PORT OF RIDGEFIELD
Management's Discussion and Analysis
December 31, 2019

We offer readers this narrative overview and analysis of the Port of Ridgefield's financial activities for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements which immediately follow this discussion.

Overview of the financial statements

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

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

The following condensed financial information provides an overview of the Port's financial position for the years ended December 31, 2019 and 2018.

STATEMENT OF NET POSITION
December 31, 2019 and 2018

	2019	2018
Assets:		
Current and other assets	$ 14,764,157	$ 17,965,429
Capital assests, net	17,203,754	17,028,598
Total Assets	31,967,911	34,994,027
Deferred Outflows of Resources	58,067	62,627
Liabilities:		
Other liabilities	563,524	361,802
Long-term liabilities	9,666,432	10,187,779
Total Liabilities	10,229,956	10,549,581
Deferred Inflows of Resources	6,494,432	6,581,737
Net Position:		
Net invested in capital assets	13,129,068	12,662,925
Restricted	485,000	1,507,470
Unrestricted	1,687,522	3,754,941
Total Net Position	$ 15,301,590	$ 17,925,336

Cash and cash equivalents at December 31, 2019, represent 21% of total assets. This is an increase over the prior year primarily as a result of noncapital financing activities related to increased property tax collections and less spending in the current year on pollution remediation. The overall decrease in the Current and other assets comes from the sale of Assets Held for Sale during the year which decreased by $3.2 million or 66%.

At December 31, 2019, long-term liabilities decreased by $521 thousand over 2018. This is a direct result of planned debt services payments.

Other liabilities, however, reflected an increase of $202 thousand over the prior year. This is primarily related to an increase in accounts payable and customer deposits. The increase in the accounts payable is a result of increased activity related to assets held for sale.

The 2019 net position of the Port is $15.3 million, a decrease of $2.6 million or 15% over 2018. This is a result of operations not currently being funded by revenues and taxes, compounded with the litigation costs surrounding remediation.

At December 31, 2019, The Port's investment in capital assets (land, structure and facilities, equipment and construction in progress) less any related debt is $13.1 million. This increase of 4% is primarily related to routine reduction of debt due to scheduled debt payments.

The component of net position restricted for debt has decreased by $1.0 million. This is a result of revaluation of the external restrictions upon debt by external third parties.

In 2019, the Port presented a positive unrestricted net position of $1.7 million compared to $3.8 million at the end of 2018. Unrestricted net position represents the amount that may be used to meet the Port's ongoing non-capital obligations. The 55% decrease between 2019 and 2018 is directly related to expenses associated with legal settlements.

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

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

STATEMENT OF
CHANGE IN NET POSITION

Revenues		2019		2018
Operating Revenues	$	721,725	$	658,099
Nonoperating Revenues				
Taxes Levied		602,683		562,778
Interest Earned		53,501		30,852
Other Revenues		22,651		1,035
Gain (Loss) on Disposal of Assets		150,297		(158,112)
Total Revenues		1,550,857		1,094,652
Expenses				
Operating Expenses		1,371,670		1,660,440
Nonoperating Expenses				
Interest and Fiscal Charges		144,083		151,338
Remediation Obligation Adjustment		30,954		(3,083)
Other Non-Operating Expenses		627,896		762,675
Total Expenses		2,174,603		2,571,370
Excess (Deficiency) Before Contributions and Special Items		(623,746)		(1,476,718)
Special Item - Legal Settlements		(2,000,000)		-
Change in Net Position		(2,623,746)		(1,476,718)
Net Position - Beginning		17,925,336		19,534,191
Change in Account Principles		-		(132,137)
Net Position - Ending	$	15,301,590	$	17,925,336

Total operating revenues for the Port in 2019 were $721,725, an increase of 10% over 2018. The increase is due to higher property lease and rental revenue. This includes a $27,000 increase in the lease principal revenue in addition to an increase of $29,000 from the interest revenue from the leasing activity.

Nonoperating revenues reflect two significant variances between 2019 and 2018. The first is more than $22,000 increase in interest earnings which is a result of higher balances on hand in the earlier part of the year. The second is a gain on the sale of the disposal of assets. In the prior year, the Port sold Phase 1 of the Discover Ridge at a loss. In the current year, however, they were able to sell three properties at a net gain.

Total operating expenses for 2019 and 2018 respectively were $1,371,670 and $1,660,440. This $289 thousand (17%) decrease is specifically in the general administrative cost. The reduction in large part is due to the adjustments made related to Pensions and Other Post-Employment Benefits.

The Port presents operating losses over the past two years. During 2019 and 2018, the Port is intentionally using reserves from property sales to invest in developments.

During 2019, the Port has incurred $2,000,000 in a special item related to a legal settlement. See Note 12 E for further discussion.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided and are an integral part of the Port's financial statements.

Capital Asset and Debt Administration

Capital assets

The Port's investment in capital assets as of December 31, 2019, was $17,203,754 (net of accumulated depreciation). The Port's investment in capital assets includes land; buildings; improvements (other than buildings); machinery and equipment; and construction in progress. The total increase in the Port's investment in capital assets for 2019 was 1%. The Port has increased Construction in progress by $352,584. This is a result of three projects; the rail overpass, telecommunications and a final project referred to as Wisdom Ridge. The decrease shown in Buildings and Improvements is a result of routine straight-line depreciation. There is a new intangible right to use asset added during 2019 for equipment coming from leasing activity.

CAPITAL ASSETS, NET
December 31, 2019 and 2018

	2019	2018
Land	$ 3,224,210	$ 3,224,210
Right of Way	679,414	679,414
Buildings and Improvements	9,648,587	9,891,752
Machinery and Equipment	156,353	75,027
Construction in progress	3,485,179	3,132,595
Intangible - Mitigation Credits	-	25,600
Intangible - Right to use asset: Machinery and Equipment	10,011	-
	$ 17,203,754	$ 17,028,598

Additional information on the Port's capital assets can be found in Note 4 of this report.

Long-term debt

As of December 31, 2019, the total bonds outstanding was $4,457,622. This is a decrease of $305 thousand, a decrease due to scheduled debt service payment.

Additional information on the Port's long-term debt can be found in Note 7 of this report.

Economic Outlook and Currently Known Facts

The port bid construction of the final phase of the Pioneer Street rail overpass in the last half of 2019. Project construction will commence in the first quarter of 2020; completion is scheduled for summer 2021. The budget impact will be approximately $11 million dollars. The source of capital for this project is a combination of state and federal grant dollars. In 2020, the port will construct approximately 45,000 square feet of industrial flex-space. The proposed project may include one or more metal buildings on a 3.5ac parcel of the port's Wisdom Ridge Industrial park located in Ridgefield on South 11th street. The project budget is estimated at approximately $5 million. The source of capital includes a 2019 state capital appropriation of $2 million, a $250,000 Community Economic Revitalization Board "CERB" grant and $750,000 CERB low-interest loan, and $2 million of private financing.

In 2020, the port will market it parcels of commercial property at Discovery Ridge. The port commission authorized the sale of one acre (two lots) in 2019 and will offer the remaining seven lots (six acres total); for land lease or build-to-suit retail or office projects. Physical improvement of the port property includes construction of an internal road/driveway, including stubbing utilities to all lots adjacent to the internal roads and landscaping adjacent to required sidewalks. Budget impact is estimated at approximately $400,000; the source of capital is port cash reserves. For budgeting purposes, the port is not projecting vertical construction in 2020. Any additional development at Discovery Ridge would be financed as a stand-alone project.

Also scheduled to begin in 2020, is construction of a first phase of a proposed 42-mile dark fiber optic "backbone" loop in the Discovery Corridor. The port is beginning to build dark fiber optic infrastructure to promote high performance economic development in the Port of Ridgefield District. A publicly owned dark fiber loop will reduce time-to-market deployment of private sector high-speed fiber connection and service. The loop will lower up-front capital needs for service providers and allow service providers to better compete to serve end users. Budget impact for 2020 is estimated at approximately $1 million funded with state CERB grant/loan package; 50% grant, 50% loan.

Washington State Department of Ecology has expanded the scope of the neighborhood cleanup to include soil sampling and if necessary, physical remediation of thirteen or more additional acres of neighborhood near downtown Ridgefield. The exact fiscal impact of expanding the scale of the PWT cleanup is not known at this time but has been estimated in the remediation obligation liability.

Requests for Information

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

PORT OF RIDGEFIELD
STATEMENT OF NET POSITION
December 31, 2019

		2019
Assets		
Current Assets		
Cash & Cash Equivalents	$	5,759,123
Cash Restricted for Customer Deposits		58,166
Accounts Receivables - net of allowance for doubtful accounts		1,125
Property Taxes Receivable		9,316
Due from Other Governments		7,020
Prepaid Expenses		44,632
Asset Held for Sale		1,648,782
Total Current Assets		7,528,164
Noncurrent Assets		
Cash Restricted		878,778
Leases Receivable		6,357,215
Capital Assets, not being depreciated		7,388,803
Capital Assets, being depreciated (net)		9,814,951
Total Noncurrent Assets		24,439,747
Total Assets		31,967,911
Deferred Outflows of Resources		
Amounts related to OPEB		3,515
Amounts related to pensions		54,552
Total Deferred Outflows of Resources		58,067
Liabilities		
Current Liabilities		
Accounts Payable		420,545
Accrued Payroll Liabilities		84,813
Leases Payable - Current		2,934
Customer Deposits		58,166
Accrued Compensated Absences		5,215
Private Placement Interagency Loans - Current		36,878
Bond Payable - Current		314,287
Other Post Employment Benefit Payable (OPEB) - Current		7,032
Total Current Liabilities		929,870
Noncurrent Liabilities		
Leases Payable		7,908
Accrued Compensated Absences		46,930
Pollution Remediation Obligation		69,356
Private Placement Interagency Loans		4,361,618
Bonds Payable		4,143,335
Other Post Employment Benefit Payable (OPEB)		433,376
Net Pension Liability		237,563
Total Noncurrent Liabilities		9,300,086
Total Liabilities		10,229,956
Deferred Inflows of Resources		
Amounts related to leases		6,357,215
Amounts related to pensions		137,217
Total Deferred Inflows of Resources		6,494,432
Net Position		
Net Investment in Capital Assets		13,129,068
Restricted for Debt Service		485,000
Unrestricted		1,687,522
Total Net Position	$	15,301,590

The accompanying notes are an integral part of this statement

PORT OF RIDGEFIELD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For Year Ended December 31, 2019

		2019
Operating Revenues		
Property Lease & Rental	$	648,668
Boat Launch Operations		73,057
Total Operating Revenues		721,725
Operating Expenses		
Property Lease & Rental		227,283
Boat Launch Operations		25,013
General and Administrative Costs		861,250
Depreciation & Amortization		258,124
Total Operating Expenses		1,371,670
Operating Loss		(649,945)
Nonoperating Revenues (Expenses)		
Interest Earned		53,501
Ad Valorem Taxes Levied for General Purposes		602,683
Other Nonoperating Revenues		22,651
Gain (Loss) on Disposal of Assets		150,297
Interest and Fiscal Charges		(144,083)
Remediation Activity Adjustment		(30,954)
Other Nonoperating Expenses		(627,896)
Total Nonoperating Revenues (Expenses)		26,199
Income (Loss) before Contributions		(623,746)
Special Item - Legal Settlements		(2,000,000)
Increase (decrease) in Net Position		(2,623,746)
Net Position - Beginning of Period		17,925,336
Net Position - End of Period	$	15,301,590

The accompanying notes are an integral part of this statement

PORT OF RIDGEFIELD

STATEMENT OF CASH FLOWS

For Year Ended December 31, 2019

		2019
Cash flows from operating activities		
Cash received from customers	$	770,544
Cash payment for goods and services		(557,248)
Cash payments to employees		(834,805)
Cash received from the sale of assets held for sale		3,745,448
Cash payment for settlements		(2,000,000)
Other receipts		22,650
Other payments made		(859,381)
Net cash provided (used) by operating activities		287,208
Cash flows from noncapital financing activities		
State/Federal remediation recoveries received		76,180
Pollution remediation payments		(100,569)
Proceeds from unrestricted property taxes		605,168
Receipt of remediation loan proceeds		2,337
Net cash provided (used) by noncapital financing activities		583,116
Cash flows from capital and related financing activities		
Payment on bonds		(304,608)
Payments on leases		(4,559)
Disbursements for purchase of capital assets		(378,053)
Interest and fiscal charges paid		(144,082)
Net cash provided (used) for capital and related financing activities		(831,302)
Cash flows from investing activities		
Receipts of interest and dividends		53,501
Net cash provided by investing activities		53,501
Net increase (decrease) in cash and cash equivalents		92,523
Cash and cash equivalents - January 1		6,603,544
Cash and cash equivalents - December 31	$	6,696,067
Reconciliation to statement of net position		
Cash and cash equivalents - unrestricted		5,759,123
Cash and cash equivalents - restricted		878,778
Cash and cash equivalents - restricted for customer deposits		58,166
Cash and cash equivalents - December 31	$	6,696,067

The accompanying notes are an integral part of this statement

PORT OF RIDGEFIELD
STATEMENT OF CASH FLOWS
For Year Ended December 31, 2019

Reconciliation of operating income (loss) to net cash provided (used) by operating activities		2019
Operating income (loss)	$	(649,945)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization		258,124
Change in assets and liabilities:		
Decrease (increase) in accounts receivable		2,899
Increase (decrease) in customer deposits		45,920
Increase (decrease) in accounts payable		(58,676)
Decrease (increase) in prepaid items		978
Increase (decrease) in other payables		(3,854)
Increase (decrease) in pension accounts		(79,485)
Decrease (increase) in OPEB accounts		(137,472)
Proceeds from the sale of assets held for sale		3,745,448
Other items		(2,836,729)
Total adjustments		937,153
Net cash provided (used) by operating activities	$	287,208
Noncash Transactions		
Accounts payable change financing capital acquisitions	$	87,996

The accompanying notes are an integral part of this statement

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port of Ridgefield (Port) was created in 1940 by a vote of the citizens of the Port District. The Port's size was expanded in 1980 to its present boundaries. The Port operates under the laws of the State of Washington applicable to a public port district as a municipal corporation under the provisions of Chapter 53 of the *Revised Code of Washington* (RCW). The financial statements of the Port have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

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

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

B. Basis of Accounting and Reporting

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

Funds are accounted for on a cost of services or an economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with Port activity are included on the statement of net position. The Port's reported total net position is segregated into 1) net investment in capital assets 2) restricted and 3) unrestricted net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in total net position. The Port discloses changes in cash flows by a separate statement that presents their operating, noncapital financing, capital and related financing and investing activities.

The Port uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized, and long-term liabilities are accounted for in the appropriate fund.

The Port distinguishes between operating revenues and expenses from nonoperating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a Port's principal ongoing operations. The Port's business operating revenues are derived from its boat launch and property leasing lines of business. Operating expenses include the direct expenses of operating these lines of business and the general and administrative expenses of the Port as a whole, including, but not limited to, the cost of executive management, administration, marketing, accounting, finance, insurance, taxes paid, and direct and indirect costs of the Port Commission itself. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Items included as nonoperating revenue and expense are property and other tax receipts, bond interest expense, environmental remediation grant revenue and remediation expenses, and election expenses (related to services provided for ballot preparation).

The remediation activity adjustment on the Statement of Revenues, Expenses and Changes in Fund Net Position represents the modification to the expected cash flow estimate for changes in the Remediation Obligation. This is a result of annually refining the estimate of its remediation obligation liability as additional information becomes available or as the Port reaches additional recognition benchmarks as defined by GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* Environmental cost recoveries from the state are received on a cost reimbursement basis and are recorded as a reduction of remediation expenses when earned. Remediation expenses, as incurred, flow through the statement of net position as a reduction of Remediation Obligation. Environmental cleanup costs consist of consulting, contractors, and employees directly involved with the remediation process. Indirect costs associated with remediation efforts are included in general and administrative expenses.

C. Assets, Liabilities and Net Position

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

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

3. Receivables
   Taxes receivable consist of property taxes and related interest and penalties (See Note 3). Because such taxes are considered liens on property, no reserve for doubtful accounts has been established. Accrued interest receivable consists of amounts earned on investments, notes and contracts at the end of the year.

   Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Accounts receivable that are written off are charged directly against earnings when they are determined by the proper Port official to be uncollectible. Use of this method does not result in a material difference from the reserve method required by generally accepted accounting principles.

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

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

6. Leases Receivable and Deferred Inflows of Resources
   Leases receivable consist of amounts record in compliance with GASB 87, *Leases*. The Port has recorded the Lease Receivable and Deferred Inflows of Resources. The Port records the interest earnings from the leases, within the Statement of Revenues, Expenses, and Changes in Net Position as operating revenue, Property Lease & Rental.

7. Capital Assets and Depreciation (See Note 4)
   Major expenses for capital assets, including major repairs that increase the useful lives of capital assets are capitalized, if the purchase price exceeds $5,000. Maintenance, repairs and minor renewals are accounted for as expenses when incurred. Capital assets are stated at historical cost. Donated capital assets are reported at acquisition value. Depreciation of capital assets is computed using the straight-line method, based on estimated useful lives. Depreciation expense is charged to operations to allocate the costs of capital assets over their estimated useful lives. Standard useful lives defined by the Port are:

Buildings, Structures and Improvements	10-50 years

Marina Equipment	10 years
Vehicles	5-20 years
Computer Equipment/Software	5-12 years
Other Equipment	10-15 years

The Port acquired certain assets with funding provided by federal and state financial assistance programs. Depending upon the terms of the agreements involved, the funding governmental unit could retain an interest in these assets. However, the Port has sufficient legal interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable account.

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

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

   The accumulation of compensated absences and maximum limits are subject to Port policy based on year's of service.

9. Long-Term Debt (See Note 7)

10. Net Pension Liability, (See Note 5)

11. Total Other Post Employment (OPEB) Liability (See Note 10)

12. Deferred Outflows of Resources and Deferred Inflows of Resources
A Deferred Outflows of Resources is a consumption of net position that are applicable to future periods. Deferred Inflow of Resources are acquisitions of net position in one period that are applicable to future periods. These are distinguished from assets and liabilities in the statement of net position. The Port recognizes Deferred Outflows and Deferred Inflows related to pension liability, OPEB liability and lease receivables.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

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

The Port Treasurer was holding a total of $6,696,067 in cash and cash equivalents at December 31, 2019.

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

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

At December 31, 2019, the Port had money market investments in the amount of $4,206,914, which are classified as cash equivalents and measured at amortized cost:

NOTE 3 – PROPERTY TAXES

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

	Property Tax Calendar
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed
April 30	First of two equal installment payments is due
May 31	Assessed value of property established for next year's levy at 100 percent of market value
October 31	Second installment is due

Property taxes are recorded as a receivable and revenue when levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The Port may levy up to $0.45 per $1,000 of assessed valuation for general governmental services. Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. The Port may also levy taxes at a lower rate.

The Port's regular levy for 2019 was $0.17 per $1,000 on an assessed valuation of $3,508,269,647 for a total regular levy of $602,683.

NOTE 4 –CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended December 31, 2019, was as follows:

	Beginning Balance 1/1/2019	Increases	Decreases	Ending Balance 12/31/2019
Capital assets, not being depreciated:				
Land	$ 3,224,210	$ -	$ -	$ 3,224,210
Right of way	679,414	-	-	679,414
Construction in progress	3,132,595	450,544	97,960	3,485,179
Intangible - Mitigation Credits	25,600	-	25,600	-
Total capital assets, not being depreciated	7,061,819	450,544	123,560	7,388,803
Capital assets, being depreciated:				
Buildings and Improvements	10,948,937	-	-	10,948,937
Machinery and Equipment	222,274	90,896	-	313,170
Total capital assets being depreciated	11,171,211	90,896	-	11,262,107
Less accumulated depreciation for:				
Buildings and Improvements	1,057,185	243,165	-	1,300,350
Machinery and Equipment	147,247	9,570	-	156,817
Total accumulated depreciation	1,204,432	252,735	-	1,457,167
Total capital assets, being depreciated, net	9,966,779	(161,839)	-	9,804,940
Right to use assets, being depreciated:				
Right to use asset				
Machinery and Equipment	-	15,401	-	15,401
Total right to use assets being depreciated	-	15,401	-	15,401
Less accumulated amortization for:				
Intangible - Right to use asset				
Machinery and Equipment	-	5,390	-	5,390
Total accumulated amortization	-	5,390	-	5,390
Total right to use assets, being depreciated, net	-	10,011	-	10,011
Total capital assets, net	$ 17,028,598	$ 298,716	$ 123,560	$ 17,203,754

* Decrease in Intangible- Mitigation Credits of $25,600 is related to a reclassification of the amounts to Assets Held for Sale.
* A portion of the decrease in the Construction in progress includes $7,064 that was expensed.

Construction Commitments

The Port has no active construction commitments as of December 31, 2019.

NOTE 5 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2019:

Aggregate Pension Amounts - All Plans	
Pension liabilities	$ 237,563
Deferred outflows of resources	54,552
Deferred inflows of resources	137,217
Pension expense/expenditures	(4,420)

State Sponsored Pension Plans

Substantially all the Port's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

Public Employees' Retirement System (PERS)
PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
January - June 2019:		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	**12.83%**	**6.00%**
July–December 2019:		

PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	**12.86%**	**6.00%**

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2**
January - June 2019:		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies

Total	**12.83%**	**7.41%**
July–December 2019:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**12.86%**	**7.90%**

The Port's actual PERS plan contributions were $29,510 to PERS Plan 1 and $45,554 to PERS Plan 2/3 for the year ended December 31, 2019.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the 2017 *Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table". The Society of Actuaries publishes this document. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Actuarial results reflect the following changes in assumptions and methods since the last valuation.

• OSA updated modeling to reflect providing benefit payments to the date of initial retirement eligibility for terminated vested members who delay application for retirement benefits.

• OSA updated Cost-of-Living Adjustment (COLA) programming to reflect legislation signed during the 2018 Legislative Session (C151 L18). This law provides PERS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5 percent increase to their monthly retirement benefit, not to exceed a maximum of $62.50 per month.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members.

Consistent with current law, the asset sufficiency test included an assumed 7.50% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.50%.)

Consistent with the long-term expected rate of return, a 7.40% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS Plans 2 and 3, whose rates include a component for the PERS Plan 1). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/ (Asset)

The table below presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease 6.40%	Current Rate 7.40%	1% Increase 8.40%
PERS 1	224,311	179,117	139,905
PERS 2/3	448,254	58,446	(261,418)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Port reported a total pension liability of $237,563 for its proportionate share of the net pension liabilities as follows:

Plan	Liability or Asset
PERS 1	179,117
PERS 2/3	58,446

At June 30, the Port's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.00523%	0.00466%	-0.00057%
PERS 2/3	0.00585%	0.00602%	0.00016%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the Port recognized pension expense as follows:

	Pension Expense
PERS 1	(18,268)
PERS 2/3	13,848

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (11,966)
Contributions subsequent to the measurement date	11,385	-
TOTAL	$ 11,385	$ (11,966)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,745	$ (12,565)
Net difference between projected and actual investment earnings on pension plan investments	-	(85,073)
Changes of assumptions	1,497	(24,522)
Changes in proportion and differences between contributions and proportionate share of contributions	5,982	(3,091)
Contributions subsequent to the measurement date	18,943	
TOTAL	$ 43,167	$ (125,251)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,745	$ (12,565)
Net difference between projected and actual investment earnings on pension plan investments	-	(97,039)
Changes of assumptions	1,497	(24,522)
Changes in proportion and differences between contributions and proportionate share of contributions	5,982	(3,091)
Contributions subsequent to the measurement date	30,328	-
TOTAL	$ 54,552	$ (137,217)

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3
2020	(2,642)	(24,715)
2021	(6,257)	(43,602)
2022	(2,233)	(19,303)
2023	(834)	(10,303)
2024	-	(4,321)
Thereafter	-	1,217

NOTE 6 – RISK MANAGEMENT

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

Port of Ridgefield 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.

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.

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

NOTE 7 – LONG-TERM DEBT

A. Private Placement Interagency Loans

The Port has private placement interagency loans to finance remediation activity. It has received these loans from the State Department of Ecology (DOE) for construction of capital projects and remediation associated with the Lake River Site. These loans are payable from the revenues of the Port and are unsecured. If the Port is late on a scheduled payment a late charge of 1% per month will be charged by the DOE starting on the date the debt become past due and continuing until the debt is paid in full. In the event of default, the principle and interest may be declared due and become payable immediately, with any repayments not immediately made incurring late charges. Upon default, any funds due to the Port may be withheld by DOE. Any property acquired under the agreement will be used as partial repayment, with the liability owed reduced by the fair value of the property taken as partial payment. The Port will be compensated for all satisfactory work completed.

Private Placement Interagency Loans payable outstanding at year-end are as follows:

Name of Issuance	Issuance Date	Maturity Date	Interest Rate	Original Amount	12/31/19 Debt Outstanding	Installment Amount
Loan L1400017	7/1/2014	7/1/2070	0%	$ 448,273	$ 448,273	$3K, deferred
Loan L1300009	8/9/2012	7/1/2064	0%	2,950,223	2,950,223	$37K, deferred
Loan L1200004	8/9/2012	7/1/2064	0%	1,000,000	1,000,000	$12K, deferred
Total Private Placement Interagency Loans					$ 4,398,496	

Annual debt service requirements to maturity for Private Placement Interagency Loans payable are as follows:

	Principal	Interest	Total Requirements
2020	36,878	-	36,878
2021	49,378	-	49,378
2022	49,378	-	49,378
2023	49,378	-	49,378
2024	49,378	-	49,378
2025-2029	275,015	-	275,015
2030-2034	275,015	-	275,015
2035-2039	275,015	-	275,015
2040-2044	275,015	-	275,015
2045-2049	275,015	-	275,015
2050-2054	275,015	-	275,015
2055-2059	275,015	-	275,015
2060-2064	2,015,728	-	2,015,728
2065-2069	28,125	-	28,125
2070	195,148	-	195,148
	$ 4,398,496	$ -	$ 4,398,496

B. Private Placement Bonds

The Port issues revenue bonds for capital project purposes. Revenue bonds are secured by the lease revenues generated by the property. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. The bonds were approved created by resolution, adopted by the commissioners, and financed from tax levies. All of the bonds currently outstanding are Private Placement.

The 2014 LTGO Bonds are secured by the fully faith and credit of the Port. The Bonds may be prepaid in whole or in part without penalty on any payment date with 10 days prior notice to the Bank. The Bank will charge a 3% fee on any amounts prepaid during the first bond year; a 2% fee on any amounts paid during the second bond year; and a 1% fee on any amounts prepaid during the third, fourth and fifth bond years. Any prepayment amount paid after bond year five shall be made without a fee, penalty, additional interest or charges. A partial prepayment shall not result in a change to the level semiannual payment amounts (except for the final payment as necessary) but will result in an earlier retirement of the bonds.

The 2016 Revenue Bonds are secured by lease revenue. The bonds may be prepaid with the following financial consequences:

Years	Prepayment Price (Percentage of Principal)
Through January 15, 2019	105%
January 16, 2019 through January 15, 2020	104%
January 16, 2020 through January 15, 2021	103%
January 16, 2021 through January 15, 2022	102%
January 16, 2022 through January 15, 2023	101%
January 16, 2023 and thereafter	100%

Bonds outstanding at December 31, 2019, are as follows:

Name of Issuance	Original Issue Amount	Purpose	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2014 LTGO Bonds	750,000	Capital	12/1/2014	12/1/2034	Adjusted every five years, 3.4% at 12/31/14	606,440
Total General Obligation Bonds	$ 750,000					$ 606,440
2016 Revenue Bonds	4,500,000	Capital	12/1/2016	7/15/2031	2.99%	3,851,182
Total Revenue Bonds	$ 4,500,000					$ 3,851,182

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

	Principal	Interest	Total Requirement
2020	$ 31,809	$ 20,330	$ 52,139
2021	32,900	19,239	52,139
2022	34,028	18,111	52,139
2023	35,195	16,944	52,139
2024	36,402	15,737	52,139
2025-2029	201,610	59,085	260,695
2030-2034	234,496	26,199	260,695
	$ 606,440	$ 175,645	$ 782,085

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

	Principal	Interest	Total Requirement
2020	$ 282,478	$ 111,300	$ 393,778
2021	291,041	102,737	393,778
2022	299,863	93,915	393,778
2023	308,953	84,825	393,778
2024	318,318	75,460	393,778
2025-2029	1,742,315	226,575	1,968,890
2030-2031	608,214	15,268	623,482
	$ 3,851,182	$ 710,080	$ 4,561,262

The Port's legal limit of indebtedness for general obligation debt is .375% of assessed property value without a vote and .75% with a vote of the taxpayers. At December 31, 2019, the non-voted and voted remaining capacity was $14,674,222 and $29,348,444.

Bond Covenants:

The Port's bond covenants require the District to maintain certain reserve accounts. The Port established a Debt Service Reserve Fund with $393,778 from the first bond draw.

Additionally, the 2016 bond covenants required a $395,000 transfer from Port reserves to cover any operating deficiencies. Further, the 2016 bond covenants require the maintenance reserve fund to be funded with transfers from the revenue fund totaling $90,000 over a five-year period.

At December 31, 2019, the balances in these accounts were as follows:

	12/31/2019
Debt Service Reserve Fund	393,778
Operating Reserve Fund	395,000
Maintenance Reserve Fund	90,000
	$ 878,778

The 2016 Revenue bond resolution requires that net revenues of the District at least equal 110% of debt service of the Bond. At December 31, 2019, the Port's debt service coverage ratio was 131%.

C. Changes in Long-Term Liabilities

During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

	1/1/19	Additions	Reductions	12/31/19	Due Within One Year
Private Placement Bonds payable					
General obligation bonds payable	$ 636,881	-	$ 30,441	$ 606,440	$ 31,809
Revenue bonds	4,125,349	-	274,167	3,851,182	282,478
Total Private Placement bonds payable	4,762,230	-	304,608	4,457,622	314,287
Private Placement Interagency Loans	4,396,159	2,337	-	4,398,496	36,878
Other postemployment benefits	578,199	-	137,791	440,408	7,032
Compensated absences	55,918	1,819	5,592	52,145	5,215
Lease liability	-	15,401	4,559	10,842	2,934
Pension liability	333,285	-	95,722	237,563	-
Pollution remediation obligation	61,988	7,368	-	69,356	-
Total long-term liabilities	$ 10,187,779	$ 26,925	$ 548,272	$ 9,666,432	$ 366,346

NOTE 8 – CONTINGENCIES AND LITIGATION

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

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

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

The Port also participates in a number of federal and state assisted programs. The grants the Port receives under these programs are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowances, if any, will be immaterial.

The Port is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. It is the opinion of Port management and the Counsel that any losses which may ultimately be incurred as a result of the suits and claims is either not material or is not susceptible to reasonable estimation at this time.

NOTE 9 – POLLUTION REMEDIATION OBLIGATIONS

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

A budget for cleanup costs has been prepared by the Port's environmental engineer. This budget is the basis for the estimates for the year ending December 31, 2019, in the amount of $2,311,875. This is measured at current value.

On November 5, 2013, Consent Decree Number 13-2-03830-1 (Consent Decree) was filed in Clark County, Washington. The Consent Decree is an agreement between the Port and Ecology as to what actions it will take to complete remedial activities at the site. The remedial activities included dredging sediments in Lake River and Carty Lake and capping the Port's Railroad Avenue property. The Port's Railroad Avenue property was capped in 2013.

The Port started the dredging work in Lake River and Carty Lake in 2014 and completed the work in 2015. There is ongoing monitoring and reporting associated with this work and these ongoing costs have been included in the December 31, 2019 estimate.

On December 8, 2014, the Port entered into Agreed Order DE 11057 (Agreed Order) with Ecology. The Agreed Order required the Port to sample properties adjacent to the Lake River Site for wood treating chemicals associated with the former PWT operations. This is considered the "Off-Property" portion of the PWT site. The Agreed Order required the Port to complete a remedial investigation and feasibility study (RI/FS) for the Off-Property Portion. Investigation work was completed in 2015. Elevated concentrations of constituents associated with wood treating chemicals were discovered. Ecology determined that remediation of properties adjacent to the Lake River Site was necessary. The Port and Ecology determined that 29 properties required remediation. In 2016, twenty properties were remediated. The remaining nine properties were remediated in 2017.

In 2016, Ecology determined that the full extent of Off-Property impacts had not been fully characterized. The sampling area was initially expanded to the east and north, and sampling was completed in this "Phase 2" area in 2017. Based on the Phase 2 results, further characterization in a "Phase 3" area (north of Maple Street) was required. Sampling is ongoing and is expected to be completed in early 2020. Included in the December 31, 2019 estimate is a range of possible remediation costs for cleaning up additional properties in the expanded (Phase 2 and 3) sampling areas. Variability in the estimate is associated with the fact that the full extent of the properties requiring remediation has not been determined.

Groundwater monitoring costs have very little variability. The Port was required to complete groundwater monitoring in 2016, in 2018, and is required to conduct monitoring in 2020 and then again in 2021. If groundwater conditions remain the same in 2020 and 2021, the Port will advocate for a reduced groundwater monitoring sampling frequency starting in 2024. Costs for ongoing groundwater monitoring have been included in the December 31, 2019, estimate.

This estimated liability was prepared using the Expected Cash Flow Technique, which measures the liability as the sum of probability weighted amounts in a range of possible estimated amounts. This is an estimate only and potential for change exists resulting from price increases or reductions, technology or changes in applicable laws or regulations. The estimates and assumptions will be re-evaluated on an annual basis.

The State of Washington is considered a potentially responsible party (PRP) under GASB 49. The State entered into binding agreements with Pacific Wood Treating Company (former tenant) that allowed or permitted release of runoff water onto state owned property. Through December 2010, the State has contributed 65% of the total cleanup costs. The State contributed 90% for the 2011 and 2012 grant/loan agreements. For the most recent grant/loan agreements, the State has committed to contribute 97%. The State's total contributive share is not yet realized or realizable. Therefore, the liability recognized on the Statement of Net Assets is reduced by the expected recoveries. The Port's estimated share of the Pollution Remediation Obligation is $69,356 at December 31, 2019.

		12/31/2019
Total Remediation Expected Obligation	$	2,311,875
Estimated Recoveries from State of Washington		2,242,519
Port of Ridgefield's Remediation Obligation	$	69,356

Ecology has committed to finance the Port's share of remediation through a series of advances called biennial loan agreements. The most recent agreement contains a loan of a maximum of $450,000, zero percent interest and a 45-year loan term with payments starting in July 1, 2025. The balance on the loan at December 31, 2019, is $448,273. See Note 7A for more information.

A substantial part of the Port's operating costs relates to the management of the environmental cleanup project. In 2019, $16,180 of Port operating costs were eligible for grant reimbursement. The grant funds received as reimbursement for the Port's operating costs are recognized as cleanup project management fee revenue by the Port. This revenue is included in Other Non-Operating Revenues on the Statement of Revenues, Expenses and Changes in Fund Net Position.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2019:

Aggregate OPEB amounts - All Plans		
OPEB Liabilities	$	440,408
Deferred outflows of resources		3,515
OPEB Expense		(128,356)

OPEB Plan Description

The Port administers a Post-Retirement Health Care Program under a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. This plan is administered by the Health Care Authority (HCA) per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability. Benefits are offered to retirees at a subsidized rate.

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

At December 31, 2019, there were nine active employees and two inactive employees receiving benefits or entitled to receive benefits.

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Assumptions and Other Input

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The Port's total OPEB lability of $440,408 was measured as of June 30, 2019 with a valuation date of June 30, 2019. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The Entry Age actuarial cost method and the recognized immediately amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified:

Discount rate - Beginning of Measurement Year	3.58%
Discount Rate - End of Measurement Year	3.87%
Projected Salary Changes	3.75% + service based increases
Healthcare Trend Rates	Initial rate is approximately 7%, trends down to about 5% in Mid-2020
Inflation Rate	3.00%
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

The source of the discount rate is the Bond Buyer General Obligation 20- Bond Municipal Index.

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table". The Society of Actuaries publishes this document. The Washington State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Age setback of one year was used. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Specific assumptions are as follows:

It was assumed that two thirds of members will select a Uniform Medical Plan (UMP) and one third will select a Kaiser Permanente (KP) plan. The specific assumptions are as follows:

- UMP pre and post Medicare costs and premiums are equal to the Uniform Medical Plan.
- The KP pre-Medicare costs and premiums are 50/50 blend of KP classic and KP value.
- The KP post-Medicare costs and premiums are equal to KP Medicare.

The estimated retirement service for each active cohort was based on the average entry age of 35, with a maximum service of 1 year. For example, an age 47 member is assumed to have 12 years of service. Service is a component of benefit eligibility. Assumptions for retirement, disability, termination and mortality are based on the 2017 Actuarial Valuation Report. For simplicity, all employees were assumed to be retirement eligible at age 55. To further simplify, the valuation relies on retirement rates for member with less than 30 years of services and assumed a 100% rate of retirement at age seventy.

Each cohort is assumed to be a 50/50 male/female split. It was further assumed that eligible spouses are the same age as the primary member.

Dental benefits are not included when including the Total OPEB Liability, as dental benefits represent less than 3 percent of the accrued benefit obligations under the 2018 PEBB OPEB AVR.

Sensitivity Rates

The following presents the total OPEB liability of the Port calculated using the current healthcare cost trend rate of 7.0 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0) or 1-percentage point higher (8.0%) that the current rate.

Health Care Trend Rate Sensitivity

1% Decrease	Current Health Care Trend Rate	1% Increase
$ 376,573	$ 440,408	$ 520,115

The following presents the total OPEB liability of the (entity type) calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5%) or 1-percentage point higher (4.5%) than the current rate.

Discount Rate Sensitivity

1% Decrease	Current Discount Rate	1% Increase
$ 510,123	$ 440,408	$ 383,209

Changes in the Total OPEB Liability

At the measurement date June 30, 2019, the changes in the total OPEB liability are as follows:

Service cost	$ 19,301
Interest Cost	22,936
Changes in assumptions	(170,274)
Benefit payments	(9,754)
Net change in total OPEB liability	(137,791)
Total OPEB liability - beginning	578,199
Total OPEB liability - ending	$ 440,408

The Port reported ($128,356) as OPEB expense for the calendar year 2019.

At December 31, 2019, the Port reported deferred outflows of resources only for deferred outflows subsequent to the measurement date in the amount of $3,515. This will be recognized as reduction of the OPEB liability in the period ending December 31, 2020.

NOTE 11 – LEASES

At December 31, 2019, the Port has three lease receivables in which it is acting as Lessor.

In October 2013, the Port entered into a five-year lease with two five-year extension terms. The Port is assuming that the second five-year extensions will not be exercised. In 2018, the first option was exercised, as assumed by the Port. The present value assumed to be implicit in the lease was 3.0%. Monthly payments under this lease range from $6,448 to $7,256.

In May 2016, the Port also entered a 10-year lease that became effective July 1, 2017. The lease has a five-year renewal option that extends the lease to June 30, 2032. The Port assumed that this lease option would be exercised. The present value implicit in the lease was 6.9%. Monthly payments received under this lease range from $46,891 to $66,227. This lease revenue secures the revenue bonds.

In January 2019, the Port also entered in to a 5-year lease. The lease has a five-year renewal option with six five-year extension terms. The Port assumes that this lease option will be exercised. The present value implicit in the lease is 4.88%. Monthly payments received under this lease range from $591 to $697.

During 2019, the Port recognized lease revenue of $223,888 and interest revenue of $423,842. This revenue is all reported as operating revenue, Property Lease and Rental.

The Port's schedule of future payments included in the measurement of the lease receivable is as follows:

	Lease Receivables		
	Principal	Interest	Total Requirements
2020	$ 267,675	$ 410,493	$ 678,168
2021	315,387	393,290	708,677
2022	368,209	373,875	742,084
2023	403,279	349,941	753,220
2024	397,094	325,013	722,107
2025-2029	2,696,156	1,130,097	3,826,253
2030-2034	1,813,175	187,977	2,001,152
2035-2039	16,866	21,939	38,805
2040-2044	22,600	17,291	39,891
2045-2049	29,910	11,098	41,008
2050-2053	26,864	3,110	29,974
	$ 6,357,215	$ 3,224,124	$ 9,581,339

At December 31, 2019, the Port has one lease payable in which it is acting as Lessee for office equipment. The Port's schedule of future payments included in the measurement of the lease payable is as follows:

Lease Payables

	Principal	Interest	Total Requirements
2020	$ 2,934	$ 1,051	$ 3,985
2021	3,275	711	3,985
2022	3,655	330	3,985
2023	978	18	996
	$ 10,842	$ 2,110	$ 12,952

NOTE 12 – OTHER DISCLOSURES

A. Major Receivables

The Port has certain lease agreements with entities where revenue generated individually represented 10% or more of the Port's total property lease and rental revenue. For the year-ending December 31, 2019, the two leases account for 98.76% combined and individually 86.75% and 12.02%. There are no receivable balances in arrears for these two lease agreements.

B. Industrial Development Corporation of the Port of Ridgefield

The Industrial Development Corporation of the Port of Ridgefield, a public corporation, was authorized in 2001 to facilitate the issuance of tax-exempt non-recourse revenue bonds to finance industrial development within the corporate boundaries of the Port. Revenue bonds issued by the corporation are payable from revenues derived as a result of the industrial development facilities funded by the revenue bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than industrial facilities for which they are issued. The Industrial Development Corporation did not authorize issuance of any bonds during the year ended December 31, 2019.

C. Stewardship, Compliance and Accountability

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

D. Implementation of New Governmental Accounting Standards Board Pronouncements

The City also implemented GASB statement Number 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement* for the fiscal year ending December 31, 2019. The objective of this standard is to improve note disclosures related to debt obligations. The standard defines debt as a liability that arises from a contractual obligation to pay cash (or other assets in lieu of cash) in one or more amounts that is fixed at the date the contractual obligation is established. It requires new disclosures related to amounts pledged for collateral of debt, unused lines of credit, terms related to default, termination or acceleration of debt and disclosures related to direct borrowings and direct placements. This implementation related to note disclosures only; no changes were required on the financial statements.

E. Special Item

During 2019, a legal matter, stretching over five years, ended with an arbitration settlement requirement for the Port to pay $2,000,000. This has been recorded as a special item.

F. Subsequent Events

Subsequent to December 31, 2019, the Port entered into an Interlocal Operating Agreement with six other ports to create the Petrichor Broadband, LLC, a local government owned Washington limited liability company. The Port made a $200,000 investment in this entity. The transaction will be recorded as an investment in joint venture, beginning in fiscal year 2020.

Port of Ridgefield

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30

Last Six Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.004658%	$ 179,117	$ 605,609	29.58%	67.12%
2018	0.005225%	233,350	645,746	36.14%	63.22%
2017	0.005691%	270,042	670,059	40.30%	61.24%
2016	0.005833%	313,260	644,013	48.64%	57.03%
2015	0.005270%	275,670	522,924	52.72%	59.10%
2014	0.006313%	318,020	628,680	50.59%	61.19%

Port of Ridgefield

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Schedule of Proportionate Share of the Net Pension Liability

PERS 2/3

As of June 30

Last Six Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.006017%	$ 58,446	$ 605,609	9.65%	97.77%
2018	0.005853%	99,935	613,377	16.29%	95.77%
2017	0.005869%	203,920	606,631	33.62%	90.97%
2016	0.005973%	300,736	581,202	51.74%	85.82%
2015	0.005305%	189,551	470,634	40.28%	89.20%
2014	0.006598%	133,369	570,226	23.39%	93.29%

Port of Ridgefield

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Schedule of Employer Contributions

PERS 1

As of December 31

Last Six Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2019	$ 29,510	$ (29,510)	$ -	$ 593,193	4.97%
2018	32,643	(32,643)	-	646,478	5.05%
2017	36,031	(36,031)	-	647,806	5.56%
2016	33,574	(33,574)	-	628,578	5.34%
2015	28,388	(28,388)	-	569,917	4.98%
2014	25,851	(25,851)	-	578,150	4.47%

Port of Ridgefield

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Schedule of Employer Contributions

PERS 2/3

As of December 31

Last Six Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2019	$ 45,554	$ (45,554)	$ -	$ 593,193	7.68%
2018	48,143	(48,143)	-	646,478	7.45%
2017	39,735	(39,735)	-	584,377	6.80%
2016	35,017	(35,017)	-	567,465	6.17%
2015	28,726	(28,726)	-	526,011	5.46%
2014	25,609	(25,609)	-	521,421	4.91%

Port of Ridgefield

Notes to Required Supplemental Information - Pension

As of December 31

Last Six Years

Note 1: Information Provided

GASB 68 was implemented for the year ended December 31, 2014, therefore there is no data available for years prior to 2014. Eventually, the schedules will show ten years of data.

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 3: Covered payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues*. Covered payroll includes all payroll on which a contribution is based.

Note 4: Contribution rates

Rates in effect during the periods covered by the Required Supplemental Information are below:

PERS 1

From this Date	Through this Date	Rate	
9/1/2013	6/30/2015	9.21%	
7/1/2015	6/30/2017	11.18%	
7/1/2017	8/31/2018	12.70%	
9/1/2018	6/30/2019	12.83%	
7/1/2019	current	12.86%	*

* Employer contribution rate includes an administrative expense rate of 0.18%

PERS 2/3

From this Date	Through this Date	Rate	
9/1/2013	6/30/2015	9.21%	
7/1/2015	6/30/2017	11.18%	
7/1/2017	8/31/2018	12.70%	
9/1/2018	6/30/2019	12.83%	
7/1/2019	current	12.86%	*

* Employer contribution rate includes an administrative expense rate of 0.18%

Port of Ridgefield

REQUIRED SUPPLEMENTARY INFORMATION - Other Post Employment Benefits

Schedule of Changes in Total Liability and Related Ratios

For the Year ended June 30

Last Two Fiscal Year

Total OPEB liability		2019		2018
Service cost	$	19,301	$	20,695
Interest		22,936		21,050
Changes of assumptions or other inputs		(170,274)		(27,976)
Benefit payments		(9,754)		(5,683)
Net change in total OPEB liability		(137,791)		8,086
Total OPEB liability beginning		578,199		570,113
Total OPEB liability ending	$	440,408	$	578,199
Covered employee payroll		615,213		707,020
Total OPEB liability as a percentage of covered employee payroll		71.59%		81.78%

Notes to schedule

1. Changes of assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2019	3.50%
2018	3.87%

2. The Port implemented GASB 75 in 2018, therefore no data is presented before then. Eventually, ten years of data will be presented.

3. There are no assets accumulated in a trust that meets the criteria of GASB 75, to pay related benefits.