



ANNUAL REPORT 2014

Annual Report to the community

THE PORT OF / *Possibility*

2014 A HISTORIC YEAR FOR REVENUE, TONNAGE AT PORT OF VANCOUVER USA



For 103 years, the Port of Vancouver USA has served as an engine of economic growth in our community by moving cargo through Vancouver, supporting industry and providing jobs. Like any other organization with a long and productive history, we've had plenty of ups and downs. However, 2014 was a banner year for the port. Hard work and strategic investments during our nation's continued economic recovery helped make 2014 the best revenue and tonnage year in our 103-year history.

The port reported a record \$37.5 million in operating revenue, a 25 percent increase over 2013. Tonnage – total import and export of cargo – reached 6.6 million metric tons, a 47 percent increase over 2013. Of course, we couldn't have done it without the support of our tenants, operators, labor, citizens, employees and commission.

The port also received its fifth consecutive clean audit for the period of Jan. 1 through Dec. 31, 2014. In its report to the port's Board of Commissioners the Washington State Auditor's Office complimented port management and staff on their responsiveness, organization and hard work.

As you read this annual report, I hope you will gain knowledge and appreciation for the important role the Port of Vancouver USA plays in our community – as well as the other 75 port districts in the state of Washington. Voters in Vancouver established the Port of Vancouver USA in 1912 to ensure public ownership of trade docks on the Columbia River, and we do not take that charge lightly. Today we remain the proud hub of industrial jobs in Southwest Washington.

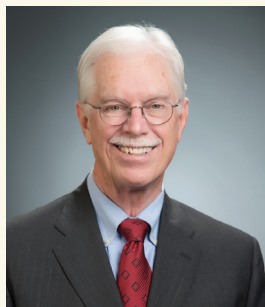
Sincerely,

A handwritten signature in black ink that reads "Todd M. Coleman". The signature is written in a cursive style with a long horizontal flourish at the end.

Todd Coleman

PORT LEADERSHIP

The Port of Vancouver USA is a special district established by state legislation and governed by a three-member Board of Commissioners, which sets policy, authorizes expenditures, and appoints an executive director who is responsible for leadership of the port. Commissioners are elected to six-year terms by voters in Clark County's 111-square mile port district. The Commission conducts its business in public meetings held the second and fourth Tuesday of each month at the port's Administrative Office, located at 3103 NW Lower River Road, Vancouver, Washington.



BRIAN WOLFE
COMMISSION PRESIDENT

Brian Wolfe was elected to the Port of Vancouver Board of Commissioners in 2005 and is secretary of the board for 2013. Mr. Wolfe has been an attorney for 40 years and operates his own legal practice in Vancouver. He helped

create the Columbia River Economic Development Council (CREDC), served as chairman of its board of directors for 11 years, and currently serves on its executive committee. He also serves on the general advisory committee for the Clark County Skills Center and on the Southwest Washington Community Land Trust board of directors. Mr. Wolfe is president of the Vancouver Dawn Lions Club and has held leadership positions with the Greater Vancouver Chamber of Commerce, Leadership Clark County, the Clark County Social Services Administration, Identity Clark County and the Columbia River Education and Workforce Council.

Mr. Wolfe holds a bachelor's degree from Whitworth University in Spokane and earned his doctor of jurisprudence degree from Willamette University in Salem. His current term expires December 31, 2017.



NANCY BAKER
COMMISSION VICE PRESIDENT

After 14 years as a port employee, Nancy Baker was elected in 2003 as the first female commissioner in the Port of Vancouver's 100-year history. She is currently serving as the secretary of the commission.

Mrs. Baker is a graduate of Hudson's Bay High School and attended classes at Clark College and Portland State University.

Mrs. Baker was named a Clark County Woman of Achievement by Clark College and the YWCA in 1996. In 2006, she received a Community Service Award from the Southwest

Washington Labor Roundtable and Central Labor Council, and in 2007 was named by The Columbian newspaper as one of the 100 Most Powerful Women of Clark County. Mrs. Baker has served on numerous boards and commissions. She is currently active with the Regional Transportation Council and the Vancouver Downtown Association.

Mrs. Baker and her husband, Ray Barney, have two children and four grandchildren. Prior to her work at the port, Mrs. Baker spent 10 years in business management with a multi-million dollar retail store, as well as several years in the heavy, marine and building construction industry. Her current term expires December 31, 2015.



JERRY OLIVER
COMMISSION SECRETARY

Jerry Oliver was elected to the Port of Vancouver Board of Commissioners in 2007 and is serving as commission president for 2013. Born and raised in Flint, Mich., Mr. Oliver has a bachelor's degree in economics from the

University of Michigan. His career includes 20 years selling medical products and seven years in the financial brokerage business. Mr. Oliver also was self-employed in mid-market mergers and acquisitions for eight years.

Mr. Oliver and his wife of more than 45 years, Joan, have two daughters and six grandchildren. He is an ardent hunter, fisher, and backpacker, and has been involved with the Audubon Society, Columbia Land Trust and Pheasants Forever. He is also very active with his church, where he has served in a variety of capacities over the years. Mr. Oliver's current term expires December 31, 2019.

A LOOK BACK AT 2014

RECORD REVENUE, TONNAGE MAKE 2014 BIGGEST YEAR IN PORT'S 103-YEAR HISTORY

Strategic decisions over the past decade have positioned the Port of Vancouver USA to take full advantage of upticks in the global economy. Leveraging revenue, tax dollars, and federal and state grant funds, the port invested in critical infrastructure and assets, including rail, equipment and dock improvements. As reflected in the following 2014 summary of port business, these investments are paying significant dividends.

Continuing a general upward trend in revenue, the port saw a 25 percent increase in operating income over 2013. Operating income rose from \$29.8 to \$37.5 million, making 2014 the best revenue year in the Port of Vancouver's 103-year history.

Total tonnage at the port was 6.6 million metric tons in 2014, an increase of 47 percent and another record-setting number for the port. Huge increases in grain exports and steel and wind energy imports pushed tonnage to impressive levels. Thirty-five percent more vessels and 23 percent more rail cars moved cargo to and from the port in 2014.

Total Cargo Tonnage (47 percent increase from 2013)

2014 – 6,598,830 metric tons

2013 – 4,480,604 metric tons

Vessel Calls (35 percent increase from 2013)

2014 – 452 vessels

2013 – 335 vessels

Overall Exports (37 percent increase over 2013)

2014 – 5,335,007 metric tons

2013 – 3,900,687 metric tons

Overall Imports (118 percent increase from 2013)

2014 – 1,263,823 metric tons

2013 – 579,918 metric tons



Subaru delivers one-millionth car to Port of Vancouver USA on July 13, 2014

Diversity, expansion mark 2014 industrial accomplishments

Industrial occupancy at the port continues to hover at an impressive 99 percent. The port's tenants offer a wide range of products and services – everything from wood paneling and aluminum extrusion to food transportation and electronics recycling. Some port tenants expanded operations in 2014, including Keller Supply Co., which doubled its space from 12,000 to 24,000 square feet. The port saw a 23 percent increase in rail cars, many from increased grain shipments for United Grain Corp., which saw big increases in corn and soybean exports. 2014 was also the first full year the American Empress docked at the port's Terminal 1 near the Red Lion Inn at the Quay. The riverboat attracted about 6,000 tourists to Vancouver's waterfront and downtown.

Environmental innovation, community investments continue

For the fourth year in a row, the port continued its commitment to renewable energy through the purchase of Renewable Energy Credits equal to 100 percent of its purchased electricity. The port also continued its efforts at innovative stormwater management through the use of biofiltration technology that enabled the port to meet its regulatory requirements to control zinc, oil and other runoff contaminants. The port's innovative stormwater

management also included the installation of floating wetlands in its Terminal 4 stormwater retention pond to assist in reducing metals such as copper and zinc.

The port continues its installation of bike and pedestrian trails on Lower River Road. A grant awarded in 2013 will construct a new section linking the administrative building to C-Tran bus service. The grant also funded design of another section that will make all the trail pieces contiguous to Gateway Avenue. These projects are part of the port's overall plan to construct approximately 3.7 miles of safe passage for bicyclists and pedestrians along Lower River Road. When complete, the trail will connect downtown Vancouver to the Flushing Channel at Vancouver Lake. Future segments of the path will be funded as the port's western properties, such as Columbia Gateway, are developed, or as additional grant funds are acquired.

The port has also entered into unique mitigation agreements with two local non-profit groups, Vancouver Watersheds Alliance and Friends of Trees. These agreements allow both groups to plant trees on behalf of the port to help mitigate for development of port properties and improve local urban tree canopy by establishing trees throughout the city of Vancouver.

WHAT THE PORT MEANS TO THE COMMUNITY

The Port of Vancouver USA was established by local voters in 1912 to ensure public ownership of trade docks on the Columbia River. Located at the natural transportation hub of the Pacific Northwest on the Columbia-Snake River System, the Port of Vancouver is an ideal transfer point for cargos moving to and from the Pacific Rim and the world. Annually the port handles approximately 500 ocean-going vessels, as well as river barges, with a total cargo volume of more than 6 million metric tons. The port is adjacent to the north/south and east/west national highways and offers on-site connection to river grade rail traveling between Canada, Mexico, and east to Chicago. For over 100 years, the Port of Vancouver has been an anchor for the economic well-being of Vancouver, Clark County and Southwest Washington. The Port of Vancouver is the third largest port on the Columbia River. It is a leader in the import of steel cargos. Subaru of America had its best year ever at the port, with more than 81,000 automobiles imported from Japan.

Quick Facts

- Established in 1912
- Third-oldest port in the State of Washington
- One of 75 port districts in the state of Washington with publicly-elected port commissioners
- 2,127 acres of property including 800 acres of developed property and more than 500 acres for future available for future development
 - 570 acres for mitigation
 - 155 acre wetland bank
 - Located on four miles of waterfront property
 - 106 river miles from the Pacific Ocean
 - Channel depth of 43 feet
 - Two 140-metric-ton Liebherr mobile harbor cranes



Jobs and a Vibrant Economy

- The Port of Vancouver is the hub of industrial jobs in Southwest Washington.
- 100 people are employed directly by the port
- More than 2,300 people are directly employed by businesses at the port
- Nearly 17,000 jobs are generated in the community by port activities
- 80 percent of employees who come to work at the port live in Clark County or within the city limits of Vancouver

- Port of Vancouver activities generate \$1.6 billion in economic benefits to state and local taxes to fund police, fire, transportation and other vital services.
- Washington is the most trade-reliant state in the nation, with one in three jobs dependent on international trade, according to the Washington Public Ports Association.

Marine Terminals

- The Port of Vancouver has five marine terminals that provide 13 shipping berths.
- The port has more than 1.2 million square feet of waterfront warehousing.
- More than 12 shipping lines call on the Port of Vancouver.

Industrial Facilities

- The port has more than 50 industrial tenants.
- There are more than two million square feet in warehouses for industrial activities at the port.
- The port has more than 800 acres of developed property for industrial and maritime activities.

WASHINGTON STATE AUDITOR'S OFFICE FINANCIAL STATEMENTS AND FEDERAL SINGLE AUDIT REPORT FOR 2014

INTRODUCTION

As management of the Port of Vancouver (port), we offer readers of the port's financial statements this narrative overview and analysis of the financial activities of the port for the fiscal year ended December 31, 2014, with selected comparative information for the year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements which immediately follow this discussion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the port's 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.

The notes provide additional information that is essential to a full understanding of the data provided in the port's financial statements. The notes to the financial statements can be found following the financial statements of this report.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position tell us whether the port's financial position has improved as a result of the year's activities. The Statement of Net Position provides information on all of the port's assets, liabilities and deferred inflows and outflows, with the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources is called net position. Overtime, increases or decreases in net position may serve as an indicator of whether the financial position of the port is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Fund Net Position show how the port's net position changed during the year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows (Accrual Basis).

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The port uses only one fund, an enterprise fund, which is a type of proprietary fund. An enterprise fund reports business type activities.

FINANCIAL ANALYSIS

Condensed Financial Position Information

The *Statement of Net Position* reflects the port's financial position at year end. Financial position is represented by the difference between assets owned, deferred outflows and liabilities owed at a specific point in time. The difference between the two is reflected as net position. As previously noted, changes in net position over time can be an indicator of the port's financial position.

Financial Highlights

- Total assets of the port and deferred outflows exceeded its liabilities by \$294.795 million (reported as total net position). Total net position increased by \$19.829 million in comparison with the prior year due to the increase in capital assets.
- Total current and restricted assets decreased by \$6.592 million from 2013, primarily from the results of the continuation of the West Vancouver Freight Access project.
- As debt is paid down and cost cutting measures are implemented, total liabilities decreased by \$6.627 million from the prior year.

NET POSITION

The following condensed financial information provides an overview of the port's financial position for the fiscal years ended December 31.

	<u>2014</u>	<u>2013</u>
Assets		
Current and restricted assets	\$21,809,050	\$28,400,873
Capital assets, net	351,098,481	331,070,504
Other noncurrent assets	25,010,479	25,033,202
Total Assets	<u>\$397,918,010</u>	<u>\$384,504,579</u>
Deferred Outflows of Resources:		
Deferred Charge on Refunding	\$2,466,563	\$2,677,719
Total Deferred Outflows of Resources	<u>\$2,466,563</u>	<u>\$2,677,719</u>
Liabilities:	\$15,705,129	\$15,322,817
Current liabilities	89,884,295	96,893,806
Noncurrent liabilities		
Total liabilities	<u>\$105,589,424</u>	<u>\$112,216,623</u>
Net Position:		
Net Invested in capital assets, net of related debt	\$290,151,502	\$266,191,815
Restricted	870,473	776,640
Unrestricted	3,773,174	7,997,220
Total Net Position	<u>\$294,795,149</u>	<u>\$274,965,675</u>

Summary of Operations and Changes in Net position

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* presents how the port's net position changed during the current and previous fiscal year as a result of operations. The port employs an accounting method that records revenue and expenses when they are incurred, regardless of when cash is exchanged. Thus, some revenues and expenses reported in this statement may affect future period cash flows (e.g. uncollected receivables).

Revenues:

- Moving past the economic challenges experienced in 2012 and 2013, as a result of the port's diversified commodity mix, 2014 experienced an increase in marine revenues to \$26.492 million. This is a change of 47.04 percent or \$8.48 million from 2013.
- The port experienced stable occupancy of its industrial leasehold facilities. Lease occupancy was 99 percent in 2014. Although market rates have been decreasing, lease revenue was \$8.006 million, a slight decrease of less than a quarter of a percent from 2013.
- Total 2014 operating revenues increased by \$7.670 million (25.67 percent) over 2013 operating revenues.

Expenses:

- 2014 total operating expenses, before depreciation, increased by \$5.877 million (27.83 percent) over 2013 expenses. Operating income, after depreciation, was \$1.305 million at December 31, 2014 as compared to \$119,846 at 2013 year end.

Non-Operating:

- 2014 total nonoperating revenue (expenses) decreased by \$3.641 million from 2013, primarily due the decreased federal and state grant revenue, the surplus of capital assets, and an adjustment to estimated environmental remediation activity costs.
- The port continues to be successful in applying for several grants. Grant revenue decreased by \$5.388 million from 2013 to \$7.705 million in 2014.



CHANGE IN NET POSITION

This table summarizes the operations for fiscal years ending December 31.

	<u>2014</u>	<u>2013</u>
REVENUES		
Operating Revenues:		
Marine terminal operations	\$26,491,793	\$18,016,133
Property lease/rental operations	8,006,432	8,019,769
Facilities sales and service	2,433,355	3,458,075
Security sales and service	553,142	307,510
General and administrative	62,355	75,374
Nonoperating Revenues:		
Ad valorem tax revenues	\$9,987,366	\$10,014,288
Interest income	206,081	229,545
Federal and State Grants	7,704,960	13,093,003
Environmental remediation	2,404,145	706,870
Other non-operating revenues	336,617	375,658
Total Revenues	<u>\$58,186,246</u>	<u>\$54,296,225</u>
EXPENSES		
Operating Expenses:		
Marine terminal operations	\$12,459,459	\$7,201,200
Facilities	5,563,801	5,516,404
Security	1,786,104	1,585,155
General and administrative	7,188,417	6,817,606
Depreciation	9,244,612	8,636,650
Nonoperating Expenses:		
Interest expense	2,259,773	2,352,292
Other non-operating expense	63,257	110,384
Total Expenses	<u>\$38,565,423</u>	<u>\$32,219,690</u>
Change in net assets	19,620,823	22,076,535
Total net assets - beginning	274,965,675	253,192,319
Change in accounting principle	-	(571,005)
Capital contribution	208,651	267,826
Total net position - ending	<u><u>\$294,795,149</u></u>	<u><u>\$274,965,675</u></u>



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The port's investment in total capital assets as of December 31, 2014 totaled \$351.098 million (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 the current year was \$20.028 million or 6.05 percent.

Major capital asset events during 2014 included the following:

Components of the multi-year West Vancouver Freight Access project continue through engineering and construction. The port completed the Gateway Avenue Grade Separation (\$15.448 million), the security building (\$1 million), the Centennial Industrial Park (\$6.530 million), the Terminal 5 track expansion (\$8.974 million), and a Rail Tamper (\$1 million).

Additional information on the port's capital assets activity may be found in Note 4 in the notes to the financial statements.

Long-Term Debt

At December 31, 2014, long-term debt outstanding totaled \$94.898 million. Of this amount, \$51.583 million comprises general obligation debt, \$25 million represents special revenue bonds secured by a letter of credit, and \$3.4 million represents the amount outstanding on the port's line of credit.

Additional information on the port's long-term debt can be found in Note 9 in the notes to the financial statements.

2015 BUDGET

The port's 2015 operating revenues are forecast at \$56.813 million, which is an increase over the \$37.548 million 2014 actual operating revenues. This increase is attributed to retaining strong imports of heavy lift cargos, continued industrial development, customers interested in connecting the Midcontinent to international and domestic markets, and bulk exports. 2015 operating expenses are forecast at \$45.453 million, an increase over the actual 2014 operating expenses of \$26.998 million.

The \$45.245 million 2015 capital budget represents various facility and terminal improvements. However, the continued engineering and construction of the West Vancouver Freight Access project remains a priority to improve the passenger and freight network operating on the Pacific Northwest Rail Corridor.

REQUESTS FOR INFORMATION

This financial report is designed and intended to provide a general overview of the Port of Vancouver's financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Port of Vancouver, Auditor, 3103 NW Lower River Road, Vancouver, WA 98660 or info@portvanusa.com.



Port of Vancouver USA

3103 NW Lower River Road • Vancouver, Wa 98660 • portvanusa.com