

ANNUAL FINANCIAL REPORT

December 31, 2018

PORT OF ILWACO
Ilwaco, Washington

TABLE OF CONTENTS

	Page
Certification Statement for the Washington State Auditor.....	1
Fund Resources and Uses Arising from Cash Transactions (C-4)	2
Notes to Financial Statement.....	3-15
Supplementary Schedules	
Reporting Requirements to the Washington State Auditor	
Schedule 01 – Revenues/Expenses	16
Schedule 09 - Liabilities.....	17
Schedule 15 – Schedule of State Financial Assistance.....	18
Schedule 16 - Expenditures of Federal Awards	19
Notes to the Schedule of Expenditures of Federal Awards	20
Schedule 19 - Labor Relations Consultant(s).....	21
Schedule 21 – Local Government Risk Assumption	22-23

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, 2018

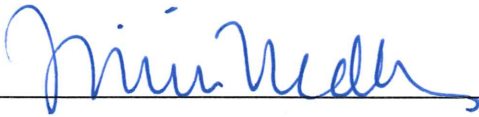
GOVERNMENT INFORMATION:

Official Mailing Address P.O. Box 307, Ilwaco, WA 98624
Official Website Address www.portofilwaco.org
Official E-mail Address tneedham@portofilwaco.org
Official Phone Number (360) 642-3143

AUDIT CONTACT or PREPARER INFORMATION and CERTIFICATION:

Audit Contact or Preparer Name and Title Tricia Needham, Finance Director
Contact Phone Number (360) 642-3143
Contact E-mail Address tneedham@portofilwaco.org

I certify 30th day of May, 2019 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, 2018

Beginning Cash and Investments

30810	Reserved	1,306,092
30880	Unreserved	1,042,276
388 & 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	412,798
320	Licenses and Permits	-
330	Intergovernmental Revenues	275,696
340	Charges for Goods and Services	1,513,640
350	Fines and Penalties	-
360	Miscellaneous Revenues	<u>114,490</u>
Total Revenues:		2,316,624

Expenditures

540	Transportation	<u>1,797,090</u>
Total Expenditures:		<u>1,797,090</u>
Excess (Deficiency) Revenues over Expenditures:		519,534

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
385	Special or Extraordinary Items	-
386 & 389	Custodial Activities	186,506
381, 395, 398	Other Resources	<u>76,500</u>
Total Other Increases in Fund Resources:		263,006

Other Decreases in Fund Resources

594-595	Capital Expenditures	186,642
591-593, 599	Debt Service	57,180
585	Special or Extraordinary Items	-
586 & 589	Custodial Activities	<u>194,567</u>
Total Other Decreases in Fund Resources:		<u>438,389</u>

Increase (Decrease) in Cash and Investments: **344,151**

Ending Cash and Investments

5081000	Reserved	1,644,134
5088000	Unreserved	<u>1,048,383</u>
Total Ending Cash and Investments		2,692,517

The accompanying notes are an integral part of this statement.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2018

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 not presented using the classifications defined in GAPP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. 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. Cash and Investments

See Note 3 - *Deposits and Investments*.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

D. 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.

E. 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.

F. Long-Term Debt

See Note 5, *Debt Service Requirements*.

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved 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 reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of funds collected from the Port's Industrial Development District (IDD) levy and 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. Reservations of Ending Cash and Investments at December 31, 2018 is \$1,644,134. See Note 4 - *Property Tax*.

NOTE 2 – BUDGET COMPLIANCE:

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, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS:

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Port or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2018 are as follows:

<u>Type of Investment/Held By:</u>	<u>Port's Own Investments Total</u>
Local Government Investment Pool (LGIP) / Pacific County Treasurer	\$ <u>2,692,117</u>
Total	\$ <u><u>2,692,117</u></u>

The carrying amount of the Port's cash deposits with financial institutions was \$2,678,845 held with the Pacific County Treasurer, \$13,272 held at The Bank of the Pacific, and cash on hand of \$400 held by the Port for a total carrying value of \$2,692,517, which equals the Ending Cash and Investments balance on the Fund Resources and Uses Arising from Cash Transactions (C-4) for the year ended December 31, 2018.

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 at 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 2018 was \$0.320051 per \$1,000 on an assessed valuation of \$553,769,744 for total regular levy of \$177,235.

In 2018, the Port also levied \$0.427511 per \$1,000 on an assessed valuation of \$553,769,744 for an Industrial Development District (IDD) levy for capital improvements for a total additional levy of \$236,743. See Note 1 – *Summary of Significant Accounting Policies, Reserved Portion of Ending Cash and Investments.*

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2018

NOTE 5 - DEBT SERVICE REQUIREMENTS:

Debt Service

The accompanying Schedule of Liabilities (09) 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, 2018.

The debt service requirements for general obligation bonds, revenue bonds and CERB loans, including interest at December 31, 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
2019	\$47,890	\$9,290	\$57,180
2020	\$49,711	\$7,469	\$57,180
2021	\$51,607	\$5,573	\$57,180
2022	\$53,582	\$3,598	\$57,180
2023	\$48,166	\$1,540	\$49,706
TOTALS	<u>\$250,956</u>	<u>\$ 27,470</u>	<u>\$ 278,426</u>

NOTE 6 - PENSION PLANS:

State Sponsored Pension Plans

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

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

The Department of Retirement Systems, 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, 2018

NOTE 6 - PENSION PLANS, CONTINUED:

State Sponsored Pension Plans, Continued:

At June 30, 2018 (the measurement date of the plans), the Port's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$25,176	0.003767%	\$168,236
PERS 2/3	\$37,140	0.004813%	\$82,178

NOTE 7 – RISK MANAGEMENT:

The Port of Ilwaco maintains insurance against most normal hazards for commercial automobile, property loss and general liability. In the opinion of the Port's management, the Port's insurance policies are adequate to pay all known or pending claims.

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. 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, 2018, there are 549 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 Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. 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.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2018

NOTE 7 – RISK MANAGEMENT, CONTINUED:

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

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. 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 limits in the last three years.

The Port is self-insured for unemployment insurance. The Port expended \$568 in unemployment claims in 2018. 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 Zane Benefits, a third-party vendor, and complies with all applicable regulatory requirements. In 2018, 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

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2018

NOTE 7 – RISK MANAGEMENT, CONTINUED:

The Port set aside adequate funds to cover the contingent liability if all eligible employees were reimbursed their full allowance after their annual deductible. See Note 8 – *Other Disclosures, Subsequent Events*.

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*.

Grants:

In 2011, the Port was awarded a \$12,100 Clean Vessel Sewage Disposal Facility Grant (CV 911-373) allowing for the replacement of a pumpout station and future operations and maintenance (O&M) for a period of ten (10) years. This was a Washington State Parks and Recreation Commission grant, which was a federal flow-through grant from Fish & Wildlife Services, Department of the Interior under the Clean Vessel Act Program for a boat sewage disposal facility. The Port incurred \$1,486 of O&M expenditures for the calendar year 2018, of which 75%, or \$1,114, is eligible for reimbursement.

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. Future operations and maintenance (O&M) will be reimbursed 75% for all eligible O&M activities for a period of ten (10) years. The Port shall contribute matching funds of no less than 25% of the O&M project cost. This is a Washington State Parks and Recreation Commission (WSPRC) grant, which is a federal flow-through grant from Fish & Wildlife Services, Department of the Interior under the Clean Vessel Act Program. The Port incurred \$276 of O&M expenditures for the calendar year 2018, of which 75%, or \$207, is eligible for reimbursement. 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. After six years, 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 2018, the Port received a local grant disbursement in the amount of \$7,500 for the Howerton Way Road/Water and Sewer Upgrade from Pacific County's Intergovernmental Agreement with the Port.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2018

NOTE 8– OTHER DISCLOSURES, CONTINUED:

Grants, Continued:

In 2015, the Port was awarded \$21,209 for a local grant from the Pacific Council of Governments (PCOG), which 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, for the Discovery Trail Pedestrian/Bike Extension Project. The grant funds are to be used for design, signage and trail amenities for the 8.5-mile off-road bicycle and pedestrian Lewis & Clark Discovery Trail connecting Long Beach, Cape Disappointment State Park, and Ilwaco. In 2018, the Port expended \$405 of eligible expenditures and received no reimbursements. The Port anticipates expending the remaining portion of the grant funds and completing the project in 2019. 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 is yet to be determined.

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. In 2018, \$8,727 were expended and the Port was reimbursed \$8,982. The project was completed in 2018 and came in \$30 under budget. 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.

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 2018, the Port expended \$40,016 in eligible expenditures and received the 2018 disbursement of \$10,000. The Port anticipates expending the balance of eligible expenses of \$42,014 in 2019. 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. See Note 8 – *Subsequent Events*.

On May 1, 2018, the Port was awarded \$17,791 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 paved areas

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2018

NOTE 8 – OTHER DISCLOSURES, CONTINUED:

Grants, Continued:

adjacent to Howerton Avenue, including an area near a bus stop/transfer location accessed by public transit. In 2018, \$7,200 were expended and the Port was reimbursed \$7,200. The Port anticipates the project to be complete in 2020. 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 has yet to be determined.

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 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. In August 2018, the Port of Ilwaco entered into a contract with a consultant, not to exceed \$75,000, to complete the combined dredging plan. In 2018, the Port of Ilwaco expended \$4,013 of eligible expenditures and was reimbursed \$4,013 from the granting agency. In 2018, the Port of Ilwaco expended \$2,007 of eligible expenditures and was reimbursed \$2,007 from the granting agency on behalf of the Port of Chinook in accordance with the grant conditions. The Port anticipates completion of the combined dredging plan will occur in 2019 and the balance of the funds will be expended in 2019. See Note 8 - *Other Disclosures, Interlocal Agreement for Services and Subsequent Events*.

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 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 \$276,700 of the \$436,500. In 2018, the Port of Ilwaco expended \$158,033 of eligible expenditures and was reimbursed \$158,033 from the granting agency. In 2018, the Port of Ilwaco expended \$77,430 of eligible expenditures and was reimbursed \$77,430 from the granting agency on behalf of the Port of Chinook in accordance with the grant conditions. The Port completed dredging in the Ilwaco marina in December 2018 and commenced dredging operations for the Chinook marina in December 2018. The Port anticipates completion of the Chinook marina dredging will occur in 2019 and the balance of the funds, approximately \$201,037 will be expended in 2019. See Note 8 - *Other Disclosures, Interlocal Agreement for Services and Subsequent Events*.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2018

NOTE 8 – OTHER DISCLOSURES, CONTINUED:

Grants, Continued:

In April 2018, the Port was awarded a state grant in the amount of \$950,000 from the 2018 Supplemental State Capital Budget for construction of a derelict vessel 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. In 2018, the Port of Ilwaco expended \$462 of eligible expenditures and did not request reimbursement in 2018 from the granting agency. The Port anticipates requesting an extension to the contract and anticipates completion of the project in 2020. See Note 8 - *Other Disclosures, Subsequent Events*.

Construction Commitments:

The Port has active construction commitments as of December 31, 2018. The projects include improvements of the Port's office building, relocating dredge disposal site material and design of the Port's boatyard wash water system.

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

Project	Spent to Date	Remaining Commitment
Office Building Rehabilitation	\$ 124,092	\$ 12,650
Dredge Disposal Site Material Relocation	\$ 86,022	\$ 8,760
Boatyard Wash Water System	\$ 36,400	\$ 29,458
Total Construction Commitments	\$ 246,514	\$ 50,868

The office building rehabilitation project and dredge disposal site material relocation project will be paid with Port funds. The boatyard wash water system will be funded using PCOG 0.09% local sales tax funds. The Port has the funding available to pay all Port commitments listed. See Note 8 – *Other Disclosures, Grants*.

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 will remain in effect until December 31, 2019. The annual management fee paid to Port of Ilwaco for services is approximately \$160,000 per year, which is the estimated reimbursement for the direct costs the Port will incur while providing the agreed upon services. The Port received \$153,908 in for management fees in 2018. The Interlocal Agreement for Management Services can be found on the Port's website at www.portofilwaco.com. See Note 8 – *Other Disclosures, Subsequent Events*.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2018

NOTE 8 – OTHER DISCLOSURES, CONTINUED:

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 is \$24,900 and \$276,700, respectively. In 2018, the Port expended a combined total of \$79,437 and received a combined total of \$79,437 in grant funds on behalf of the Port of Chinook. See Note 8 – *Other Disclosures, Grants and Subsequent Events*.

Interlocal Agreement for Dredging Services:

On September 18, 2017, the Port entered into an Intergovernmental Agreement for Marina Dredging Services with the Port of Astoria to dredge Astoria's West Marina basin. The contract period was to commence November 1, 2017 and complete December 31, 2017. The Port of Astoria did not notify the Port in a timely manner that there was a delay in their dredge permit issuance causing a significant time delay in the project. As a result, marina dredging did not commence until November 28, 2017. On December 20, 2017, Amendment #1 to the Intergovernmental Agreement was executed to extend the period through January 2018 and dredging services were concluded in Astoria on or around January 25, 2018. The terms of the intergovernmental agreement included a price of \$7.50 per cubic yard with a projected removal volume of 25,000-30,000 cubic yards. As specified in the agreement, this price was inclusive of the Port of Ilwaco's operating costs in addition to dredging related costs incurred by the Port of Astoria for the project. When dredging was completed in 2018, a bathymetry reading was taken and the result was approximately 13,000 cubic yards removed. In 2018, the Port received \$99,000 from the Port of Astoria and expended \$83,783 in costs, including \$50,612 paid to Port of Astoria.

Derelict Vessel Seizure:

On November 18, 2017, the over 60' transient vessel Lihue II sank in the Port's marina. Unable to identify ownership, the Port obtained custody of the vessel through the emergency seizure process pursuant to RCW 79.100. On February 20, 2018, utilizing Washington State's Department of Enterprise Services, the Port entered into a contract to remove and dispose of the seized vessel, Lihue II. The amount of the contract is \$188,000 not including abatement or special waste handling if contamination was found. On April 4, 2018, the Port executed a change order not to exceed \$6,750 for sampling and testing of the vessel for contamination. The project was successfully completed in April 2018 for a final cost of \$205,047. The Port received 90%, or \$184,543, of the removal and disposal costs from the State's Derelict Vessel Removal Fund and the remaining balance of \$20,504 was expended using Port funds.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2018

NOTE 8 – OTHER DISCLOSURES, CONTINUED:

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 2018 for clean-up costs.

Subsequent Events:

The Port has evaluated events through May 30, 2019, which is the date the financial statements were available to be issued.

As of January 1, 2019, the Port made no change to the Health Reimbursement Arrangement (HRA) allowance. Eligible employees are allowed \$2,500 per year and eligible employees with a family are allowed \$5,500 per year in qualified reimbursements with an annual deductible of \$500 for each. The Port has elected to increase the monthly amount contributed into the fund due to an increase in the eligible claims reimbursed during 2018. The monthly contribution is \$1,400 for 2019. The HRA plan is administered by a third-party vendor and complies with all applicable regulatory requirements. See Note 6 – *Risk Management*.

On January 22, 2019, the Port entered into a contract with a consultant for boatyard drainage improvements, including permitting and design. The total amount of the contract is \$17,624 and the Port anticipates the project will be complete and funds expended in 2019.

On January 22, 2019, the Port entered into a contract with a consultant for permitting and design of the vessel deconstruction building. The total amount of the contract is \$87,884 and will be funded using grant funding from the derelict vessel deconstruction facility project contract. The Port has expended \$9,856 in 2019 and anticipates completion of the contract in 2020. See Note 8 – *Other Disclosures, Grants*.

On March 19, 2019, the Port received Amendment A to Contract CD19-96619-015 from the 2018 Supplemental State Capital Budget for construction of a derelict vessel deconstruction facility and improvements to the Port's public boatyard, including surface improvements and stormwater system improvements. The amendment extends the contract end date to June 30, 2021 and amended the scope of work from paving and regarding the boatyard to regrading and leveling. All other terms of the contract remain the same. The Port anticipates completion of the project in 2020. See Note 8 – *Other Disclosures, Grants*.

In 2019, Washington State Recreation and Conservation Office (RCO) notified the Port that they were issuing an award of \$331,350, utilizing funds from the Boating Facilities Program, for Outer Harbor Way improvements, including installing a new restroom building, landscaping, repaving and striping the

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2018

NOTE 8 – OTHER DISCLOSURES, CONTINUED:

Subsequent Events, Continued:

parking lot, installation and construction of an automated pay station and information kiosk. 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, from the Port's general fund. The Port anticipates commencing the project in 2019 and completing the project in 2020.

In 2019, Pacific Council of Governments (PCOG) notified the Port of an award funded by the 0.09% local sales tax fund of \$65,000 to be used for planning, permitting and engineering costs for the travelift pier replacement.

In 2019, the Port was notified that the Port project to replace the marine travelift located in the Port's boatyard facility was listed and published in the 2019-2021 State Capital Budget report for a funding amount of \$545,000. At this time, the Port is awaiting further notification from the State.

As of April 30, 2019, the Port of Ilwaco has collected \$127,446 in tax revenue from the Port's second six-year Industrial Development District levy. The final year of the six-year IDD levy is 2019. See Note 4 – *Property Tax*.

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 will retain for administrative costs. The net funds available to expend for costs incurred will be \$74,690. In 2019, the Port anticipates expending \$68,980 to complete the project and anticipates receiving grant funds of \$68,670. See Note 8 – *Other Disclosures, Grants*.

In 2018, the Port of Ilwaco and Port of Chinook were awarded a combined total of \$450,000 for a state grant in the 2017-2019 Supplemental Capital Budget for marina dredging. 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 \$436,500. In 2019, the Port expended \$201,037 to complete the project. The Port anticipates receiving grant funds of \$201,037 in 2019. See Note 8 – *Other Disclosures, Grants*.

The interlocal agreement for inclusive management of the Port of Chinook provided by the Port of Ilwaco expires on December 31, 2019. On January 7, 2019, at a joint Ilwaco and Chinook commission meeting, the ports expressed interest in, and support of renewing the agreement, to be effective January 1, 2020. See Note 8 – *Other Disclosures, Interlocal Agreement for Services*.

SCHEDULE OF REVENUES/EXPENSES

For the Year Ended December 31, 2018

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1748	401	Operations	3081000	Reserved Cash and Investments-Beginning	\$1,306,092
1748	401	Operations	3088000	Unreserved Cash and Investments-Beginning	\$1,042,276
1748	401	Operations	3111000	Property Tax	\$412,798
1748	401	Operations	3321560	Payment In-Lieu of Tax	\$4,808
1748	401	Operations	3340010	State Grant from Legislature and its Committees	\$162,046
1748	401	Operations	3340360	State Grant from Department of Transportation	\$16,182
1748	401	Operations	3370000	Local Grants, Entitlements and Other Payments	\$92,660
1748	401	Operations	3446000	Airports and Ports Services	\$1,513,640
1748	401	Operations	3611000	Investment Earnings	\$46,472
1748	401	Operations	3614000	Other Interest	\$5,676
1748	401	Operations	3620000	Rents and Leases	\$61,658
1748	401	Operations	3691000	Sale of Surplus	\$684
1748	401	Operations	3893000	Agency Type Collections	\$186,506
1748	401	Operations	3951000	Proceeds from Sales of Capital Assets	\$76,500
1748	401	Operations	5460010	Airports and Ports	\$549,818
1748	401	Operations	5460020	Airports and Ports	\$281,141
1748	401	Operations	5460030	Airports and Ports	\$129,982
1748	401	Operations	5460040	Airports and Ports	\$836,149
1748	401	Operations	5081000	Reserved Cash and Investments - Ending	\$1,644,134
1748	401	Operations	5088000	Unreserved Cash and Investments - Ending	\$1,048,383
1748	401	Operations	5893000	Agency Type Remittances	\$194,567
1748	401	Operations	5914670	Debt Repayment - Airports and Ports	\$45,955
1748	401	Operations	5924680	Interest and Other Debt Service Cost - Airports and Ports	\$11,225
1748	401	Operations	5944610	Capital Expenditures/Expenses – Airports and Ports	\$879
1748	401	Operations	5944620	Capital Expenditures/Expenses – Airports and Ports	\$169
1748	401	Operations	5944630	Capital Expenditures/Expenses – Airports and Ports	\$1,568
1748	401	Operations	5944640	Capital Expenditures/Expenses – Airports and Ports	\$6,111
1748	401	Operations	5944660	Capital Expenditures/Expenses - Airports and Ports	\$177,915

Port of Ilwaco
SCHEDULE OF LIABILITIES
 For the Year Ended December 31, 2018

<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	261,720	-	38,844	222,876
263.81	CERB, T2000-059PW, ISSUED 2001, Water and Sewer	1/26/2022	36,274	-	7,111	29,163
Total General Obligation Debt/Liabilities:			297,994	-	45,955	252,039
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	N/A	47,909	4,767	-	52,676
264.30	Pension Liability	N/A	344,907	-	94,494	250,413
Total Revenue and Other (non G.O.) Debt/Liabilities:			392,816	4,767	94,494	303,089
Total Liabilities:			690,810	4,767	140,449	555,128

Port of Ilwaco
SCHEDULE OF STATE FINANCIAL ASSISTANCE
 For the Year Ended December 31, 2018

Grantor	Program Title	Identification Number	Amount
State Grant from Department of Transportation			
	Surface Transportation Program Regional Funds	N/A	405
	Surface Transportation Program Regional Funds	N/A	8,727
	Surface Transportation Program Regional Funds	N/A	7,200
			Sub-total: 16,332
State Grant from Legislature and its Committees			
	2019 Legislative Direct Appropriations Grant	CD19-96619-015	462
	2019 Legislative Direct Appropriations Grant	CD19-96619-067	158,033
	2019 Legislative Direct Appropriations Grant	CD18-96616-135	4,013
			Sub-total: 162,508
			Grand total: 178,840

Port of Ilwaco
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
Department of the Interior, Fish & Wildlife Services (via Washington State Parks)	Clean Vessel Act	15.616	CV911-373	1,114	-	1,114	1.2.3
	Clean Vessel Act	15.616	CV315-116	207	-	207	1.2.3
Total CFDA 15.616:				1,321	-	1,321	
Total Federal Awards Expended:				1,321	-	1,321	

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, 2018**

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 – 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.

Note 3 – Indirect Cost Rate

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

Port of Ilwaco
LABOR RELATIONS CONSULTANT(S)
For the Year Ended December 31, 2018

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, 2018

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 insure other risks and obligations, if any?
 - a. Self-insure some or all other risks
 - b. Belong to a public entity risk pool
 - c. Purchase private insurance
 - d. Not applicable – have no other insurable risks

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

If NOT, STOP, the local government does not need to complete the rest of this Schedule.

Port of Ilwaco
LOCAL GOVERNMENT RISK ASSUMPTION
 For the Year Ended December 31, 2018

	<u>Self-insurance program title or type of peril where risk is covered by formal self-insurance:</u>				
	<i>Unemployment Compensation</i>				
Self-Insurance as a <i>formal</i> program?	<u>no</u>				
If yes, do other governments participate?	<u>no</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>\$568</u>				
Total amount of recoveries during the period?	<u>n/a</u>				