific Wood Treating site. On December 8, 2014, the Port entered into Agreed Order DE 11057 (Agreed Order) with Ecology. The Port was named the responsible party. The Agreed Order requires the Port to sample properties adjacent to the Lake River Site for wood treating chemicals associated with the former PWT operations. This is considered the "Off-Property" portion of the PWT site. The Agreed Order requires the Port to complete a remedial investigation and feasibility study (RI/FS) for the Off-Property Portion. If necessary, the Port will also prepare a Draft Cleanup Action Plan that may result in a modification to the Consent Decree. The costs for the RI/FS and Draft Cleanup Action Plan have been estimated at $255,000. Costs for remediation work in the Off-Property Portion cannot be estimated at this time, as the RI/FS has not been completed.

Groundwater monitoring, planting and chemical costs have very little variability and costs are projected for the next five years. The total expected costs for these preliminary elements are $180,000.

This estimated liability 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. The estimates and assumptions will be re-evaluated on an annual basis.

The State of Washington is considered a potentially responsible party (PRP) under GASB 49. The State entered into binding agreements with Pacific Wood Treating Company (former tenant) that allowed or permitted release of runoff water onto state owned property. Through December 2010, the State has contributed 65% of the total cleanup costs. The State is committed to contributing 90% for 2011 and 2012 grant/loan agreements. For the most recent grant/loan agreements, the State has committed to contribute 97%. The State's total contributive share is not yet realized or realizable. Therefore, the liability recognized on the Statement of Net Assets is reduced by the expected recoveries. The Port's estimated share of the Pollution Remediation Obligation is $150,205 and $336,900 at December 31, 2014 and 2013, respectively.

		12/31/2014		12/31/2013		12/31/2012
Total Remediation Expected Obligation	$	5,006,844	$	11,230,000	$	14,803,425
Estimated Recoveries from State of Washington		4,856,639		10,893,100		13,323,083
Port of Ridgefield's Remediation Obligation	$	150,205	$	336,900	$	1,480,342

Ecology has committed to finance the Port's share of remediation through a series of advances called biennial loan agreements. The most recent agreement contains a loan of a maximum of $450,000, zero percent interest and a 45 year loan term with payments starting in July 1, 2025. The balance on the loan at December 31, 2014 is $137,573.

A substantial part of the Port's operating costs relate to the management of the environmental cleanup project. In 2014 and 2013, $165,938 and $196,431, respectively, of Port operating costs were eligible for grant reimbursement. The grant funds received as reimbursement for the Port's operating costs are recognized as cleanup project management fee revenue by the Port. This revenue is included in Other Non-Operating Revenues on the Statement of Revenues, Expenses and Changes in Fund Net Position.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description:

In addition to the pension benefits described in Note 6, the Port participates in a cost sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. This plan is administered by the Health Care Authority (HCA) per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability. Benefits are offered to retirees at a subsidized rate.

The benefits are provided in accordance with a substantive plan, in which the plan terms are understood by the employers and plan member, but not formalized in a contract or plan document. The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong.

As of year-end, there were no Port employees that had retired and were receiving these benefits.

This OPEB plan does not issue a stand-alone financial report but it is included in the report of the State of Washington, Office of Financial Management. This report can be obtained from the following website: http://www.ofm.wa.gov/cafr/.

Funding Policy:

This plan is not currently funded. The Port was required to contribute $34,966 and $34,353 at December 31, 2014 and 2013, respectively, but only contributed $0. The amount contributed differs from the Annual Required Contribution (ARC) because the plan is financed on a pay-as-you-go-basis. The difference between the OPEB Costs and the required contribution is called the Net OPEB Obligation (NOO). This amount of $296,648and $266,407 is the actuarial accrued liability recognized on the statement of net position at December 31, 2014 and 2013, respectively.

The total unfunded actuarial liability (UAAL) is $266,771. The covered payroll (annual payroll of active employees covered by the plan) was $667,830 and the ratio of the UAAL to the covered payroll was 35 percent.

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2014	$ 30,241	0%	$ 296,648
2013	32,422	0%	266,407
2012	31,026	0%	233,985

Annual OPEB Cost and Net OPEB Obligation

The Port's annual other postemployment benefit (OPEB) cost (expense) is determined based on the annual required contribution of the employer (ARC), an amount actuarially determine in accordance with the Alternative measurement method parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Port's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Port's net OPEB obligation.

	2014	2013
Actuarial Required Contribution (ARC)	$ 34,967	$ 34,353
Interest on Net OPEB Obligation (NOO)	10,600	10,529
Adjustment to NOO	(15,326)	(12,460)
Annual OPEB Cost	30,241	32,422
Employer Contributions	-	-
Increase (Decrease) in NOO	30,241	32,422
Net OPEB Obligation January 1	266,407	233,985
Net OPEB Obligation December 31	$ 296,648	$ 266,407

Actuarial Methods and Assumptions:

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additionally, calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. The specific actuarial methods and significant assumptions used to determine the ARC for the current year are as follows:

Valuation Date	1/1/2014
Actuarial Cost Method	Projected Unit Credit
Method used to determine the actuarial value of assets	N/A
Interest Rate for Discounting Future Liabilities	3.50%
Projected Payroll Growth	1.25%
Expected Retirement Age	65
Investment Return	4.5
Healthcare Cost Trend Rate - Initial	7.0%
Healthcare Cost Trend Rate - Ultimate	5.0%
Amortization Period - Open	20

Retirement, disablement, termination and mortality rates were assumed to follow the PERS 2 rates used in the June 30, 2013 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide PEBB study performed in 2013. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 30 years. The assumptions are individually and collectively reasonable for the purposes of this evaluation.

NOTE 12 – OTHER DISCLOSURES

A. Major Receivables

A major customer is defined as one who supports more than 10% of the Port's operations.
Due to the clean-up activity at the Lake River Site, as disclosed in Note 10, the Port was required to demolish all of its industrial rental buildings. The Port had no major customers in 2014 or in 2013. The Port anticipates generating future income by planning and entitling properties to accommodate new facility development and leasing activities.

B. Industrial Development Corporation of the Port of Ridgefield

The Industrial Development Corporation of the Port of Ridgefield, a public corporation, was authorized in 2001 to facilitate the issuance of tax-exempt non-recourse revenue bonds to finance industrial development within the corporate boundaries of the Port. Revenue bonds issued by the corporation 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 Industrial Development Corporation did not authorize issuance of any bonds during the years ended December 31, 2014 or 2013.

C. Stewardship, Compliance and Accountability

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

D. Special Item

A special item is a significant transaction or event within the control of management that are either unusual in nature or infrequent in occurrence. The 11th Street Extension was built by the Port for the City of Ridgefield. This was donated to the City in June 2015. The cost for this project was $760,480 and is reflected as a special item on the financial statements. Additionally, the Port donated a Sewer Pump Station in the amount of $658,492 to the Clark Regional Waste Water District. This was offset by reimbursement from the district.

E. Subsequent Events

The Port has issued a $1,250,000 limited tax general obligation bond for development of Port property. At December 31, 2014, no draws had been made on the bond. The bond matures 12-1-2034 with variable interest not less than 4.95%. Approximate equal payments of principal and interest begin 6-1-2016.

With cash and financing available to the Port, strong market demand for local industrial property, and the seller's willingness to sell the property back to the Port, the Port made a contingent offer to repurchase the South 11th Street Lots 4 and 5 and tracts B and C short plat that was sold in 2014. The Port's offer is contingent upon Port Commission approval in open public session and satisfactory completion due-diligence including a Phase 1 environmental review and geotechnical review. The offer is to buy the property back for the original selling price of $1,271,952.00 plus the cost of demonstrated site planning and improvements the purchaser made to the property (a value of $150,000). The total cash-at-closing price is $1,421,952.

F. Reclassifications

The Port reclassified $1,904,992 of Unrestricted Net Position to Net Investment in Capital assets in the 2013 column of the Statement of Net Position. This was necessary because of a formula error.

PORT OF RIDGEFIELD
Required Supplementary Information
Other Post Employment Benefit
Schedule of Funding Progress
December 31, 2014 and 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liabilities (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	$ -	$ 390,289	$ 390,289	0%	$ 1,523,919	26%
1/1/2012	-	232,847	232,847	0%	1,269,571	18%
1/1/2014		266,771	266,771	0%	667,830	40%

Port of Ridgefield
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Note
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Transportation)	Highway Planning and Construction	20.205	Railroad Overpass Grant	1,783,670	-	1,783,670	2,3
	Total Highway Planning and Construction Cluster:			**1,783,670**	**-**	**1,783,670**	
	Total Federal Awards Expended:			**1,783,670**	**-**	**1,783,670**	

The accompanying notes are an integral part of this statement.

Port of Ridgefield

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2014

NOTE 1

BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Port's financial statements. The Port uses the full accrual method of accounting.

NOTE 2

PROGRAM COSTS

The amounts shown as current year expenditures represent only federal grant portions of the program costs. Entire program costs, including the Port's portion may be more than shown.

NOTE 3

INDIRECT COST RATE

The amount expended includes $10,843 claimed as an indirect cost recovery using an approved indirect cost rate of 20%.

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.

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