

ANNUAL FINANCIAL REPORT

December 31, 2019

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, 2019


GOVERNMENT INFORMATION:

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

I certify 16th day of June, 2020 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, 2019

Beginning Cash and Investments

30810	Reserved	1,644,134
30880	Unreserved	1,048,383
388 & 588	Net Adjustments	-

Revenues

310	Taxes	425,390
320	Licenses and Permits	-
330	Intergovernmental Revenues	132,997
340	Charges for Goods and Services	1,396,673
350	Fines and Penalties	-
360	Miscellaneous Revenues	<u>70,555</u>
Total Revenues:		2,025,615

Expenditures

540	Transportation	<u>1,407,780</u>
Total Expenditures:		<u>1,407,780</u>
Excess (Deficiency) Revenues over Expenditures:		617,835

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
385	Special or Extraordinary Items	-
386 & 389	Custodial Activities	143,909
381, 382, 395, 398	Other Resources	<u>-</u>
Total Other Increases in Fund Resources:		143,909

Other Decreases in Fund Resources

594-595	Capital Expenditures	143,398
591-593, 599	Debt Service	57,180
585	Special or Extraordinary Items	-
586 & 589	Custodial Activities	193,953
581 & 582	Other Uses	<u>-</u>
Total Other Decreases in Fund Resources:		<u>394,531</u>
Increase (Decrease) in Cash and Investments:		367,213

Ending Cash and Investments

5081000	Reserved	1,982,642
5088000	Unreserved	<u>1,077,088</u>
Total Ending Cash and Investments		3,059,730

The accompanying notes are an integral part of this statement.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2019

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. 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.

D. Cash and Investments

See Note 2 - *Deposits and Investments*.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

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 4 - *Debt Service Requirements*.

H. 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, 2019 is \$1,982,642. See Note 3 - *Property Tax*.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS:

Investments are reported at original cost, unless indicated otherwise. Deposits and investments by type at December 31, 2019 are as follows:

<u>Type of Deposit or Investment</u>	<u>Port's own deposits and investments</u>	<u>Total</u>
Bank Deposits	\$ 7,739	\$ 7,739
Local Government Investment Pool	\$ 3,051,991	\$ 3,051,991
Total	<u>\$ 3,059,730</u>	<u>\$ 3,059,730</u>

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 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 3 - 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.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2019

NOTE 3 - PROPERTY TAX, CONTINUED:

The Port's regular levy for the year 2019 was \$0.303079 per \$1,000 on an assessed valuation of \$598,377,973 for total regular levy of \$181,356.

In 2019, the Port also levied \$0.404841 per \$1,000 on an assessed valuation of \$598,377,973 for an Industrial Development District (IDD) levy for capital improvements for a total additional levy of \$242,248. See Note 1 – *Summary of Significant Accounting Policies, Reserved Portion of Ending Cash and Investments*.

NOTE 4 - DEBT SERVICE REQUIREMENTS:

Debt Service

The Port issues General Obligations (G.O.) Bonds to finance the acquisition and construction of capital assets. See Note 1 – *Summary of Significant Accounting Policies, Cash and Investments*.

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, 2019.

The debt service requirements for general obligation bonds and CERB loans, including interest at December 31, 2019 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
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>\$ 203,066</u>	<u>\$ 18,180</u>	<u>\$ 221,246</u>

NOTE 5 - 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.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2019

NOTE 5 - PENSION PLANS, CONTINUED:

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.

At June 30, 2019 (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	\$ 26,159	0.003648%	\$ 140,279
PERS 2/3	\$ 38,492	0.004713%	\$ 45,779

NOTE 6 – 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, 2019, 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.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2019

NOTE 6 – RISK MANAGEMENT, CONTINUED:

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 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 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.

The Port is self-insured for unemployment insurance. The Port expended \$25 in unemployment claims in 2019. 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 2019, 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, 2019

NOTE 6 – 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.

NOTE 7 – 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 7 – *Other Disclosures, Grants*.

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.

In 2019, the Port entered into a Clean Vessel Operation and Maintenance Grant (CV719-324), superseding and replacing CV315-116 and the expired CV911-373 grant. This is a Washington State Parks and Recreation grant, which is a federal flow-through grant from Fish & Wildlife Services, Department of the Interior under the Clean Vessel Act Program providing for the operation and maintenance of pumpout facilities. The Port has two pumpout facilities, a stationary pumpout station and a portable pumpout barge, both previously funded utilizing the Clean Vessel Act Program. The term of this grant expires December 31, 2023. The Port expended \$752 of O&M expenditures for calendar year 2019, of which 75%, or \$564, is eligible for reimbursement.

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 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

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2019

NOTE 7– OTHER DISCLOSURES, CONTINUED:

Grants, Continued:

Ilwaco. In 2019, the Port did not expend funds or receive any reimbursements. The Port anticipates expending the remaining portion of the grant funds and completing the project 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 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. 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.

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 2019, the Port expended \$29,458 in eligible expenditures and received the 2019 disbursement of \$10,290. The Port anticipates expending the balance of eligible expenses of \$12,556 in 2020. 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.

On May 1, 2018, the Port was awarded \$17,791 for a local grant from the Pacific Council of Governments (PCOG) for the Howerton Avenue 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 adjacent to Howerton Avenue, including an area near a bus stop/transfer location accessed by public transit. The Port did not expend or receive and disbursements in 2019. The Port anticipates the project to be complete in 2021. 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.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2019

NOTE 7 – OTHER DISCLOSURES, CONTINUED:

Grants, Continued:

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. In 2019, the Port of Ilwaco expended \$42,011 of eligible expenditures and was reimbursed \$8,321 from the granting agency. In 2019, the Port of Ilwaco expended \$21,005 of eligible expenditures and was reimbursed \$4,160 from the granting agency on behalf of the Port of Chinook in accordance with the grant conditions. 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. See Note 7 - *Other Disclosures, Interlocal Agreement for Services and Subsequent Events, Combined Dredging Plan Grant Close-Out.*

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. In 2019, the Port of Ilwaco expended \$1,719 of eligible expenditures and was reimbursed \$1,719 from the granting agency. In 2019, the Port of Ilwaco expended \$91,962 of eligible expenditures and was reimbursed \$94,508 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 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. See Note 7 - *Other Disclosures, Interlocal Agreement for Services and Subsequent Events, Marina Maintenance Dredging Grant Close-Out.*

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 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

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2019

NOTE 7 – OTHER DISCLOSURES, CONTINUED:

Grants, Continued:

regrading and leveling. All other terms of the contract remain the same. In 2019, the Port of Ilwaco expended \$83,880 of eligible expenditures and did not receive a reimbursement from the granting agency. The Port anticipates completion of the project in 2020. See Note 7 - *Other Disclosures, Subsequent Events, Vessel Deconstruction Facility Project*.

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, from the Port's general fund. The Port anticipates commencing the project in 2020 and completing the project in 2021.

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. The Port did not expend or receive any disbursements in 2019.

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. At this time, the Port is finalizing the contract with DOC and anticipates commencing the project in 2020.

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, \$12,000 of which has been committed by the Pacific County Economic Development Council and \$4,800 will be paid from Port funds. The total project is estimated to cost \$116,800. The Port entered into contracts with CERB and PWB and commenced the project in 2020. See Note 7 - *Other Disclosures, Subsequent Events, Pacific County Broadband Assessment Project*.

Construction Commitments:

The Port has active construction commitments as of December 31, 2019. The projects include improvements to the drainage and surface area at the Port's boatyard facility and construction of a vessel deconstruction/boatyard building.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2019

NOTE 7 – OTHER DISCLOSURES, CONTINUED:

Construction Commitments, Continued:

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

Project	Spent to Date	Remaining Commitment
Boatyard Drainage Improvements	\$ 24,341	\$ 303,942
Vessel Deconstruction Facility	\$ 58,178	\$ 1,314,080
Total Construction Commitments	\$ 82,519	\$ 1,618,022

The boatyard drainage improvements will be partially funded using PCOG 0.09% local sales tax funds (approximately \$12,500). Both projects listed above will be partially funded utilizing a direct appropriation grant from the state legislature totaling \$921,500. The remaining construction commitments not designated using grant funds will be funded using Port resources. See Note 7 – *Other Disclosures, Grants and Subsequent Events, Vessel Deconstruction Facility Project.*

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 \$156,588 in for management fees in 2019. 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 is \$23,012 and \$277,966, respectively. In 2019, the Port expended a combined total of \$112,968 and received a combined total of \$98,668 in grant funds on behalf of the Port of Chinook. See Note 7 – *Other Disclosures, Grants and Subsequent Events, Combined Dredging Plan Close-Out and Marina Maintenance Dredging Close-Out.*

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2019

NOTE 7 – OTHER DISCLOSURES, CONTINUED:

Accounting and Reporting Changes:

The Port is implementing GASB No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance that was issued in May 2020, to provide temporary relief to governments in light of the COVID-19 pandemic. This statement extends the effective dates of certain accounting and financial reporting provisions that were effective for 2019 applicable to the financial statements of all state and local governments.

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 2019 for clean-up costs.

Subsequent Events:

The Port has evaluated events through June 16, 2020, which is the date the financial statements were available to be issued.

Combined Dredging Plan Grant Close-Out

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. The Port received notice from the Department of Commerce the project officially closed on January 6, 2020 when final reimbursement of \$50,535 for both Ports was received. See Note 7 – *Other Disclosures, Grants*.

Marina Maintenance Dredging Grant Close-Out

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. The Port received notice from the Department of Commerce the project officially closed on January 6, 2020 when final reimbursement of \$104,810 was received. See Note 7 – *Other Disclosures, Grants*.

Storm Damage

In January 2020, the Port sustained damage to the roof of the boatyard shop building and minor damage to various other structures. The Port has been working with their insurance company to cover a portion of the cost of the shop roof. The initial total cost of repairs is estimated between \$75,000 and \$150,000. Late in May 2020, the Port received notification that FEMA issued an award for damage sustained to Port property during the storm and may cover a portion of the repairs. While it is undetermined at this time the total cost to the Port, initial estimates indicate the Port may be only responsible for the insurance deductible of \$1,000.

PORT OF ILWACO
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2019

NOTE 7 – OTHER DISCLOSURES, CONTINUED:

Subsequent Events, Continued:

Vessel Deconstruction Facility Project

Since January 2020, the Port has entered into additional consultant and construction contracts, for services including construction management oversight, excavation observation, utility installation, and a change order due to unforeseen challenges during excavation. Total consultant and construction commitments on the Vessel Deconstruction Facility Project since January 1, 2020 total \$104,103. The cost of the commitments will be covered by Port resources. See Note 7 – *Other Disclosures, Grants and Construction Commitments*.

Tenant Receivership

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, which totals \$14,048 including leasehold excise tax and late fees. The Port has not received any payments since filing for receivership and the tenant now has an outstanding balance of \$42,985. It is unknown at this time the amount of lease the Port will recover from the tenant prior to the receivership filing. Port counsel and management is working with the Receiver assigned to the case to resolve the matter.

Covid-19 Epidemic

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, and limiting gathering sizes. The length of time these measures will be in place and the full extent of the financial impact on the Port is unknown at this time.

Pacific County Broadband Assessment Project

In February 2020, the Port entered into a consulting services agreement for \$50,000 with a consultant to provide services to develop and provide the final broadband feasibility study. On May 20, 2020 the Port entered into a contract for technical services for \$66,800 with a Pacific County non-profit to provide services towards developing the broadband feasibility study, who will work as a community liaison and assemble workgroups necessary for completing the feasibility study. The total project cost is \$116,800. See Note 7 – *Other Disclosures, Grants*.

SCHEDULE OF REVENUES/EXPENSES
For the Year Ended December 31, 2019

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1748	401	Operations	3081000	Reserved Cash and Investments-Beginning	\$1,644,134
1748	401	Operations	3088000	Unreserved Cash and Investments-Beginning	\$1,048,383
1748	401	Operations	3111000	Property Tax	\$425,390
1748	401	Operations	3321560	Payment In-Lieu of Tax	\$5,755
1748	401	Operations	3331500	Federal Indirect Grant from Department of Interior	\$1,779
1748	401	Operations	3340010	State Grant from Legislature and its Committees	\$10,039
1748	401	Operations	3370000	Local Grants, Entitlements and Other Payments	\$115,424
1748	401	Operations	3446000	Airports and Ports Services	\$1,396,673
1748	401	Operations	3611000	Investment Earnings	\$63,569
1748	401	Operations	3614000	Other Interest	\$6,856
1748	401	Operations	3620000	Rents and Leases	\$130
1748	401	Operations	3893000	Custodial Type Collections	\$143,909
1748	401	Operations	5460010	Airports and Ports	\$548,755
1748	401	Operations	5460020	Airports and Ports	\$292,966
1748	401	Operations	5460030	Airports and Ports	\$87,362
1748	401	Operations	5460040	Airports and Ports	\$478,697
1748	401	Operations	5081000	Reserved Cash and Investments - Ending	\$1,982,642
1748	401	Operations	5088000	Unreserved Cash and Investments - Ending	\$1,077,088
1748	401	Operations	5893000	Custodial Type Remittances	\$193,953
1748	401	Operations	5914670	Debt Repayment - Airports and Ports	\$47,718
1748	401	Operations	5924680	Interest and Other Debt Service Cost - Airports and Ports	\$9,462
1748	401	Operations	5944610	Capital Expenditures/Expenses – Airports and Ports	\$761
1748	401	Operations	5944620	Capital Expenditures/Expenses – Airports and Ports	\$209
1748	401	Operations	5944630	Capital Expenditures/Expenses – Airports and Ports	\$1,704
1748	401	Operations	5944660	Capital Expenditures/Expenses - Airports and Ports	\$140,724

Port of Ilwaco
SCHEDULE OF LIABILITIES
For the Year Ended December 31, 2019

<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	222,876	-	40,536	182,340
263.81	CERB, T2000-059PW, ISSUED 2001, Water and Sewer	1/26/2022	29,163	-	7,182	21,981
Total General Obligation Debt/Liabilities:			252,039	-	47,718	204,321
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	N/A	52,676	10,328	-	63,004
264.30	Pension Liability	N/A	250,413	-	64,355	186,058
Total Revenue and Other (non G.O.) Debt/Liabilities:			303,089	10,328	64,355	249,062
Total Liabilities:			555,128	10,328	112,073	453,383

Port of Ilwaco
SCHEDULE OF STATE FINANCIAL ASSISTANCE
 For the Year Ended December 31, 2019

Grantor	Program Title	Identification Number	Amount
State Grant from Legislature and its Committees			
	2019 Legislative Direct Appropriations Grant	CD19-96619-015	83,880
	2019 Legislative Direct Appropriations Grant	CD19-96619-067	1,719
	2019 Legislative Direct Appropriations Grant	CD18-96616-135	42,011
		Sub-total:	127,610
		Grand total:	127,610

Port of Ilwaco
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2019

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	564	-	564	-	1.2.3
Total Federal Awards Expended:				564	-	564	-	

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, 2019**

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, 2019

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, 2019

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

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, 2019

	<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>1</u>				
Total amount of paid claims during the period?	<u>\$25</u>				
Total amount of recoveries during the period?	<u>n/a</u>				