



ANNUAL FINANCIAL REPORT

December 31, 2020

PORT OF ILWACO
Ilwaco, Washington

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ANNUAL REPORT CERTIFICATION

Port of Ilwaco

(Official Name of Government)

1748

MCAG No.

Submitted pursuant to RCW 43.09.230 to the Washington State Auditor's Office

For the Fiscal Year Ended December 31, 2020

GOVERNMENT INFORMATION:

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AUDIT CONTACT or PREPARER INFORMATION and CERTIFICATION:

Audit Contact or Preparer Name and Title Tricia Needham, Finance Director
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Contact E-mail Address tneedham@portofilwaco.org

I certify 30th day of May, 2021 that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to ensure accurate financial reporting, comply with applicable laws and safeguard public resources, including controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.

Audit Contact or Preparer Signature: _____

**Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020**

		<u>401 Operations</u>
Beginning Cash and Investments		
308	Beginning Cash and Investments	3,059,730
388 & 588	Net Adjustments	-
Revenues		
310	Taxes	204,499
320	Licenses and Permits	-
330	Intergovernmental Revenues	1,392,688
340	Charges for Goods and Services	1,310,614
350	Fines and Penalties	-
360	Miscellaneous Revenues	<u>47,464</u>
Total Revenues:		2,955,265
Expenditures		
540	Transportation	<u>1,513,006</u>
Total Expenditures:		<u>1,513,006</u>
Excess (Deficiency) Revenues over Expenditures:		1,442,259
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	1,250,000
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	<u>260,555</u>
Total Other Increases in Fund Resources:		1,510,555
Other Decreases in Fund Resources		
594-595	Capital Expenditures	1,877,385
591-593, 599	Debt Service	115,505
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	<u>113,690</u>
Total Other Decreases in Fund Resources:		<u>2,106,580</u>
Increase (Decrease) in Cash and Investments:		846,234
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	2,729,672
50841	Committed	-
50851	Assigned	1,176,292
50891	Unassigned	<u>-</u>
Total Ending Cash and Investments		3,905,964

The accompanying notes are an integral part of this statement.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Port of Ilwaco (Port) was incorporated on April 7, 1928 and operates under the laws of the State of Washington applicable to Port Districts. The Port is governed by an elected three-member board.

The Port is a special purpose local government and provides marina services, leased properties, equipment/boat storage yards, travel hoist, boatyard facilities and an airport to the general public and is supported primarily through user charges, property lease revenues, ad valorem property taxes levied for operations, debt services and other miscellaneous taxes.

The Port reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are similar to the ending balance classification GAPP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. For reporting purposes, the activities of all the Port's funds are in one fund. The following fund type is used:

PROPRIETARY FUND TYPE:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Budgets

Annual budgets are adopted on the same basis of accounting as used for financial reporting and are adopted for the purpose of levying port district taxes.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

D. Cash and Investments

See Note 3 - *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one (1) year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Compensated absences are absences for which employees will be paid upon separation, such as vacation and sick leave.

Vacation leave may be accumulated up to 320 hours and is payable upon separation or retirement only if an employee has completed twelve (12) months of continuous employment with the Port. Sick leave may accumulate up to 480 hours. Upon separation of employment (either voluntarily or involuntarily) any unused sick leave is forfeited and employees are not entitled to any pay in lieu of unused sick leave. Upon retirement, employees with a minimum of five years of continuous employment with the Port and meeting all retirement eligibility requirements under the Public Employees Retirement System (PERS) may receive pay for fifty (50) percent of accumulated sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 5 – *Long-Term Debt*.

H. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by resolution of the Port Commission. When expenditures that meet restrictions are incurred, the Port intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of Limited Tax General Obligation Bond funds unspent at year-end and funds collected from the Port's Industrial Development District (IDD) levy that may be used to carry out all of the powers granted pursuant to RCW 53.25.100 so long as they are within the Port's comprehensive scheme of harbor improvements and industrial developments.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2020

NOTE 2 – COVID-19 PANDEMIC:

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

To help control the spread of the virus, the Port implemented a modified/alternate work schedule in March 2020 and April 2020, which allowed the Port to put in place necessary measures to protect the employee’s work environment and adhere to federal and state standards. The Port delegated emergency authority to the Port Manager to act on behalf of the commission during the pandemic, in order to carry out essential duties and functions of the port. Other impacts, direct or indirect, included cancellation of events and public auctions located at the port, delays in permitting and progress of construction projects, reduction of activity at the Port’s marina facilities, and implementation of remote public meetings. The commission established a tenant relief policy to assist port customers struggling with business operations due to shutdowns in the local economy. The impact felt at the Port has primarily been operational and has had minimal impact on the Port’s finances. The services offered by the Port are essential to the local and national economy and the Port continues to remain fully operational to serve the needs of the Port community.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the Port is unknown at this time.

NOTE 3 – DEPOSITS AND INVESTMENTS:

Investments are reported at original cost, unless indicated otherwise. Deposits and investments by type at December 31, 2020 are as follows:

Type of Deposit or Investment	Port’s own deposits and investments	Total
Bank Deposits	\$ 178,474	\$ 178,474
Local Government Investment Pool	\$ 3,727,490	\$ 3,727,490
Total	\$ 3,905,964	\$ 3,905,964

It is the Port’s policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments in the State Local Government Investment Pool (LGIP)

Through the Pacific County Treasurer, acting as an agent on behalf of the Port, the Port is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS, CONTINUED:

43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Port would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The Port's deposits are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the Port or its agent in the government's name.

NOTE 4 - PROPERTY TAX:

The Pacific County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by the Port. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Port's regular levy for the year 2020 was \$0.283520 per \$1,000 on an assessed valuation of \$652,679,566 for total regular levy of \$185,048.

NOTE 5 – LONG-TERM DEBT:

Debt Service

The Port issues General Obligations (G.O.) Bonds to finance the acquisition and construction of capital assets.

In 2020, the Port issued \$1,250,000 in a Limited Tax General Obligation Bond. The proceeds are being used to fund many capital projects included within the Port's comprehensive plan, including the addition of a new vessel deconstruction facility, new boatyard travelift, new pressure wash-water filtration system and enhancements to the boatyard stormwater treatment system and acquisition of additional property and infrastructure improvements. The debt issuance costs related to the general obligation bond transaction was \$7,600. See Note 1 – *Summary of Significant Accounting Policies, Long-Term Debt and Note 8 – Other Disclosures, Subsequent Events, Real Property Purchase.*

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2020

NOTE 5 – LONG-TERM DEBT, CONTINUED:

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the Port and summarizes the Port’s debt transactions for the year ended December 31, 2020.

The debt service requirements for general obligation bonds and CERB loans, including interest at December 31, 2020 are as follows:

Year	Principal	Interest	Total Debt
2021	\$ 123,266	\$ 35,364	\$ 158,630
2022	\$ 127,044	\$ 31,586	\$ 158,630
2023	\$ 123,476	\$ 27,680	\$ 151,156
2024	\$ 77,205	\$ 24,245	\$ 101,450
2025	\$ 77,620	\$ 23,830	\$ 101,450
2026-2030	\$ 413,165	\$ 94,085	\$ 507,250
2031-2035	\$ 421,011	\$ 35,724	\$ 456,735
TOTALS	\$ 1,362,787	\$ 272,514	\$ 1,635,301

NOTE 6 - PENSION PLANS:

State Sponsored Pension Plans

Substantially all Port full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees’ Retirement System (PERS) Plans 1, 2, and 3.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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
 PO Box 48380
 Olympia, WA 98540-8380

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

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2020

NOTE 6 - PENSION PLANS, CONTINUED:

State Sponsored Pension Plans, continued

At June 30, 2020 (the measurement date of the plans), the Port's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 24,724	0.003411%	\$ 120,427
PERS 2/3	\$ 40,750	0.004423%	\$ 56,568

NOTE 7 – RISK MANAGEMENT:

The Port of Ilwaco maintains insurance against most normal hazards for commercial automobile, property loss and general liability.

Port of Ilwaco 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. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two 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, 2020, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is 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, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2020

NOTE 7 – RISK MANAGEMENT, CONTINUED:

coverage limit is \$20 million per occurrence and property coverage limit is \$800 million per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one 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 the Pool and are administered in house.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's 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.

Enduris did not have any claim settlements that exceeded the limits in the last 3 years.

The Port is self-insured for unemployment insurance. The Port expended \$1,098 in unemployment claims in 2020. There is a contingent liability for possible future unemployment claims.

The Port is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, federal, state and local government regulations and changes in law.

The Port adopted a Health Reimbursement Arrangement Plan (the "Plan") effective January 1, 2013. The purpose of the Plan is to allow employees of the Port to obtain reimbursement of qualified medical care expenses on a nontaxable basis from the HRA account funded by the Port. The Port intends that the Plan qualify as an employer-provided medical reimbursement plan under Code Sections 105 and 106 and regulations issued thereunder, and as a health reimbursement arrangement as defined under IRS Notice 2002-45, and shall be interpreted to accomplish that objective. The HRA plan is administered by a third-party vendor, and complies with all applicable regulatory requirements. In 2020, there is a maximum annual allowance and annual deductible per employee for qualified claims as follows:

HRA Allowances and Deductibles		
	Allowance	Annual Deductible
Employee Only	\$2,500/year	\$500
Employee and Family	\$5,500/year	\$500

The Port set aside adequate funds to cover the contingent liability if all eligible employees were reimbursed their full allowance after their annual deductible.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2020

NOTE 8 – OTHER DISCLOSURES:

Contingencies and Litigations:

The Port participates in a number of federal and state assisted programs. The grants the Port receives under these programs are subject to audit by grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The most current recoverable grants that have a material impact on the Port are listed under the grants section of the financial notes. Port management believes all other recoverable grant expenditures, if disallowed by the grantors, will be immaterial. See Note 8 – *Other Disclosures, Grants*.

In February 2020, the Port was notified of a land lease tenant filing Receivership in Pacific County Superior Court. The tenant was sixty (60) days past due on their leases at the time of the court filing, with an outstanding debt of \$14,048. As of December 31, 2020, the tenant owed the Port a total of \$89,137 including land lease fees, leasehold excise tax and late fees. Late in 2020, the court approved the sale of the buildings and improvements to a seafood company based on the west coast. In December 2020, the Port agreed to assign the leases on file to the new owner, subject to negotiating new leases with the Port within the next two years. In 2021, the Port settled the outstanding lease balance with the receiver and received additional funds from the surety lease bond the Port had with the original tenant. See Note 8 – *Other Disclosures, Subsequent Events – Tenant Receivership*.

Grants:

In 2014, the Port of Ilwaco was awarded a Clean Vessel Sewage Disposal Facility Grant allowing for the installation of boat sewage disposal equipment (CV 315-116). In 2015, the Port received a total reimbursement of 100% of the cost to construct or purchase the equipment. This is a recoverable grant and the contract stipulates the boat sewage disposal equipment is property of the WSPRC for the usable life of the boat, which is identified as six (6) years from date of completion. After six years, or June 30, 2021, the boat becomes the property of the Port. If the Port has failed to comply with any or all obligations of the grant document and WSPRC terminates the contract, the Port shall be required repay all funds disbursed of \$14,277 plus 12% per annum interest.

During 2019, the Port received a local grant disbursement in the amount of \$7,500 (per year) for the Howerton Way Road/Water and Sewer Upgrade from Pacific County's Intergovernmental Agreement with the Port. The final grant disbursement is scheduled to be received in 2021.

In 2016, the Port was awarded \$9,012 for a local grant from the Pacific Council of Governments (PCOG) for the Airport Surface Transportation and Access Project. This is a state flow-through grant funded by the 10% annual allotment of Surface Transportation Program Regional funds from the State of Washington Department of Transportation. The grant funds are to be used for improving vehicle access and parking at the Port airport located on Stringtown Road. The total amount of grant funds received were \$8,982. This is a recoverable grant for the purpose stated. In the event the Port fails to expend these funds in accordance with state law and/or the provisions of the contract, Pacific County reserves the right to recapture the funds disbursed. Such right of recapture shall exist for three (3) years after final payment, which occurred on November 27, 2018 and right of recapture will expire November 27, 2021.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2020

NOTE 8 – OTHER DISCLOSURES, CONTINUED:

Grants, continued:

In December 2017, the Port was awarded a local grant for \$82,030 from the Pacific Council of Governments (PCOG) funded by the 0.09% local sales tax fund to be used for developing a design and construct a new sanitary sewer line along with replacing the current closed-loop, pressure wash water treatment system with a pretreatment system with discharge to the sanitary sewer. In 2020, the Port expended \$12,556 in eligible expenditures and received the 2020 disbursement of \$10,290. Per the terms of the grant contract, after 2018, grant reimbursements will be dispersed in the following increments: 2019-2025 \$10,290 per year. This is a recoverable grant for the purpose stated. In the event the Port fails to expend these funds in accordance with state law and/or the provisions of the contract, Pacific County reserves the right to recapture the funds disbursed. Such right of recapture shall exist for six (6) years after the contract expiration date of December 15, 2025.

In 2017, the Port of Ilwaco and Port of Chinook were awarded a total of \$77,000 for a state grant in the 2017-2019 Capital Budget to develop a combined dredging plan for both Ports. There is a 3% fee of \$2,310 that the Department of Commerce (DOC) will retain for administrative costs. The net funds available to expend for costs incurred will be \$74,690. This is a recoverable grant and in the event the Port fails to expend the funds in accordance with state law and/or the provisions of the contract, the state may recapture in an amount equivalent to the extent of the non-compliance. On August 9, 2018, the Port of Chinook and Port of Ilwaco entered into an Interlocal Agreement for the combined dredging plan, whereas the Port of Ilwaco will administer and account for Port of Chinook's one-third portion of the grant revenue and expenditures. The completion of the combined dredging plan occurred in 2019 for a final combined total cost of \$69,036. The unexpended portion of the grant funds, or \$5,654, was suspended. The Ports received notice from DOC the project officially closed on January 6, 2020 when final reimbursement was received. See Note 8 - *Other Disclosures, Interlocal for a Combined Dredging Plan and Dredging Services*.

In April 2018, the Port of Chinook and Port of Ilwaco were awarded a combined total of \$450,000 for a state grant in the 2017-2019 Supplemental Capital Budget for marina dredging at both ports. There is a 3% fee that the Department of Commerce (DOC) will retain for administrative costs. The net funds available to expend for costs incurred will be \$436,500. This is a recoverable grant and in the event the Port fails to expend the funds in accordance with state law and/or the provisions of the contract, the state may recapture in an amount equivalent to the extent of the non-compliance. On August 9, 2018, the Port of Chinook and Port of Ilwaco entered into an Interlocal Agreement for the marina dredging, whereas the Port of Ilwaco will administer and account for Port of Chinook's portion of the grant revenue and expenditures, approximately \$277,000 of the \$436,500. The completion of marina dredging occurred in 2019 for a total combined project cost of \$437,717, of which \$159,751 was allocated to the Port of Ilwaco and \$277,966 was allocated to the Port of Chinook. The Ports received notice from DOC the project officially closed on January 6, 2020 when final reimbursement was received. See Note 8 - *Other Disclosures, Interlocal for a Combined Dredging Plan and Dredging Services*.

In April 2018, the Port was awarded a state grant (contract # CD19-96619-015) in the amount of \$950,000 from the 2018 Supplemental State Capital Budget for construction of a derelict vessel

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2020

NOTE 8 – OTHER DISCLOSURES, CONTINUED:

Grants, Continued:

deconstruction facility and improvements to the Port's public boatyard, including surface improvements and stormwater system improvements. There is a 3% fee that the Department of Commerce will retain for administrative costs. The net funds available to expend for costs incurred will be \$921,500. This is a recoverable grant and in the event the Port fails to expend the funds in accordance with state law and/or the provisions of the contract, the state may recapture in an amount equivalent to the extent of the non-compliance. On March 19, 2019, the Port received Amendment A to Contract CD19-96619-015 extending the contract end date to June 30, 2021 and amended the scope of work from paving and re-grading the boatyard to regrading and leveling. All other terms of the contract remain the same. In 2020, the Port expended \$837,620 of eligible expenditures and was reimbursed \$728,515 from the granting agency. The Port anticipates completion of the project in 2021. See Note 8 - *Other Disclosures, Subsequent Events, Construction and Contract Commitments*.

In August 2019, the Port was awarded a state grant from the Washington State Recreation and Conservation Office (RCO) utilizing funds from the Boating Facilities Program, for Outer Harbor Way improvements, including installing a new restroom building, landscaping, repaving and striping the parking lot, installation and construction of an automated pay station and information kiosk. There is a recoverable portion of the grant for non-compliance. In the event the Port fails to expend funds per the terms of the agreement or fails to meet its percentage of the project total, RCO reserves the right to recover awards in the amount equivalent to the extent of noncompliance. The project total is \$441,800 and the grant requires a match of 25%. RCO will fund 75%, or \$331,350, and the Port will fund 25%, or \$110,450. In 2020, the Port expended \$90,791 in eligible grant costs and did not receive a reimbursement from the granting agency. The Port anticipates completion of the project in 2022.

On July 1 2019, the Port was awarded a local grant for \$65,000 from the Pacific Council of Governments (PCOG) funded by the 0.09% local sales tax fund to be used for planning, permitting and engineering costs for updating the Port's pier system for a new marine travelift. This is a recoverable grant for the purpose stated. In the event the Port fails to expend these funds in accordance with state law and/or the provisions of the contract, Pacific County reserves the right to recapture the funds disbursed. Such right of recapture shall exist for six (6) years after final payment, which has yet to be determined. In 2020, the Port expended \$5,280 of eligible costs and did not receive any reimbursements from the granting agency. The Port anticipates completion of the project in 2021.

In August 2019, the Port was awarded a \$545,000 state grant in the 2019-2021 Capital Budget to replace the marine travelift located in the Port's boatyard facility. There is a 2% fee of \$10,900 charged to the grant that the Department of Commerce (DOC) will retain for administrative costs. This is a recoverable grant and in the event the Port fails to expend the funds in accordance with state law and/or the provisions of the contract, the state may recapture in an amount equivalent to the extent of the non-compliance. In 2020, the Port purchased a 75-metric ton Marine Travelift, which was put in to first use on November 5, 2020 at the Port's boatyard facility. The total project cost was \$586,767 and the Port was reimbursed \$534,100 from the granting agency. The Port used general obligation bond funds to pay the balance of \$52,667 not covered by grant funds.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2020

NOTE 8 – OTHER DISCLOSURES, CONTINUED:

Grants, Continued:

In 2019, the Port was awarded two state grants, \$50,000 from the Community Economic Revitalization Board (CERB) and \$50,000 from the WA State Public Works Board (PWB) to fund a feasibility study for the Pacific County Broadband Assessment project. There will be additional matching funds required totaling \$16,800, of which \$12,000 has been committed by the Pacific County Economic Development Council (EDC) utilizing pass-through grant funds from the Pacific Council of Governments (PCOG) 0.09% local sales tax fund and \$4,800 will be paid from Port funds. The total project is estimated to cost \$116,800. In 2020, the Port expended \$76,082 in total project costs and received \$4,045 from CERB, \$32,715 from PWB and \$7,608 from the EDC in reimbursements from the granting agencies. The Port anticipates completion of the project in 2021.

Construction and Contract Commitments:

The Port has active construction and contract commitments as of December 31, 2020. The projects include improvements to the drainage and surface area at the Port's boatyard facility, construction of a vessel deconstruction/boatyard building, replacement of the boatyard shop roof, replacement of the oil depot building, broadband planning, boat launch area renovation, engineering design for the marina bulkhead, travelift pier, and marina, and development of a Hazard Mitigation grant application.

At year-end the Port's commitments with contractors and consultants are as follows:

Project	Spent to Date	Remaining Commitment
Boatyard Drainage Improvements	\$ 20,522	\$ 262,575
Vessel Deconstruction Facility	\$1,172,611	\$ 207,078
Boatyard Shop Roof Replacement	\$ 0	\$ 359,104
Oil Depot Building	\$ 0	\$ 30,307
Broadband Planning	\$ 26,082	\$ 40,718
Boat Launch Renovation	\$ 0	\$ 49,500
Bulkhead, Pier, Marina Engineering Design	\$ 18,859	\$ 39,891
Hazard Mitigation Grant Application	\$ 0	\$ 21,178
Total Construction Commitments	\$1,238,074	\$ 1,010,351

The Port has funding available to pay all Port commitments listed. See Note 8 – *Other Disclosures, Grants and Subsequent Events, Oil Depot Building.*

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2020

NOTE 8 – OTHER DISCLOSURES, CONTINUED:

Interlocal Agreement for Management Services:

On December 31, 2015 the Port of Ilwaco and the Port of Chinook entered into an Interlocal Agreement for Management Services, pursuant to RCW 39.34.030 and RCW 53.08.240. The Interlocal identifies guidelines for the Port of Ilwaco staff to provide operation and administrative functions for the Port of Chinook. The Interlocal Agreement was effective January 1, 2016 and remained in effect until December 31, 2019. On October 10, 2019, the Ports renewed the agreement and extended the term until December 31, 2023. The annual management fee paid to Port of Ilwaco for services is approximately \$179,500 per year, which is the estimated reimbursement for the direct costs the Port will incur while providing the agreed upon services. The Port received \$147,212 in for management fees in 2020. The Interlocal Agreement for Management Services can be found on the Port's website at www.portofilwaco.com.

Interlocal for a Combined Dredging Plan and Dredging Services:

On August 9, 2018, the Port entered into an Interlocal Agreement for a Combined Dredging Plan & Marina Dredging Services with the Port of Chinook. Pursuant to the agreement, the Port of Ilwaco will administer and account for Port of Chinook's portion of the grant funding related to a combined dredging plan and marina dredging services. The Port of Ilwaco has the personnel, expertise and resources to provide marina dredging related services and equipment for the Port of Chinook and will be performing the dredging services at the Chinook marina. The total expenditures for Chinook's portion of the dredging plan and marina dredging services are \$23,012 and \$277,966, respectively. The agreement ended in January 2020 when final reimbursement of grant funds was received. See Note 8 – *Other Disclosures, Grants*.

Pollution Remediation:

On February 12, 2014, the Port of Ilwaco received written notification from a Port Lessee of petroleum contamination at the site of a decommissioned fuel tank located on Port property. The notification included a copy of a letter dated January 8, 2014 issued to the Lessee by the Department of Ecology (DOE). DOE confirmed petroleum contamination by the decommissioned underground storage tank and determined that further remedial action is needed. The lease with that Lessee has now terminated, but in the termination agreement the Lessee acknowledges responsibility for environmental compliance and acknowledges that Lessee remains liable for any cost of remediation of contamination occurring while Lessee was in possession of the leased premises. The Lessee is currently monitoring the site and evaluating its remediation options. The Port has not received any updates from the DOE or Lessee and there were no amounts paid during 2020 for clean-up costs. At this time, the Port doesn't have sufficient information to reasonable estimate the liability related to potential cleanup of the site.

Real Property Purchase:

On November 5, 2020, the Port entered into a Purchase and Sales Agreement (PSA) to purchase a building, commonly known as Warehouse 2, which is located on land the Port has been leasing to the seller. Also included in the PSA was the purchase of two additional parcels of land with improvements, contingent upon environmental testing and due diligence by the Port. The total purchase price for all parcels and the existing structure on Port property is \$363,000. The Port

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2020

NOTE 8 – OTHER DISCLOSURES, CONTINUED:

Real Property Purchase, continued:

subsequently entered into a contract with a geoengineer firm to perform initial environmental testing on one of the parcels for a total cost of \$3,400. The Port anticipates the environmental assessment results and closing the purchase of the properties in 2021. See Note 8 – *Other Disclosures, Subsequent Events – Real Property Purchase*.

Storm Damage:

In January 2020, the Port sustained damage to the roof of the boatyard shop building due to high winds. The Port entered into a contract for the repairs for an initial amount of \$137,994. During construction, the contractor discovered asbestos and additional cleanup and repairs were required. The project was completed in 2020 for a total cost of \$372,795. The Port's insurance risk pool, Enduris, covered all but \$56,230 which was paid from port funds.

In 2020, the Port sustained damage to the oil depot building due to high winds, which required replacement of the structure. The storm in Washington was recognized as a federal disaster and the Port submitted a formal Request for Public Assistance from with FEMA for the storm damage. In October 2020, the Port a contract for the replacement of the structure for a total project cost of \$30,885. Construction commenced in 2020 and the Port anticipates the project in 2021. See Note 8 – *Other Disclosures, Construction and Contract Commitments and Subsequent Events, Oil Depot Building*.

Subsequent Events:

The Port has evaluated events through May 30, 2021, which is the date the financial statements were available to be issued.

Real Property Purchase

On January 13, 2021, the Port entered into a contract modification with a consultant to perform Phase II environmental testing and assessment when the initial testing came back with possible contamination at the site on one parcel of property bound by a Purchase and Sales Agreement (PSA). The total cost of the contract modification with the consultant is not to exceed \$17,600. The results of further testing indicated a potential environmental liability at the site. The Port took action to remove the parcel from the PSA (executed in November 2020) and to proceed with the purchase of the other land parcel and buildings included in the PSA. The total purchase price was reduced to \$303,000 and the Port closed on the property purchase on May 20, 2021. The Port will use restricted funds from the Port's 2020 Limited Tax Obligation Bond issuance to fund the capital asset purchases. See Note 5 – *Long-Term Debt, Debt Service*.

Oil Depot Building

On April 13, 2021, the Port was notified by FEMA that has obligated \$30,855 for the oil depot building repairs for storm damaged sustained to the building in 2020. The project to repair the oil depot building was complete in 2021 for a total cost of \$30,855. The Port anticipates receiving \$24,425 from FEMA and the balance of \$6,430 will be funded using Port cash. See Note 8, *Other Disclosures, Storm Damage and Construction and Contract Commitments*.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2020

NOTE 8 – OTHER DISCLOSURES, CONTINUED:

Subsequent Events, continued:

Ports of Ilwaco/Chinook Navigable Infrastructure Funding

The Port of Ilwaco and Port of Chinook have a joint project titled “Pts of Ilwaco/Chinook Nav Infrastructure” included in the State’s 2021 Capital Budget, which was approved by the Legislature on April 24, 2021 and later by Governor Inslee. The Port anticipates receiving an award of \$634,000 combined total to assist both ports with current marina maintenance dredging needs and develop long-term dredge material alternative in-water disposal sites. In 2021, the Port of Ilwaco anticipates entering into an Interlocal Agreement with the Port of Chinook to administer Chinook’s portion of the grant funding. There is no match requirement for the Legislative Direct Appropriations funding and the Port does not anticipate expending additional cash to complete the project.

Tenant Receivership

In 2020, the Port had a land lease tenant file Receivership in Pacific County Superior Court. The Port settled with the Receiver the outstanding balance of \$95,964 as of May 2021, which includes land lease fees, leasehold excise taxes and accrued interest, for a total of \$58,000. The Port had an additional claim against the lease surety bond and settled the claim for \$12,142. In May 2021, the total collected was \$70,142 and the Port anticipates writing off the balance of \$25,822. See Note 8 – *Other Disclosures, Contingencies and Litigations*.

SCHEDULE OF REVENUES/EXPENSES

For the Year Ended December 31, 2020

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1748	401	Operations	3083100	Restricted Cash and Investments-Beginning	\$1,982,642
1748	401	Operations	3085100	Assigned Cash and Investments-Beginning	\$1,077,088
1748	401	Operations	3111000	Property Tax	\$204,499
1748	401	Operations	3321560	Payment In-Lieu of Tax	\$2,157
1748	401	Operations	3331500	Federal Indirect Grant from Department of Interior	\$1,064
1748	401	Operations	3340010	State Grant from Legislature and its Committees	\$1,296,305
1748	401	Operations	3340690	State Grant from Other State Agencies	\$40,960
1748	401	Operations	3370000	Local Grants, Entitlements and Other Payments	\$52,202
1748	401	Operations	3446000	Airports and Ports Services	\$1,310,614
1748	401	Operations	3611000	Investment Earnings	\$20,907
1748	401	Operations	3614000	Other Interest	\$3,802
1748	401	Operations	3620000	Rents and Leases	\$15,147
1748	401	Operations	3670000	Contributions and Donations from Nongovernmental Sources	\$7,608
1748	401	Operations	5460010	Airports and Ports	\$529,500
1748	401	Operations	5460020	Airports and Ports	\$300,366
1748	401	Operations	5460030	Airports and Ports	\$71,829
1748	401	Operations	5460040	Airports and Ports	\$611,311
1748	401	Operations	5083100	Restricted Cash and Investments - Ending	\$2,729,672
1748	401	Operations	5085100	Assigned Cash and Investments - Ending	\$1,176,292
1748	401	Operations	3829000	Immaterial Fiduciary Collections	\$161,535
1748	401	Operations	3911000	General Obligation Bonds Issued	\$1,250,000
1748	401	Operations	3951000	Proceeds from Sales of Capital Assets	\$99,020
1748	401	Operations	5829000	Immaterial Fiduciary Remittance	\$113,690
1748	401	Operations	5914670	Debt Repayment - Airports and Ports	\$90,199
1748	401	Operations	5924680	Interest and Other Debt Service Cost - Airports and Ports	\$25,306
1748	401	Operations	5944660	Capital Expenditures/Expenses - Airports and Ports	\$1,877,385

Port of Ilwaco
SCHEDULE OF LIABILITIES
For the Year Ended December 31, 2020

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
251.11	Bank of Pacific 2013 Loan, ISSUED 2013, Dredge	12/1/2023	182,340	-	42,290	140,050
251.11	LTGO Bond Bank of Pacific, ISSUED 202, Capital Projects	6/1/2035	-	1,250,000	40,656	1,209,344
263.81	CERB, T2000-059PW, ISSUED 2001, Water and Sewer	1/26/2022	21,981	-	7,254	14,727
Total General Obligation Debt/Liabilities:			204,321	1,250,000	90,200	1,364,121
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	N/A	63,004	-	500	62,504
264.30	Pension Liability	N/A	186,058	-	9,063	176,995
Total Revenue and Other (non G.O.) Debt/Liabilities:			249,062	-	9,563	239,499
Total Liabilities:			453,383	1,250,000	99,763	1,603,620

Port of Ilwaco
SCHEDULE OF STATE FINANCIAL ASSISTANCE
 For the Year Ended December 31, 2020

Grantor	Program Title	Identification Number	Amount
State Grant from Legislature and its Committees			
	2019 Legislative Direct Appropriations Grant	CD19-96619-015	837,620
	2019 Legislative Direct Appropriations Grant	20-96627-199	534,100
Sub-total:			1,371,720
State Grant from Recreation and Conservation Office			
	Boating Facilities Program	18-2373D	90,791
Sub-total:			90,791
State Grant from Other State Agencies			
	CERB Rural Broadband	S19-790A0-170	32,715
	PWB Broadband Planning	PBP20-96104-005	32,715
	LNI Stay at Work Program	AR69559	4,200
Sub-total:			69,630
Grand total:			1,532,141

Port of Ilwaco
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Department of the Interior, Fish & Wildlife Services (via Washington State Parks)	Clean Vessel Act	15.616	CV719-324	960	-	960	-	1.2.3
Federal Emergency Management Agency, Homeland Security, Department of	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	D20-2083	-	579	579	-	1.2.3
Total Federal Awards Expended:				960	579	1,539	-	

The accompanying notes are an integral part of this schedule.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020**

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Port of Ilwaco's financial statements. The Port of Ilwaco uses the cash basis of accounting where revenues are recognized when received and expenses are recognized when paid.

Note 2 – Federal De Minimis Indirect Cost Rate

The Port of Ilwaco has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 3 - Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Port of Ilwaco's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Port of Ilwaco
LABOR RELATIONS CONSULTANT(S)
For the Year Ended December 31, 2020

Has your government engaged labor relations consultants? ___ Yes X No

If yes, please provide the following information for each consultant:

Name of firm:
Name of consultant:
Business address:
Amount paid to consultant during fiscal year:
Terms and conditions, as applicable, including: Rates (e.g., hourly, etc.) Maximum compensation allowed Duration of services Services provided

Port of Ilwaco
LOCAL GOVERNMENT RISK ASSUMPTION
 For the Year Ended December 31, 2020

1. Self-Insurance Program Manager: Tricia Needham

2. Manager Phone: (360) 642-3143

3. Manager Email: tneedham@portofilwaco.org

4. How do you insure property and liability risks, if at all?
 - a. Formal or informal self-insurance program/activity for some or all perils/risks
 - ⇒ b. Belong to a public entity risk pool
 - c. Purchase private insurance
 - d. Retain risk internally without formal or informal self-insurance program/activity

5. How do you provide health and welfare insurance (e.g., medical, dental, prescription drug, and/or vision benefits) to employees, if at all?
 - a. Self-insure some or all benefits
 - b. Belong to a public entity risk pool
 - ⇒ c. All benefits provided by health insurance company or HMO
 - d. Not applicable - no such benefits offered

6. How do you insure unemployment compensation benefits, if any?
 - ⇒ a. Self-insured ("Reimbursable")
 - b. Belong to a public entity risk pool
 - c. Pay taxes to the Department of Employment Security ("Taxable")
 - d. Not applicable – no employees

7. How do you insure workers compensation benefits, if any?
 - a. Self-insured ("Reimbursable")
 - b. Belong to a public entity risk pool
 - ⇒ c. Pay premiums to the Department of Labor and Industries
 - d. Not applicable – no employees

8. How do you participate in the Washington Paid Family & Medical Leave Program?
 - a. Self-insured ("Voluntary Plan") for one or both program benefits
 - ⇒ b. Pay premiums to the State's program for both benefits
 - c. Not applicable – no employees

If the local government DID NOT answer (a) to any of the above questions, then there is no need to complete the rest of this schedule.

If the local government answered (a) to any of the above questions, then answer the rest of the form in relation to the government's self-insured risks.

Port of Ilwaco
LOCAL GOVERNMENT RISK ASSUMPTION
 For the Year Ended December 31, 2020

	<u>Please list the title of the self-insurance program or type of risk covered by self-insuranc:</u>				
	<i>Unemployment Compensation</i>				
Self-Insurance as a <i>formal</i> program?	<u>no</u>				
If yes, do other governments participate?	<u>n/a</u>				
If yes, please list participating governments.	<u>n/a</u>				
Self-Insure as part of a joint program?	<u>No</u>				
Does a Third-Party Administer manage claims?	<u>Yes</u>				
Has program had a claims audit in last three years?	<u>No</u>				
Are program resources sufficient to cover expenses?	<u>Yes</u>				
Does an actuary estimate program liability?	<u>No</u>				
Number of claims paid during the period?	<u>2</u>				
Total amount of paid claims during the period?	<u>\$1,098</u>				
Total amount of recoveries during the period?	<u>n/a</u>				