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**Port of Port Townsend  
1<sup>st</sup> Monthly Regular Meeting Agenda  
Wednesday, September 14, 2016, 1:00 PM  
Port Commission Building  
333 Benedict Street, Port Townsend, WA**

- I. Call to Order / Pledge of Allegiance
- II. Approval of Agenda
- III. Consent Agenda
  - A. Approval of Public Workshop Minutes – August 24, 2016.....1-2
  - Approval of Meeting Minutes –August 24, 2016.....3-5
  - B. Resolution No. 650-16 – Authorizing Sale of Abandoned Vessel.....6
  - C. Operations Reports – August 2016.....7-9
  - D. Approval of Warrants
- IV. Public Comments (not related to Agenda)
- V. Second Reading
- VI. First Reading
  - A. Proposed Moorage Rate.....10-11
- VII. Potential Immediate Action Items
- VIII. Other Business
  - A. Presentation of 2015 Annual Report.....12-48
- IX. Staff Comments
- X. Public Comments
- XI. Commissioner Comments
- XII. **Next Public Workshop / Special Meeting:**  
*Tuesday, September 27, 2016: Workshop at 3:00 pm, Meeting at 5:30 pm, Port Commission Building, 333 Benedict Street, Port Townsend, WA*
- XIII. Executive Session (if called)
- XIV. Adjournment

**PORT COMMISSION PUBLIC WORKSHOP – August 24, 2016**

The Port of Port Townsend Commission met for the Public Workshop session in the Timberhouse Restaurant meeting room, 295534 US Highway 101, Quilcene, WA.

Present: Commissioners Tucker, Clinefelter and Hanke  
Executive Director – Gibboney  
Auditor – Berg  
Minutes – Nelson

Excused: Director of Planning, Properties & Environmental - Toews

I. CALL TO ORDER:

The Workshop was called to order at 3:03 p.m.

II. AGENDA:

Refer to attached workshop agenda for items discussed.

IV. ADJOURNMENT:

The Workshop adjourned at 4:51 p.m.

ATTEST:

\_\_\_\_\_  
Peter W. Hanke, President

\_\_\_\_\_  
Brad A. Clinefelter, Secretary

\_\_\_\_\_  
Stephen R. Tucker, Vice President

**Port of Port Townsend  
Public Workshop  
Wednesday, August 24, 2016, 3:00 p.m.  
Timberhouse Restaurant Meeting Room  
295534 US Highway 101  
Quilcene, WA**

**AGENDA**

1. Budget Assumptions, Goals and Objectives
2. Quilcene - Port Properties & Operations

Note: This is a Public Port Commission Workshop. Workshops are for information sharing only and no decisions will be made during the session. Public input may be taken at the Commissions' discretion.

**PORT COMMISSION SPECIAL MEETING AND PUBLIC HEARING – August 24, 2016**

The Port of Port Townsend Commission met in special session at the Timberhouse Restaurant, meeting room, 295534 US Highway 101, Quilcene, WA.

Present: Commissioners – Tucker, Clinefelter and Hanke  
Executive Director – Gibboney  
Auditor – Berg  
Director of Planning, Properties & Environmental – Toews  
Attorney – O’Malley  
Minutes – Nelson

**I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:**

Commissioner Hanke called the meeting to order at 5:32 p.m.

**II. APPROVAL OF AGENDA:**

**Commissioner Tucker moved to approve the Agenda as presented.**

**Commissioner Clinefelter seconded the motion.**

**Motion carried by unanimous vote.**

**III. CONSENT AGENDA:**

A. Approval of Public Workshop Minutes – August 10, 2016

Approval of Meeting Minutes – August 10, 2016

B. Write-off Register

C. Approval of Warrants

Warrant #056519 through #056528 in the amount of \$13,257.77 for Payroll & Benefits

Electronic Payment in the amount of \$59,706.06 for Payroll & Benefits

Warrant #056529 through #056572 in the amount of \$57,356.41 for Accounts Payable

Electronic Debit in the amount of \$11,748.86 for WA State Dept. of Revenue Combined

Excise Tax Return for July 2016

**Commissioner Tucker moved to approve the Consent Agenda as presented.**

**Commissioner Clinefelter seconded the motion.**

**Motion carried by unanimous vote.**

**IV. PUBLIC COMMENTS (Not related to agenda):**

Bertram Levy commented on boat ramp usage and increase in water usage.

**V. PUBLIC HEARING: PORT POLICIES & PROCEDURES TO IMPLEMENT THE STATE ENVIRONMENTAL POLICY ACT (SEPA), CHAPTER 43.21C RCW:**

(At 5:35 p.m. the meeting recessed to the Public Hearing.)

Commissioner Hanke read the rules of the Hearing and introduced Mr. Toews, who explained the SEPA Resolution reasoning and process.

**PUBLIC COMMENT:** Former Port Commissioner Herb Beck discussed the original heavy haulout project.

With no further comments to come before the commission, the Public Hearing closed at 5:44 p.m.

**VI. SECOND READING (Action Items):**

A. Public Hearing Deliberations & Potential Adoption – Resolution No. 649-16,

Establishing Port SEPA Policies, Procedures & Implementing Rules:

**Commissioner Tucker moved to adopt Resolution No. 649-16 as presented.**

**Commissioner Clinefelter seconded the motion.**

**Motion carried by unanimous vote.**

B. Acceptance of the Port Townsend Boat Haven Ramp Expansion Work (12:35):

Ms. Gibboney informed that the commission is in receipt of the report on the Boat Ramp acceptance. She reported that Mr. Toews confirmed with the engineer of record that the submitted and recorded drawings are accurate. Since the engineer of record has signed off on the project and the in-house inspection was approved as well, Ms. Gibboney recommends the commission accept the Boat Ramp Expansion project as completed.

Commissioner Tucker raised his concerns and much discussion ensued.

**Commissioner Clinefelter moved to approve and accept the completion of the Boat Ramp Expansion project.**

**Commissioner Hanke seconded the motion.**

**Motion carried by two votes and one opposed vote from Commissioner Tucker.**

VII. FIRST READING (Discussion Only):

VIII. POTENTIAL IMMEDIATE ACTION ITEMS):

IX. OTHER BUSINESS:

X. STAFF COMMENTS (38:02):

Ms. Gibboney reported on her meeting with Derek Kilmer and informed he would provide her with some good contacts with the Coast Guard, Army Corp, NOAA, etc. From that meeting she also learned of a National Parks program that provides trail planning, which she will investigate. They also discussed economic development planning and Rep. Kilmer offered his office to help convene meetings for the Port. Ms. Gibboney stated she continues meeting with stakeholders and tenants and has received great feedback and recommendations for the budget.

Ms. Gibboney reported on meetings she had with the Ports of Skagit, Kingston and Edmonds where she was able to observe their operations, reporting mechanisms and cash flow projections.

She reported on the recent Open House Capital Projects Tour.

Ms. Gibboney also discussed the Wooden Boat Festival; a boathouse and boat the Port recently took possession of; work with Mott McDonald on the Boat Haven emergency repairs needed on the breakwater; and, future talks with DNR on a boat deconstruction pad.

Mr. Toews provided an update and briefed on a timeline for the Quilcene Wastewater Feasibility Study.

He briefed the commission on the events that led to the Port possessing the derelict/abandoned boathouse, and provided an update. He stated a Notice of Intent to Obtain Custody was sent to The Leader for publication.

Mr. Toews then updated the commissioners on the vessel, John Cobb.

Ms. Nelson reported she is working on scheduling and booth arrangements for the Wooden Boat Festival, the Pacific Marine Expo and the January 2017 Seattle Boat Show.

Ms. Berg reported on the Annual Report progress, which she will submit within the next few days to Moody's and the State Auditor's Office.

She reported on a recent meeting she and Ms. Gibboney attended with members of the "Friends of the Port" who suggested a "one page wonder" on financial standings. Ms. Berg incorporated those suggestions into a report she had already developed and presented that to the commission. She explained the Port is looking good on the year-to-date, and it is in alignment with the budget. At the next meeting, she will have a more accurate year-to-date report, which will include July financials.

XI. PUBLIC COMMENTS (1:11:26):

Herb Beck commented on the Quilcene Marina and its current reservation system. He stated he is pleased with the grounds upkeep in the yard. He also would like to see some advertising done on the Quilcene properties. He had a question on the Coast Seafoods lease. Last, he asked if the Port is charging for commercial use of the boat ramps.

Bill Putney reported he attended the recent AOPA Fly-in at the Bremerton National Airport and suggested Mr. Gibboney meet with the WA State Dept. of Transportation Senior Aviation Planner, who said he has not met the Port's new director as of yet.

XII. COMMISSIONER COMMENTS (1:22:42):

Commissioner Clinefelter asked if pile mitigation costs at the Quincy Street Dock are figured in to the total boat ramp cost. He also discussed the loss of revenue from having to eliminate one slip because of the ramp expansion.

Commissioner Tucker disputed Commissioner Clinefelter's opinion of the loss of the boat slip revenue due to the ramp expansion. He said that slip was located there to help in the ramp construction process and was meant intended to be there only temporarily.

Commissioner Tucker stated he attended the County's community picnic on Emergency Planning at HJ Carroll Park. While there, he met a person involved with a group that helps communities obtain hygiene stations and they may be willing to work with the Port.

Commissioner Hanke asked if a fix to the end of the boat ramp drop could happen before the Wooden Boat Festival. Mr. Toews answered that tides are not low enough before then to allow for that work.

XIII. NEXT PUBLIC WORKSHOP / REGULAR MEETING:

Wednesday, September 14, 2016: Workshop at 9:30 a.m., Meeting at 1:00 p.m.  
in the Port Commission Building, 333 Benedict St, Port Townsend.

Attorney O'Malley announced a twenty-minute duration for the executive session, with no action.

XIV. EXECUTIVE SESSION:

The regular session recessed into Executive Session at 7:04 p.m. to discuss two litigation matters, pursuant to RCW 42.30.110 (i), duration of twenty minutes with no action.

XV. RECONVENING AND ADJOURNMENT OF REGULAR MEETING:

The meeting reconvened and adjourned at 7:25 p.m. there being no further business to come before the Commission.

ATTEST:

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Peter W. Hanke, President

\_\_\_\_\_  
Brad A. Clinefelter, Secretary

\_\_\_\_\_  
Stephen R. Tucker, Vice President

RESOLUTION NO. 650-16

A Resolution of the Commission of the Port of Port Townsend

RESOLUTION AUTHORIZING THE SALE OF ABANDONED VESSELS

WHEREAS: The Port of Port Townsend has in its possession Vessel(s) described as follows:

<u>VESSEL</u>	<u>OWNER</u>	<u>ACCOUNT #</u>
26 ft. Power Vessel MAPLE LEAF	Jeffery Benedict	#7

WHEREAS: proper notices have been sent to the person believed to be the true owner, or to anyone who might claim an ownership interest in the boat and no person or persons or entity has responded claiming ownership and/or willingness to pay the charges owing for storage, and ninety (90) days have elapsed since the sending of such notices,

NOW, THEREFORE BE IT RESOLVED:

1. That the above designated vessel is declared to be abandoned; and
2. The Port Director is directed to sell the said boats at public sale to the highest and best bidder for cash pursuant to the procedures set forth in RCW 53.08.320 (5); and
3. That the date of public auction to be set and proper notifications made.
4. Auction to be held at the Port of Port Townsend Work Yard located at 2790 Washington Street, Port Townsend, Washington.

ADOPTED this 14<sup>th</sup> day of September 2016 by the Commission of the Port of Port Townsend and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the Seal of the Commission duly affixed.

ATTEST:

\_\_\_\_\_  
Brad A. Clinefelter, Secretary

\_\_\_\_\_  
Peter W. Hanke, President

\_\_\_\_\_  
Stephen R. Tucker, Vice President

APPROVED AS TO FORM:

\_\_\_\_\_  
Port Attorney

# BOATHAVEN OPERATIONS REPORT/MOORAGE

MONTH: AUGUST 2016

DATE: 7/8/2016

MONTHLY PERMS: 23

MONTHLY GUESTS: 378

# OF SLIPS BY SIZE	OCCUPIED	empty	% occ.
25' <span style="float: right;">34</span>	32	2	94%
27' <span style="float: right;">11</span>	10	1	91%
30' <span style="float: right;">105</span>	102	3	97%
35' <span style="float: right;">24</span>	24	0	100%
40' <span style="float: right;">44</span>	43	1	98%
45' <span style="float: right;">41</span>	40	1	98%
50' <span style="float: right;">32</span>	31	1	97%
OVER 52' <span style="float: right;">7</span>	7	0	100%
TOTAL: <span style="float: right;">298</span>	290	9	AVG: 97%

LINEAR SPACE/FT	OCCUPIED	% OCCUPIED
LIMITED ACC. <span style="float: right;">1455</span>	1455	100%
TOTAL: <span style="float: right;">3806</span>	3806	AVG: 100%

	CURR	PREV MO	YTD
NIGHTLY GUESTS:	623	759	3215
CREDIT SYSTEM:	48	48	270
TEMP TIE UP:	50	56	159
FREE NIGHTS:	0	0	0
PTYC:	43	45	171
RAMP/DAILY:	213	236	973
RAMP/ANNUAL:	17	76	392
RAMP NOT PAID:	5	15	58

WAIT LISTS	
25' PLEA:	22
27' PLEA:	0
30' PLEA:	61
35' PLEA:	35
40' PLEA:	45
45' PLEA:	22
50' PLEA:	24
OVER 52':	9
OVERWID	0
30' COMM.	0
40' COMM.	0
50' COMM:	0

TOTAL OCCUPANCY %: 98%



# Port of Port Townsend

## POINT HUDSON MARINA & RV PARK

### MONTHLY OCCUPANCY REPORT

2016

### & 5 YEAR COMPARISON

MARINA NIGHTLY GUEST NIGHTS											
	2012		2013		2014		2015		2016		
	MNTH.	CUM.	MNTH.	CUM.	MNTH.	CUM.	MNTH.	CUM.	MNTH.	CUM.	
JAN	28	28	58	58	53	53	83	83	70	70	JAN
FEB	96	124	80	138	57	110	104	187	92	162	FEB
MAR	73	197	95	233	77	187	101	288	56	218	MAR
APRIL	240	437	159	392	209	396	163	451	235	453	APRIL
MAY	541	978	605	997	585	981	619	1070	594	1047	MAY
JUNE	749	1727	606	1603	520	1501	537	1607	706	1753	JUNE
JULY	1035	2762	1089	2692	993	2494	1018	2625	1015	2768	JULY
AUG	1178	3940	1188	3880	996	3490	1033	3658	1026	3794	AUG
SEPT	831	4771	899	4779	778	4268	958	4616	0		SEPT
OCT	175	4946	214	4993	120	4388	221	4837	0		OCT
NOV	86	5032	138	5131	114	4502	73	4910	0		NOV
DEC	65	5097	64	5195	52	4554	60	4970	0		DEC

RV NIGHTLY GUEST NIGHTS											
	2012		2013		2014		2015		2016		
	MNTH.	CUM.	MNTH.	CUM.	MNTH.	CUM.	MNTH.	CUM.	MNTH.	CUM.	
JAN	176	176	180	180	285	285	304	304	286	286	JAN
FEB	221	397	261	441	150	435	291	595	281	567	FEB
MAR	229	626	359	800	249	684	244	839	392	959	MAR
APRIL	445	1071	209	1009	546	1230	652	1491	634	1593	APRIL
MAY	638	1709	637	1646	706	1936	955	2446	806	2399	MAY
JUNE	645	2354	910	2556	1015	2951	1036	3482	963	3362	JUNE
JULY	1247	3601	1275	3831	1169	4120	1202	4684	1256	4618	JULY
AUG	1300	4901	1293	5124	1228	5348	1287	5971	1276	5894	AUG
SEPT	1076	5977	1079	6203	1120	6468	1072	7043	0		SEPT
OCT	580	6557	694	6897	796	7264	771	7814	0		OCT
NOV	290	6847	352	7249	432	7696	403	8217	0		NOV
DEC	246	7093	165	7414	269	7965	269	8486	0		DEC

PERMANENT & SEASONAL TENANT SUMMARY				
	AVAIL/GOAL	OCCUPIED		%
LTD ACCESS MOORAGE	40 SLIPS	39	39	98%
COMMERCIAL MOORAGE	850 FEET	817	817	96%
SEASONAL MOORAGE	32 SLIPS	0	0	0%
SEASONAL RV'S	10 SITES	0	0	0%
UNDESIRABLE	3 SLIPS	6	6	200%



## PORT OF PORT TOWNSEND

**MEETING OF:** September 14, 2016

**AGENDA ITEM:** VI. First Reading  
A. Proposed Moorage Rate

Background:

The Commission requested that staff prepare an analysis of a potential 2% increase to moorage rates that would be instituted in 2016. The Commission also requested that staff identify where the additional revenue might be put to use for the benefit of moorage tenants.

Analysis:

Attached is a spreadsheet that depicts the anticipated increase in revenue from an increase in moorage rates of 2% for the remainder of 2016 (rate increase effective as of Oct. 1, 2016.) The projected increase in revenue is \$9,442.

Also depicted is the projected moorage revenues for 2017 with the application of an additional increase based upon the Consumer Price Index. This CPI based increase is routinely applied annually. The current CPI for the first half of 2016 is 2.2%, however for simplicity we projected at 2%. The projected revenue increase for 2017 based upon this scenario is \$66,097.

Projected revenue increases for both time periods are based upon historical occupancy rates.

We are currently assessing an emergency repair of the Boat Haven breakwater. The estimated costs at this point are:

- Engineering assessment, design and bid preparation \$15,000
- Construction cost of emergency repair \$75,000

It is important to note that the construction estimate is preliminary and will likely vary.

These costs could be paid for using the Boat Haven reserve. Alternatively, a portion of these costs, though likely not all, could be paid for with operating revenue directly from the proposed increase.

**Executive Director's Recommendation:**

We propose that the 2016 Moorage rates be increased by 2% as presented.

**ESTIMATED INCREASED REVENUE FOR 2016 - QTR 4 RATE INCREASE & 2017 PROJECTIONS  
EFFECTIVE OCTOBER 1, 2016**

Details: This does not contain all the revenues of the budget, but represent the revenue line items that would make the most significant impact and are the easiest to implement (i.e. leases are not). Quilcene is the exception, however, since the rates at Quilcene haven't been increased since January 2015. The end of year increase for 2016 would be 3 months of rate increases. Projections for 2017 would only be with a 2% CPI.

Revenue	2016 budget	2% rate increase	revised budgeted amt	2017 projection - 2% CPI
PTBH - Perm Moorage	1,032,000	5,160	1,037,160	1,073,280
PTBH - Monthly Guest	159,500	798	160,298	165,880
PTBH - Nightly Guest	231,600	1,158	232,758	240,864
PH Perm Moorage	124,277	621	124,898	129,248
PH Monthly Guest	70,000	350	70,350	72,800
PH Nightly Guest	235,350	1,177	236,527	244,764
Quilcene - Perm Moorage	33,150	166	33,316	34,476
Quilcene - Nightly Moorage	2,600	13	2,613	2,704
total revenue	1,888,477	9,442	1,897,919	1,964,016
Annual increases			9,442	66,097

\* The RV rate increased significantly for 2016 so that revenue line item wasn't included since comparative to other RV parks and accompanying amenities, the Port is already at a relatively high rate.

## PORT OF PORT TOWNSEND

**MEETING OF:** September 14, 2016

**AGENDA ITEM:** VIII. Other Business  
A. Presentation of 2015 Annual Report

### **BACKGROUND:**

The Port's Annual Report for 2015 was completed and successfully submitted to the State Auditor's Office on August 30, 2016. An annual report is required to be completed each year and due to the Port's size (revenues), the State Auditor's Office audits their financial statements every two years. As such, the 2015 Annual Report has not been audited, however, an audit will be scheduled this fall or winter at which time the 2014 report will also be audited.

The Annual Report is a comprehensive view of the financial status of the Port at year end. Here are the highlights of this report:

- Revenues – compared to 2014, total revenues were higher by \$184,877, though lower than budgeted by \$99,254. This was primarily due to the timing of the Boat Ramp Expansion project which started later than budgeted for 2015.
- Expenses – compared to 2014, total expenses were lower by \$173,564, and lower than budget by \$296,947. This was primarily due to operating expenses being lower than budgeted, specifically in Legal/Audit, Utilities, Claims/Damages, Repair & Maintenance and Bad Debt.
- Assets – compared to 2014, total assets decreased by \$1,185,016. Current assets increased by just over \$45,000, capital assets decreased by \$755,099 and restricted assets, which are also non-current assets, decreased by \$475,155. The restricted assets were a bond required fund for the 2005 Revenue Bond that was redeemed as part of the 2015 LTGO Bond refunding.
- Liabilities – compared to 2014, total liabilities decreased by \$97,958. Current liabilities decreased by \$398,720 which was primarily due to decreases in the current portion of long term debt. Non-current liabilities increased by \$300,762. This is the net result of reduced bond, contractual and employee leave benefit debt of \$1,094,914 accompanied by an increase of \$1,395,676 for the Port's Net Pension Liability. The Net Pension Liability is a new line item on the Port's Statement of Net Position as the result of the implementation of GASB 68 – Accounting and Financial Reporting for Pensions.
- Net Position – compared to 2014, the Port's net position decreased by \$1,048,626. This is primarily due to the implementation of the GASB 68 which

required the Port to recognize their long term liability of employee pensions. This change in accounting principle reduced net position by \$1,418,281.

**Executive Director's Recommendation:**

This is informational only, no Commission action is required.



## **2015 Annual Report**

(unaudited)

**Administration Office:  
2701 Jefferson Street Port Townsend, WA 98368  
Phone: 360-385-0656**

[www.portofpt.com](http://www.portofpt.com)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended December 31, 2015

## INTRODUCTION:

The management's discussion and analysis (MD&A) of the Port of Port Townsend (the Port) financial performance provides an overview of the Port's financial activities for the fiscal year ended December 31, 2015. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Port and to identify any significant changes in financial position. Information contained in this MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and the notes to the financial statements.

The notes are essential to a full understanding of the data contained in the financial statements. This report also presents certain required supplementary information regarding capital assets and long-term debt activity during the year, including commitments made for capital expenditures.

The Port of Port Townsend was created in 1924 by a vote of the citizens of the Port District encompassed by Jefferson County. The Port shares the same geographical boundaries as Jefferson County, Washington. The county levies and collects taxes on behalf of the Port. The Port's primary mission is economic development for the citizens of the district and operates under RCW 53.

## FINANCIAL HIGHLIGHTS

- ◆ In 2015, the Port's overall Operating Revenues were \$5,123,589, which was an increase of \$195,628 from 2014, though less than budgeted by \$48,011. The increase in revenue comes primarily from the Point Hudson, Boat Haven Moorage and Properties, where the level of activity has continued to show a slight increase from the economic down-turn as well as additional leasehold tenants being secured.
- ◆ The Port's overall Operating Expenses decreased in 2015, to \$5,628,636, which was \$132,004 less than 2014 Operating Expenses, and \$275,676 less than budget.
- ◆ In 2015 the Port received \$226,355 in total Grant Funds from the Federal Aviation Administration, and the Washington State Department of Recreation and Conservation Office. These grants are considered to be operating grants and are included in the Statement of Revenues, Expenses, and Changes in Fund Net Position, as Non-Operating Revenues, Capital Contributions.
- ◆ The Port's 2015 net non-operating income over non-operating expense ended at \$874,702 (including Capital Contributions), which is \$29,972 less than budget. This is primarily due to project timing in 2015.



- ◆ The Port's total assets exceeded its total liabilities by \$17,142,815 (Net Position) as of December 31, 2015.
- ◆ Long-term debt (net of current portion) totaled \$9,866,117 as of December 31, 2015. The current portion of long-term debt totaled \$653,907. The Port's Total Non-Current Liabilities totaled \$11,261,793 as the result of the GASB 68 implementation where recognition of the Port's Net Pension Liability of \$1,395,676 was required.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The basic financial statements include: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position, and the Statement of Cash Flows.

Analysis of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position illustrate whether the Port's financial position has improved as a result of the year's activities. The Statement of Net Position presents information on all of the Port's assets and liabilities, with the difference between the two reported as net position. Over time the increases and 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 reflect how the operating and non-operating activities of the Port affected changes in the net position of the Port. These activities are recorded under the accrual basis of accounting reflecting the timing of the underlying event regardless of the timing of related cash flows.

The Port maintains separate funds of cash, as required by certain resolutions or bond covenants. The "one proprietary fund" model is used in this report in compliance with the rules of GASB Statement No. 34, which provide that separately issued debt and separately classified assets are needed in order for a separate fund to exist. None of the Port's separate cash funds meet this definition. Therefore, for purposes of this report all of the Port's transactions are reported in a single fund.

PORT OF PORT TOWNSEND CONDENSED STATEMENT OF NET POSITION

	<u>2015</u>	<u>2014</u>
Current Assets	\$2,608,787	\$2,563,549
Restricted Assets	0	475,155
Capital Assets	27,100,232	28,330,486
<b>Total Assets</b>	<b>29,709,019</b>	<b>30,894,035</b>
<b>Deferred Outflows</b>	<b>291,548</b>	<b>37,910</b>
Current Liabilities	1,380,754	1,779,474
Noncurrent Liabilities	11,261,793	10,961,031
<b>Total Liabilities</b>	<b>12,642,547</b>	<b>12,740,505</b>
<b>Deferred Inflows</b>	<b>215,205</b>	<b>0</b>
Net Investment in Capital Assets	16,798,650	16,069,591
Restricted by Bond Covenants	0	475,155
Unrestricted	344,165	1,646,695
<b>Total Net Position</b>	<b>17,142,815</b>	<b>18,191,441</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$30,000,567</b>	<b>\$30,931,946</b>

This discussion of the Port's financial statements includes an analysis of major changes in the assets and liabilities for 2015, as well as reviewing changes in revenues and expenses reflected in the financial statements. The Port's Net Position increased by \$369,655 from Operating and Non-Operating activities, in 2015. This increase was offset by the implementation of GASB 68 with a change in accounting principle reducing Net Position by \$1,418,281. These two changes in Net Position resulted in the Net Position at year-end of \$17,142,815. Of this amount, \$16,798,650 reflects the Port's investment in capital assets, net of related debt. This equals 98% of the Port's total Net Position.

The Port had Capital Assets of \$27,100,232, net of accumulated depreciation, as of December 31, 2015. In 2015, capital assets' net book value decreased by \$755,100.

In 2015, the Port's total current liabilities decreased by \$398,720. Current liabilities include payments for expenses already incurred, customer deposits, accrued interest on the Port's bonds, bond principal payment amounts due in 2016, and known employee termination payouts due in 2016.

In 2015, the Port's non-current liabilities increased by \$300,762. The Port made principal payments of \$584,000 on its outstanding bonds and made a bond payoff of \$890,000 as required by the terms of the 2015 LTGO Refunding Bond. General Obligation bonds outstanding at December 31, 2015 were \$8,876,782, a decrease of \$526,938 from the prior year. Revenue bonds outstanding at December 31, 2015 were \$807,000. This is a decrease of \$459,874 from the prior year. Despite these bond payments, the total non-current liabilities increased slightly

due to the implementation of GASB 68 which required the Port to recognize \$1,395,676 in Net Pension Liabilities.

**PORT OF PORT TOWNSEND CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Operating Revenues		
Airport	\$ 130,727	\$ 130,899
Marina & Work/Ship Yard	4,083,809	3,827,045
Property Lease & Rental	909,053	970,018
Total Operating Revenues	<u>\$ 5,123,589</u>	<u>\$ 4,927,962</u>
Non-Operating Revenues		
Investment Income	\$ 3,327	\$ 11,357
Property Tax Levied	922,286	900,279
Grants	-	277,220
Other Taxes	103,610	84,692
Other Non-Operating Revenue	89,579	82,359
Contributed Capital	226,355	-
Total Non-Op Revenues	<u>\$ 1,345,157</u>	<u>\$ 1,355,907</u>
Total Revenues	<u>\$ 6,468,746</u>	<u>\$ 6,283,869</u>
<b>Expenses</b>		
Operating Expenses		
General operations	\$ 2,871,845	\$ 2,913,655
Maintenance	192,564	195,847
Administration & General	1,041,216	1,163,906
Depreciation	1,523,011	1,487,232
Total Operating Expenses	<u>\$ 5,628,636</u>	<u>\$ 5,760,640</u>
Non-Operating Expenses		
Interest Charges	\$ 398,506	\$ 510,297
Election Expense	6,398	-
Other Non-Operating Expenses	65,551	1,718
Total Non-Operating Expenses	<u>\$ 470,455</u>	<u>\$ 512,015</u>
Total Expenses	<u>\$ 6,099,091</u>	<u>\$ 6,272,655</u>
Change in Net Assets	369,655	11,214
Net Position - Beginning	18,191,441	18,180,227
Change in Accounting Principal	<u>(1,418,281)</u>	
Net Position - Ending	<u>\$ 17,142,815</u>	<u>\$ 18,191,441</u>

While the Statement of Net Position shows the change in net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. The Port's total Operating Revenues for 2015 increased by \$195,627 or 4% over 2014, primarily from increased activity in Yard and Marina operations.

Total Operating Expenses decreased by \$132,004 or 2.3% in 2015, primarily from decreases in legal, utilities, claims and damages and bad debt costs.

The Port's total Non-operating results for 2015, increased by \$10,750, a nominal variance.

All of the functions of the Port are considered in the numbers shown on the previous page, including the cost of general government of the Port District. Since the Port is a Special Purpose government, all of its assets and liabilities are shown as a Proprietary Fund. The Port incurs a substantial amount of governmental activity expense, such as Port management and administration, public facility maintenance, and public meeting expenses. All of these expenses of the Port are reported in the Proprietary Fund. The "one fund" model is used in compliance with the rules of GASB 34 which state that separately issued debt and separately issued classified assets are needed in order for a separate fund to exist. Most of these governmental costs are contained in the General and Administrative cost centers shown on the Port's financial reports.

### PROGRAM IMPACTS

There are several major program impacts facing the Port that could result in material changes in its financial position in the long term. Among those issues are:

- ◆ In 2010, the Port Commission completed and adopted a Strategic Plan Document to help set Port-wide priorities and gain community support while dealing with the current long list of envisioned capital projects currently facing the Port. This will require considerable more funds than the Port projects will be available. The plan incorporates the philosophy of the triple bottom line which summarizes that all program and project considerations must be environmentally, socially, and economically sound.
- ◆ Ongoing repair and maintenance costs have continued to escalate on the aging Port Townsend Boat Haven (PTBH) Marina. In the fall of 2010, the A & B Dock portions of the marina were replaced, using Bond funds as described in the Financial Highlights sections of this MD&A. However, the remaining portions of the marina, including the Commercial Dock and the C & D Docks, are currently not envisioned for complete replacement, for at least another ten years. To help extend the life of the remaining docks, renovation work was performed for the Commercial Basin in 2013. Additionally, the 75-ton travel lift pier was replaced, also with financing from the 2010 Bond proceeds, in 2012. These projects will produce very little, if any new revenues, to service the debt; therefore, the operating rates charged for these services will need to be increased more dramatically in coming years, than they have been in recent years, in order to keep up with the increasing operating costs.
- ◆ The Port of Port Townsend owns and operates a work yard, where vessel owners and marine trade vendors may work on vessels. In 2006, the State of Washington issued a new boatyard permit, which requires boatyards to meet very strict storm water discharge benchmarks. The Department of Ecology (DOE) continues to review and revise the permit, with the intent of further reducing discharge limits. The Port was not able to consistently meet the benchmarks, so in 2010 the Port used a Washington State Department of Ecology Grant, to install a state-of-the-art storm water treatment system, in an attempt to meet the new benchmarks. This new system became operational in late 2010, however even with this improvement and other continued improvements, the DOE issued an Administrative Order for Modification of Permit Coverage, Level 3 on June 17, 2016. In accordance with this

Administrative Order, the Port is required to provide DOE with an engineering report to remedy the storm water non-compliance by December 31, 2016 and by September 30, 2017 have implemented that plan.

- ◆ The Port is in the planning and permitting stage of replacement of the Point Hudson Jetty. This project is anticipated to cost approximately \$5.5 million for both north and south walls, though the south is anticipated to be the first for approximately \$3.2 million. The Port has received a federal grant award of approximately \$1.1 million to cover a portion of the cost. Additional funding for the north wall, estimated to cost approximately \$2.3 million, is being sought.

#### CONTACTING THE PORT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Port's finances and to show the Port's accountability for the money it receives. If you have questions about this report, or if you need additional financial information, please contact Director of Finance and Administration, at the Port of Port Townsend, 2701 Jefferson Street, P. O. Box 1180, Port Townsend, WA 98368, or by telephone at 360-385-0656.

**PORT OF PORT TOWNSEND**  
**Statement of Net Position**  
**December 31, 2015**

**CURRENT ASSETS:**

Cash and Cash Equivalents	\$	770,857
Investments		1,322,064
Accounts Receivable		147,970
Property Taxes Receivable		20,856
Interest Receivable		269
Due from Other Governments		209,239
Inventories		2,982
Prepaid Expenses		134,549
<b>Total Current Assets</b>	<b>\$</b>	<b>2,608,787</b>

**NONCURRENT ASSETS:**

Restricted Assets	-
<b>Total Restricted Cash &amp; Investments</b>	<b>\$ -</b>

## Capital Assets Not Being Depreciated

Land	2,505,970
Construction in Progress	955,299

## Capital Assets Being Depreciated

Buildings	7,815,475
Other Improvements	35,026,181
Equipment	3,696,373
Less: Accumulated Depreciation	(22,899,066)

**Total Noncurrent Assets** \$ 27,100,232

**TOTAL ASSETS** \$ 29,709,019

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred amount - Bond Refunding	86,107
Deferred amount - Pension	205,441
<b>Total Deferred Outflows of Resources</b>	<b>\$ <u><u>291,548</u></u></b>

*The notes to financial statements are an integral part of this statement.*

**PORT OF PORT TOWNSEND**  
**Statement of Net Position**  
**December 31, 2015**

<b>CURRENT LIABILITIES:</b>	
Accounts Payable	\$ 401,174
Contracts Payable	13,556
Bond Interest Payable	101,848
Customer Deposits	155,794
Unearned Revenue	4,310
Current Portion - Employee Leave Benefits	50,164
Current Portion of Long-Term Debt	653,907
<b>Total Current Liabilities</b>	<u>\$ 1,380,754</u>
<b>NONCURRENT LIABILITIES:</b>	
G.O. Bonds, net of Current Portion	8,876,782
Revenue Bonds, net of Current Portion	807,000
Contracts Payable, net of Current Portion	50,000
Employee Leave Benefits	132,335
Net Pension Liability	1,395,676
<b>Total Noncurrent Liabilities</b>	<u>\$ 11,261,793</u>
<b>Total Liabilities</b>	<b>\$ 12,642,547</b>
<b>Deferred Inflows - Pension</b>	<b>215,205</b>
<b>NET POSITION:</b>	
Net investment in capital assets	16,798,650
Unrestricted Net Assets	<u>344,165</u>
<b>TOTAL NET POSITION</b>	<u><u>17,142,815</u></u>

*The notes to financial statements are an integral part of this statement.*

**PORT OF PORT TOWNSEND**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Years Ended December 31, 2015**

<b>Operating Revenues:</b>	
Airport Operations	\$ 130,727
Marina, Work Yard, Ship Yard Operations	4,089,367
Property Lease / Rental Operations	909,053
Total Operating Revenues	<u>\$ 5,129,147</u>
<b>Operating Expenses:</b>	
General Operations	2,871,845
Maintenance	192,564
Administrative	1,041,216
Depreciation	1,523,011
Total Operating Expenses	<u>\$ 5,628,636</u>
<b>Operating Income</b>	<u>\$ (499,489)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Investment Income	3,327
Taxes Levied for General Purposes	922,286
Timber Revenues on State & County Property	103,610
Interest Expense	(398,506)
Election Expense	(6,398)
Gain on Disposition of Assets	-
Other Revenue & Expense - Net	18,470
Total non-operating revenues (expenses)	<u>\$ 642,789</u>
Income before capital contributions	<u>\$ 143,300</u>
Capital contributions	<u>226,355</u>
Increase in Net Position	<u>\$ 369,655</u>
<b>Net Position - Beginning of Year</b>	18,191,441
<b>Change in accounting principle (Note GASB 68)</b>	<u>(1,418,281)</u>
<b>Net Position - End of Year</b>	<u><u>\$ 17,142,815</u></u>

*The notes to financial statements are an integral part of this statement.*



**PORT OF PORT TOWNSEND**  
**Statement of Cash Flows**  
**For The Year Ended December 31, 2015**

	<u>2015</u>
<b>Cash Flow From Operating Activities</b>	
Receipts from Customers	\$ 5,062,891
Customer Deposits	(8,093)
Payments to Suppliers	(1,652,289)
Payments to Employees	(2,481,222)
Net Cash Provided by Operating Activities	<u>911,288</u>
<b>Cash Flow From Noncapital Financing Activities</b>	
Proceeds From Property Taxes	927,897
Proceeds From Miscellaneous Taxes	110,863
Miscellaneous Receipts/Expense, Net	168,325
Net Cash Provided by Noncapital Financing Activities	<u>1,207,086</u>
<b>Cash Flow From Capital and Related Financing Activities</b>	
Purchases and Construction of Capital Assets	(751,094)
Principal Paid on Capital Debt	(1,474,000)
Interest Paid on Capital Debt	(431,031)
Debt Issue Costs	(72,597)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,728,722)</u>
<b>Cash Flow From Investing Activities</b>	
Interest Earnings	4,792
Net Cash Provided by Investing Activities	<u>4,792</u>
<b>Net Increase (Decrease) in Cash</b>	<u>(605,557)</u>
<b>Balance of Cash - Beginning of Year</b>	<u>\$ 2,698,478</u>
<b>Balance of Cash - End of Year</b>	<u>\$ 2,092,921</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>	
Operating Income/(Loss)	\$ (499,489)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by Operating Activities:	
Depreciation	1,523,011
Changes in Assets and Liabilities:	
(Increase) decrease Receivables	(48,825)
(Increase) decrease Inventories	1,413
(Increase) decrease Prepaid Expenses	(24,023)
Increase (decrease) Accounts and Other Payables	(40,798)
Net Cash Provided by Operating Activities	<u>\$ 911,288</u>

*The notes to financial statements are an integral part of this statement.*

PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Port of Port Townsend was incorporated in 1924 and operates under the laws of the State of Washington applicable to a port district. The financial statements of The Port of Port Townsend (the Port), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 and shares the same geographic boundaries as Jefferson County, Washington. The Port is independent from Jefferson County government and is administered by a three member Board of Commissioners elected by Port district voters. The county levies and collects taxes on behalf of the Port.

The Port owns and operates the Port Townsend Marine Industrial Park, the Port Townsend Boat Haven, and the Port Townsend Ship Yard. These contiguous properties provide marina and dock facilities as well as marine related commercial businesses, and ship yard haul out and services to vessels up to 300 tons. The Port also owns and operates the Jefferson County International Airport, a 300 acre general aviation facility located seven miles from Port Townsend, Washington. Adjoining the airport is 25 acres planned for the future development of an industrial park. The Port also owns and operates the 30 acre Point Hudson facility, located at the east end of downtown. This facility offers approximately 4,000 linear feet of boat moorage, 50 recreational vehicles sites, and additional marine related and commercial property rentals. Finally, the Port owns seven additional recreational and water use properties throughout Jefferson County.

As required by GAAP, management has considered all potential component units in defining the reporting entity. These financial statements present the Port and its component unit. The component unit discussed below is included in the district's reporting entity because of the significance of its operational or financial relationship with the district.

The Industrial Development Corporation (IDC), a public corporation, is authorized 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 used.

The IDC is governed by the Port's three member Port Commission. The IDC's account balances and transactions are included as a blended unit within the Port's financial statements. Separate financial statements of the individual component unit discussed above can be obtained from the Port administrative offices at 2701 Jefferson Street in Port Townsend, WA.

**B. Basis of Accounting and Presentation**

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

PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

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 their activity are included on their statements of net position. Their reported fund position is segregated into net investment in capital assets, restricted and unrestricted components of net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. The Port discloses changes in cash flows by 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 funds.

The Port distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Port's principal ongoing operations. The principal operating revenues of the Port are charges to customers. Operating expenses for the Port include the cost of sales and services, labor, administrative expenses and depreciation on capital assets used for the benefit of customers. All revenues and expenses not meeting this definition are reported as non-operating. The Port receives federal and state grants for both capital reimbursement as well as operating grants for specific purposes. Operating grants and related expenses are accounted for as Non-operating Revenues and Expenses while Capital grants are accounted for as Capital Contributions increasing the Net Position of the Port.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### C. Assets, Liabilities and Net Position

#### Cash and Cash Equivalents

It is the policy of the Port to invest all temporary cash surpluses. At December 31, 2015, the treasurer was holding \$1,322,064 in short-term investments of surplus cash. This amount is classified on the Statement of Net Position as Investments.

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.

Short Term Investments- See Note 2, *Deposits and Investments*.

#### Receivables

Taxes receivable consists of property taxes and related interest and penalties - See Note 3, *Property Tax*. Accrued interest receivable consists of amounts earned on investments and contracts at the end of the year.

PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

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.

Amounts Due From Other Governmental Units

This account includes amounts due from other governments for grants and inter-local agreements.

Inventory

Inventories are valued by the FIFO (first-in first-out) method, which approximates the market value.

Restricted Assets and Liabilities

These accounts contain resources for construction and or debt service. There were no restricted assets or liabilities at the end of this year.

Capital Assets and Depreciation – See Note 4, *Capital Assets and Depreciation*

Deferred Outflows/Inflows of Resources

In June 2015, the Port refunded \$4,235,000 of its 2005 General Obligation Bonds for \$4,318,960. The difference is a deferred loss on refunding. The Port implemented GASB Statement Number 65 in 2013 and this standard requires the Port report this as a deferred outflow of resources instead of deferred interest expense on the Statement of Net Position.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. The Port records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay, which may be accumulated up to 320 hours is payable upon resignation, retirement or death, if the employee has worked at least six (6) continuous months as a regular employee with the Port.

The sick leave policy allows employees to cash out up to 50% of their accrued sick leave hours (based on longevity with the Port), upon termination of employment, and capped at a maximum cash-out of 250 hours.

Pensions – See Note 7, Pension Plans

The Port implemented GASB Statement Number 68, Accounting for Financial Reporting for Pensions, in 2015. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, as well as information about the fiduciary net position of all state sponsored pension plans and additions to and deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems (DRS). For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-Term Debt – See Note 9, *Long-Term Debt*

PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

Unearned Revenues

This account includes amounts recognized as receivables but not revenues because the revenue recognition criteria have not been met.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Deposits

The Port's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

The Port's investments, including investments of restricted assets, as of December 31, 2015 are as follows:

Washington State Treasurer's Investment Pool and the US Bank – Certificate of Deposit totaled \$1,322,064.

\$ 1,318,414	2015 - State Investments Pool
3,649	2015 – US Bank – C.D. (IDC)

All temporary investments are stated at cost, which is equivalent to fair value for these investments.

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the Port would not be able to recover the value of the investment or collateral securities. None of the Port's investments are held by counterparties.

**NOTE 3 – PROPERTY TAXES**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities.

Property Tax Calendar	
January 1	Tax is 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 tax is recorded as a receivable when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectable tax is established because delinquent taxes are considered fully collectable. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

The Port may levy up to \$.45 per \$1,000 of assessed valuation for general Port purposes. This rate is limited by the Washington State Constitution and Washington State Law, RCW 84.55.010. The Port may also levy taxes at a lower rate.

The Port's regular tax levy for 2015 was approximately \$0.20070 per \$1,000 of A.V., on an assessed valuation of \$4,585,902,989 for a total regular budgeted tax levy of \$930,900.

**NOTE 4 – CAPITAL ASSETS AND DEPRECIATION**

Major expenses for capital assets, including capital leases and major repairs that increase useful lives in excess of one (1) year, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

All capital assets are valued at historical cost (or estimated historical cost, where historical cost is not known or at estimated market value for donated assets).

The Port has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity 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.

The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation. However, in the case of the sale or replacement of a significant operating unit or system, the original cost is removed from the Port asset accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

An allowance for funds used during construction is capitalized as part of the cost of the Port asset. The procedure is intended to remove the cost of financing construction activity from the income statement and to treat such cost in the same manner as construction labor and material costs.

The Port's policy is to capitalize all individual asset additions greater than \$5,000 and with an estimated life of more than one year. Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of three to fifty years.

PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Balance</u> <u>1/1/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2015</u>
Capital Assets, not being depreciated:				
Land	\$ 2,505,969	\$ 0	\$ 0	\$ 2,505,969
Construction in progress	542,839	722,201	309,741	955,299
Total capital assets not being depreciated	<u>\$ 3,048,808</u>	<u>722,201</u>	<u>309,741</u>	<u>\$ 3,461,268</u>
Capital assets, being depreciated				
Buildings	7,801,269	14,206	0	7,815,475
Machinery & equipment	3,658,074	38,299	0	3,696,373
Other improvements	34,723,236	302,946	0	35,026,182
Total capital assets being depreciated	<u>46,182,579</u>	<u>355,451</u>	<u>0</u>	<u>46,538,030</u>
Less accumulated depreciation for:				
Buildings	3,532,591	269,560	0	3,802,151
Machinery & Equipment	3,399,452	97,590	0	3,497,042
Other improvements	14,444,012	1,155,861	0	15,599,873
Total accumulated depreciation	<u>21,376,055</u>	<u>1,523,011</u>	<u>0</u>	<u>22,899,066</u>
Total capital assets being depreciated, Net	24,806,524	(1,167,560)	0	23,645,759
Total capital assets, Net	<u>\$27,855,332</u>	<u>\$ (445,359)</u>	<u>\$ 309,741</u>	<u>\$27,100,232</u>

**NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

The Port has active construction projects as of December 31, 2015. The projects include: Boat Ramp Expansion, Airport All Weather Observation System (AWOS), and the Point Hudson Breakwater.

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

Project	Spent to Date 2015	Remaining Commitment	Funding Source
Boat Ramp Expansion	\$ 207,991	\$ 204,759	State grant & Reserves

**NOTE 6 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The Port is not aware of any issues or material violations of finance-related legal or contractual provisions.

PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

**NOTE 7 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$ 1,395,675
Pension assets	\$ -
Deferred outflows of resources	\$ 205,441
Deferred inflows of resources	\$ 215,205
Pension expense/expenditures	\$ 154,334

**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](http://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.



PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

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 2015 were as follows:

PERS Plan 1			
Actual Rates:	Contribution	Employer	Employee*
January through June 2015		9.21%	6.00%
July through December 2015		11.18%	6.00%

\* For employees participating in JBM, the contribution rate was 12.26%

The Port's actual contributions to the plan were \$78,500 for the year ended December 31, 2015.

**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

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(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 2015 were as follows:

<b>PERS Plan 2/3</b>			
<b>Actual Rates:</b>	<b>Contribution</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January through 2015	June	9.21%	4.92%
July through 2015	December	11.18%	6.12%
Employee PERS Plan 3			varies

\* For employees participating in JBM, the contribution rate was 15.30%

The Port's actual contributions to the plan were \$100,694 for the year ended December 31, 2015.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. 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*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to

PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
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June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. 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.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent 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 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' 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 7.5 percent was used to determine the total liability.

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Notes to the Financial Statements  
For the Year Ended December 31, 2015

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

**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, 2015, 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	<b>100%</b>	

**Sensitivity of NPL**

The table below presents the Port's proportionate share\* of the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
PERS 1	\$ 476,695	\$ 391,535	\$ 318,305
PERS 2/3	\$ 1,009,467	\$ 345,229	\$ -163,353

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Notes to the Financial Statements  
For the Year Ended December 31, 2015

**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, 2015, the Port's reported a total pension liability of \$1,395,675 for its proportionate share of the net pension liabilities as follows:

	<b>Liability (or Asset)</b>
PERS 1	\$ 741,484
PERS 2/3	\$ 654,191

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

	<b>Proportionate Share 6/30/14</b>	<b>Proportionate Share 6/30/15</b>	<b>Change in Proportion</b>
PERS 1	0.013526%	0.014175%	0.000649%
PERS 2/3	0.017414%	0.018309%	0.000895%

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 Non-employer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense**

For the year ended December 31, 2015, the Port's recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$ 75,233
PERS 2/3	79,101
Total all plans	\$ 154,334

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2015, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 40,567
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 46,099	\$
<b>TOTAL</b>	<b>\$ 46,099</b>	<b>\$ 40,567</b>

PERS 2 & 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 69,541	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 174,638
Changes of assumptions	\$ 1,054	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 28,798	\$ -
Contributions subsequent to the measurement date	\$ 59,949	\$ -
<b>TOTAL</b>	<b>\$ 159,342</b>	<b>\$ 174,638</b>

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, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

PORT OF PORT TOWNSEND  
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For the Year Ended December 31, 2015

Year ended December 31:	Plan Name
2016	\$ 8,470
2017	\$ 8,470
2018	\$ 8,470
2019	\$ 8,470
2020	\$ 3,388
Thereafter	\$ 37,268

**NOTE 8 – RISK MANAGEMENT**

Port of Port Townsend is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Inter-local Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2015, there are 507 Enduris members representing a broad array of special purpose districts throughout the state.

Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides "per occurrence" based policies 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, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers crime coverage up to a liability limit of \$1,000,000 per occurrence.

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$5,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$995,000 on liability loss;
- \$250,000 deductible on property loss - the member is responsible for the first \$5,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$245,000 on property loss.

Insurance carriers cover all losses over the deductibles as shown on the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement

PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

(Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its 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.

**NOTE 9 – LONG TERM DEBT**

A. Long-Term Debt

The Port issues general obligation and revenue bonds to finance acquisition, purchase or construction of various projects. Bond indebtedness has also been entered into to advance refund general obligation and revenue bonds.

The general obligation bonds currently outstanding are as follows:

Purpose	Maturity	Interest Rate	Original Amount	Amount of Installment
2006 Series - Refunding of 1997 Series for various capital improvements	2017	3.88%	\$1,956,000	\$6,000-232,000
2010 Series – Reconstruction of PTBH Marina, Travel Lift Dock, and related upland improvements	2029	.85%-6.125%	\$5,515,000	\$115,000-430,000
2015 Series – Refunding of 2005 Series	2025	3.00%	\$4,115,000	\$125,000-535,000

*Note: The 2015 LTGO Refunding Bond took advantage of lower interest rates to refund the 2005 LTGO Bond Series. The 2005 Series was used to reconstruct the Point Hudson Marina and upland improvements.*

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

Year Ending December 31	2015 Series		2006 Series		2010 Series*	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	125,000	130,651	220,000	17,538	230,000	226,838
2017	135,000	119,700	232,000	9,002	260,000	217,638
2018	430,000	115,650	0	0	235,000	207,238
2019	450,000	102,750	0	0	265,000	197,838



PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

2020	460,000	89,250	0	0	295,000	187,238
2021-2025	2,515,000	230,700	0	0	1,680,000	732,288
2026-2029	0	0	0	0	1,630,000	254,188
<b>Total</b>	<b>\$4,115,000</b>	<b>\$788,701</b>	<b>\$452,000</b>	<b>\$ 26,540</b>	<b>\$4,595,000</b>	<b>\$2,023,263</b>

\* These bonds offer a Build America Bond rebate which the Port applies for semi-annually. The rebate effectively lowers the interest cost from these amounts.

In November 2005, the Port issued L.T.G.O. Bonds for \$5,000,000. The majority of the proceeds of this issue were used in 2006 & 2007 to finance the reconstruction project of the Point Hudson Marina, which was substantially completed and re-opened in July, 2007. Additionally, some of the bond proceeds were also used in the renovation of the old Point Hudson Hotel/Hospital Building, into new office space, which was completed in 2006.

In January 2006 the Port issued L.T.G.O. Refunding Bonds for \$1,956,000, to advance refund the \$1,900,000 callable portion of the 1997 L.T.G.O. Bonds, leaving the non-callable 2006 & 2007 maturities, totaling \$280,000, outstanding, and which were all redeemed as of July 1, 2007. The Present Value Savings over the remaining eleven and one-half year bond life, from the date of issue, from this transaction was \$111,177.

In June 2010, the Port issued L.T.G.O. Bonds for \$5,515,000. Approximately \$4,567,000 of the issue proceeds were used to finance the reconstruction of the A & B Dock portion of the Port Townsend Boat Haven Marina, which was completed and re-opened in February, 2011. The remaining bond funds were used to finance the reconstruction of the 75-ton Travel Lift haul-out pier, and some additional related uplands improvements, which was completed in September 2012.

In June 2015, the Port issued L.T.G.O. Bonds for \$4,115,000. This was used to refund the outstanding 2005 L.T.G.O. Bonds and take advantage of lower bond rates. As a result, the refunded 2005 Series bonds are considered defeased and the liability has been removed from the Port's long term debt. The net present value of the refunding was a savings of \$406,934 over the life of the bond. Part of terms of this refunding required the Port to pay off the 2005 Revenue Bonds early.

The revenue bonds currently outstanding are as follows:

Purpose	Maturity	Interest Rate	Original Amount	Amount of Installment
2013 Series – Administration Building	2018	2.20-3.00%	\$807,000	\$197,267- 206,278

PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

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

Year Ending December 31	2013 Series	
	Principal	Interest
2016	\$ 0	\$ 17,754
2017	397,493	21,251
2018	409,507	9,237
Total	\$ 807,000	\$ 48,242

In proprietary funds, unamortized debt issue costs for insurance are recorded as an asset and bonds are displayed net of the premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

In May 2013, the Port issued \$807,000 in Revenue Bonds for the construction of the new Administration Building.

The contracts payable currently outstanding are as follows:

Purpose	Maturity	Interest Rate	Original Amount	Amount of Installment
1997 WA State – CERB Loan – Purchase of 300 Ton Travel Lift	2017	5.50%	\$750,000	\$50,000

The annual debt service requirements to maturity for the contracts payable are as follows:

Year Ending December 31	Contracts Payable	
	Principal	Interest
2016	\$ 50,000	\$ 5,500
2017	<u>50,000</u>	<u>2,750</u>
Total	\$ 100,000	\$ 8,250

PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

B. Changes in Noncurrent Liabilities

During the year ended December 31, 2015, the following changes occurred in noncurrent liabilities:

	Beginning Balance 1/1/2015	Additions	Reductions	Ending Balance 12/31/2015	Due Within One Year
Bonds payable:					
L.T.G.O. Bonds	\$9,816,000	\$4,115,000	\$4,769,000	\$9,162,000	\$575,000
Revenue Bonds	1,697,000	0	890,000	807,000	0
Premiums	144,494	203,960	29,599	318,855	29,073
Discounts	(5,622)	0	(5,622)	0	0
<b>Total Bonds Payable</b>	<b>\$11,651,872</b>	<b>\$4,318,960</b>	<b>\$5,682,977</b>	<b>\$10,287,855</b>	<b>\$604,073</b>
Contracts Payable	\$150,000	0	\$50,000	\$100,000	50,000
Compensated Absences	190,437	0	7,938	182,499	50,164
<b>Total Noncurrent Liabilities</b>	<b>\$11,992,309</b>	<b>\$4,318,960</b>	<b>\$5,740,915</b>	<b>\$10,570,354</b>	<b>\$704,237</b>

**NOTE 10 - LEASES**

The Port leases a significant portion of airport, industrial and marine terminal land to tenants under operating leases expiring in various years through the year 2053. Minimum future rental revenue on operating leases is as follows:

Year Ending December 31	Amount
2016	\$ 723,667
2017	658,852
2018	576,324
2019	481,403
2020	465,149
2021-2053	6,353,262
<b>Total</b>	<b>\$ 9,258,657</b>

**NOTE 11 – RESTRICTED COMPONENT OF NET POSITION**

The Port's statement of net position reports no restricted component of net position for fiscal year ended December 31, 2015.

**NOTE 12 – CONTINGENCIES AND LITIGATION**

The Port has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes that it is probable that the Port will have to make payment. In the opinion of management, the Port's insurance policies are adequate to pay all known or pending claims.

As discussed in Note No. 8, the Port is contingently liable for repayment of refunded debt.

PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

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

**NOTE 13 – OTHER DEBITS (CREDITS)**

At December 31, 2015, the Port held \$4,310 in Unearned Revenue. These amounts are prepayments of rent and will be recognized as revenue in 2016.

**NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS**

The Port does not have post-employment benefit obligations other than defined pension plans.

**NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE**

The Port implemented GASB 68, Accounting and Financial Reporting for Pensions, and GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date in 2015. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, as well as information about the fiduciary net position of all state sponsored pension plans and additions to and deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported a fair value. The \$1,418,281 change in accounting principle is the result of this implementation.

PORT OF PORT TOWNSEND  
Notes to the Financial Statements  
For the Year Ended December 31, 2015

**SUPPLEMENTARY INFORMATION**

Port of Port Townsend  
 Schedule of Proportionate Share of Net Pension Liability  
 Washington State Public Employees' Retirement System – Plan 1  
 As of June 30, 2015

		2015
Employer's proportion of net pension liability (asset)	%	0.014175%
Employer's proportionate share of net pension	\$	741,484
Employer's covered employee payroll	\$	0
Employer's proportionate share of net pension liability as a percentage of covered payroll	%	0
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%

Notes:

1. *The Port does not have any current PERS 1 employees, therefore, covered payroll does not apply.*
2. *The measurement date is the fiscal year end of the Department of Retirement Systems.*

Port of Port Townsend  
 Schedule of Proportionate Share of the Net Pension Liability  
 Washington State Public Employees' Retirement System – Plans 2 & 3  
 As of June 30, 2015

	2015
Employer's proportion of net pension liability (asset)	0.018309%
Employer's proportionate share of net pension	\$ 654,191
Employer's covered employee payroll	\$ 1,664,979
Employer's proportionate share of net pension liability as a percentage of covered payroll	39.29%
Plan fiduciary net position as a percentage of the total pension liability	89.20%

Notes:

1. *The measurement date is the fiscal year end of the Department of Retirement Systems.*

Port of Port Townsend  
 Schedule of Employer Contributions  
 Washington State Public Employees' Retirement System – Plan 1  
 As of June 30, 2015

	2015
Statutorily or contractually required contributions	\$ 46,099
Contributions in relation to the statutorily or contractually required contributions	\$ (46,099)
Contribution deficiency (excess)	\$ -
Covered payroll	\$ -

*Notes:*

1. *The Port does not have any current PERS 1 employees, therefore, covered payroll does not apply.*
2. *The measurement date is the fiscal year end of the Department of Retirement Systems.*



Port of Port Townsend  
Schedule of Employer Contributions  
Washington State Public Employees' Retirement System – Plans 2 & 3  
As of June 30, 2015

	<u>2015</u>
Statutorily or contractually required contributions	\$ 59,949
Contributions in relation to the statutorily or contractually required contributions	<u>\$ (59,949)</u>
Contribution deficiency (excess)	\$ -
Covered payroll	\$1,664,979

Notes:

1. *The measurement date is the fiscal year end of the Department of Retirement Systems.*



P.O. Box 1180 • Port Townsend, Washington 98368-4624

Administration: (360) 385-0656

Operations: (360) 385-2355

Fax: (360) 385-3988

### WARRANT/ELECTRONIC PAYMENT APPROVAL

We, the undersigned, as Commissioners and Auditing Officer of the Port of Port Townsend, in Jefferson County, Washington, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor performed as described herein, and that the claims are just due and unpaid obligation against the Port of Port Townsend, that we are authorized to authenticate and certify to said claim and that these claims, in Warrant No 056573 through No. 056577 in the amount of \$44,794.70 and Electronic Payment in the amount of \$109,716.42, are approved for payment for a total amount of \$154,511.12 on this 14th day of September, 2016.

For: **Payroll and Benefits**

\_\_\_\_\_  
Commissioner Pete W. Hanke

\_\_\_\_\_  
Commissioner Stephen R. Tucker

\_\_\_\_\_  
Commissioner Brad A. Clinefelter

\_\_\_\_\_  
S. Abigail Berg, Director of Finance  
And Administration

Manual Check and Payment Register  
 Journal Posting Date: 9/6/2016  
 Register Number: MC-000094

Port of Port Townsend (PTA)

Bank: K KITSAP BANK

Check Number/ Invoice Number	Check Date Invoice Date	Vendor Number Invoice Amount	Discount	Distribution Amount	Check Amount
W00091 Check Comment: 8/31/2016 CKW0009101	9/6/2016	AFL010 AFLAC			572.70
	9/6/2016	572.70 EMPLOYEE DEDUCTION - INSURANCE	0.00	572.70	
W00092 Check Comment: Payroll Taxes 8/16 - 8/31/16 CKW0009201	9/6/2016	INT030 Internal Revenue Service			21,740.35
	9/6/2016	21,740.35 PAYROLL TAXES PAYABLE	0.00	21,740.35	
W00093 Check Comment: 8/31/16 DRS DC CKW0009301	9/6/2016	WA0302 State of Washington			1,115.00
	9/6/2016	1,115.00 EE DEFERRED COMP PAYABLE	0.00	1,115.00	
W00094 Check Comment: 8/31/16 DRS CKW0009401	9/6/2016	WA1801 State of Washington			26,402.07
	9/6/2016	26,402.07 PERS PLAN II PAYABLE	0.00	7,458.72	
				2,247.37	
				16,695.98	
		<b>Check W00094 Total:</b>	<b>0.00</b>	<b>26,402.07</b>	<b>26,402.07</b>
		<b>Bank K Total:</b>	<b>0.00</b>	<b>49,830.12</b>	<b>49,830.12</b>
		<b>Report Total:</b>	<b>0.00</b>	<b>49,830.12</b>	<b>49,830.12</b>

Bank Code: W - WARRANTS PAYABLE

Check Number	Check Date	Vendor	Invoice Number	Invoice Date	Invoice Amount	Discount Applied	Payment Amount
056573	9/6/2016	NOR020	Northwest Administrators, Inc.				
			08/31/2016 S	8/31/2016	27,755.70	0.00	27,755.70
056574	9/6/2016	PEJ001	Peninsula Credit Union				
			08/31/2016	8/31/2016	250.00	0.00	250.00
056575	9/6/2016	SPE010	James Speer				
			08/31/2016	8/31/2016	250.00	0.00	250.00
056576	9/6/2016	TEA001	Teamsters Local 589				
			8/31/2016	8/31/2016	1,260.00	0.00	1,260.00
056577	9/6/2016	WA0801	State of Washington				
			8/31/2016 HCA	8/31/2016	15,279.00	0.00	15,279.00
<b>Report Total:</b>					<b>44,794.70</b>	<b>0.00</b>	<b>44,794.70</b>



P.O. Box 1180 • Port Townsend, Washington 98368-4624

Administration: (360) 385-0656

Operations: (360) 385-2355

Fax: (360) 385-3988

## WARRANT APPROVAL

We, the undersigned, as Commissioners and Auditing Officer of the Port of Port Townsend, in Jefferson County, Washington, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor performed as described herein, and that the claims is a just, due and unpaid obligation of the Port of Port Townsend, that I am authorized to authenticate and certify to said claim and that these claims, in Warrant No 056578 through No. 056670, are approved for payment in the amount of \$190,626.40 on this 14th day of September, 2016.

For: **Accounts Payable**

\_\_\_\_\_  
Commissioner Pete W. Hanke

\_\_\_\_\_  
Commissioner Stephen R. Tucker

\_\_\_\_\_  
Commissioner Brad A. Clinefelter

\_\_\_\_\_  
S. Abigail Berg, Director of Finance  
And Administration

Bank Code: W - WARRANTS PAYABLE								
Check Number	Check Date	Vendor	Invoice Number	Invoice Date	Invoice Amount	Discount Applied	Payment Amount	
056578	9/14/2016	AIR070	Airside Solutions, Inc					Check Entry Number: 001
			25607	8/15/2016	251.08	0.00	251.08	
			25607-01	8/19/2016	147.65	0.00	147.65	
			Check 056578 Total:		398.73	0.00	398.73	
056579	9/14/2016	ALL025	Alliant Insurance Services	8/23/2016	12,214.00	0.00	12,214.00	Check Entry Number: 001
056580	9/14/2016	ALL070	All Weather, Inc.	8/23/2016	2,016.50	0.00	2,016.50	Check Entry Number: 001
056581	9/14/2016	ALL075	Alliant Insurance Services, Inc.	8/26/2016	53,373.00	0.00	53,373.00	Check Entry Number: 001
056582	9/14/2016	AND065	Kenneth Anderson	8/14/2016	6.00	0.00	6.00	Check Entry Number: 001
056583	9/14/2016	ARR010	Arrow Lumber Port Townsend					Check Entry Number: 001
			70033	8/1/2016	104.20	0.00	104.20	
			70154	8/5/2016	511.54	0.00	511.54	
			70200	8/9/2016	62.37	0.00	62.37	
			70360	8/16/2016	59.90	0.00	59.90	
			70488	8/23/2016	22.43	0.00	22.43	
			70521	8/24/2016	39.59	0.00	39.59	
			Check 056583 Total:		800.03	0.00	800.03	
056584	9/14/2016	BHS010	Builders Hardware & Supply Co.	8/29/2016	367.57	0.00	367.57	Check Entry Number: 001
056585	9/14/2016	BUR030	Burrows Bay Associates LLC	8/31/2016	2,400.00	0.00	2,400.00	Check Entry Number: 001
056586	9/14/2016	BUR060	Melanie Burns	9/1/2016	507.78	0.00	507.78	Check Entry Number: 001
056587	9/14/2016	CAI040	Al Cairns	8/31/2016	18.90	0.00	18.90	Check Entry Number: 001
056588	9/14/2016	CAM010	CAMCAL Incorporated	8/24/2016	283.38	0.00	283.38	Check Entry Number: 001
056589	9/14/2016	CAR001	Carl's Building Supply	8/31/2016	186.39	0.00	186.39	Check Entry Number: 001
056590	9/14/2016	CAS040	Kit Case	8/25/2016	603.69	0.00	603.69	Check Entry Number: 001
056591	9/14/2016	CEN040	CENTURYLINK	8/19/2016	4,055.24	0.00	4,055.24	Check Entry Number: 001
056592	9/14/2016	CIT001	City Of Port Townsend					Check Entry Number: 001
			08/31/2016 S.2	8/31/2016	833.28	0.00	833.28	
			8/31/2016 S	8/31/2016	10,189.65	0.00	10,189.65	
			Check 056592 Total:		11,022.93	0.00	11,022.93	
056593	9/14/2016	CLI070	Brad Clinefelter	8/31/2016	127.98	0.00	127.98	Check Entry Number: 001
056594	9/14/2016	COA050	Mott MacDonald					Check Entry Number: 001
			344092-13	7/12/2016	2,918.35	0.00	2,918.35	
			344092-14	8/10/2016	2,571.00	0.00	2,571.00	
			Check 056594 Total:		5,489.35	0.00	5,489.35	
056595	9/14/2016	COO050	Cooper Fuel & Auto Repair	9/1/2016	2,275.32	0.00	2,275.32	Check Entry Number: 001
056596	9/14/2016	DLL010	D L Logos	8/16/2016	42.51	0.00	42.51	Check Entry Number: 001
056597	9/14/2016	DMD005	DM Disposal Co. Inc.	9/1/2016	8,224.89	0.00	8,224.89	Check Entry Number: 001
056598	9/14/2016	DOW080	Ryan Downs	8/25/2016	603.69	0.00	603.69	Check Entry Number: 001
056599	9/14/2016	ECK050	Marc Eckhardt	8/25/2016	42.50	0.00	42.50	Check Entry Number: 001
056600	9/14/2016	FAM001	Ferguson Enterprises #3007	8/25/2016	712.65	0.00	712.65	Check Entry Number: 001
056601	9/14/2016	FAU010	Charles Fauls	8/31/2016	140.40	0.00	140.40	Check Entry Number: 001
056602	9/14/2016	FER001	Ferrellgas	8/25/2016	405.16	0.00	405.16	Check Entry Number: 001
056603	9/14/2016	FIS020	Fish N Hole	8/26/2016	25.19	0.00	25.19	Check Entry Number: 001
056604	9/14/2016	FRA050	Donna Frary	8/31/2016	111.08	0.00	111.08	Check Entry Number: 001
056605	9/14/2016	GIB020	Sam Gibboney	8/31/2016	243.66	0.00	243.66	Check Entry Number: 001
056606	9/14/2016	GOO002	Good Man Inc.	9/1/2016	561.96	0.00	561.96	Check Entry Number: 001
056607	9/14/2016	GOO020	Goodstein Law Group					Check Entry Number: 001
			0478/01	8/2/2016	17,943.33	0.00	17,943.33	
			1201608	9/1/2016	12,139.50	0.00	12,139.50	
			Check 056607 Total:		30,082.83	0.00	30,082.83	
056608	9/14/2016	GRA005	Grainger	8/24/2016	479.39	0.00	479.39	Check Entry Number: 001
056609	9/14/2016	HAD001	Hadlock Building Supply	8/25/2016	52.23	0.00	52.23	Check Entry Number: 001
056610	9/14/2016	HAN040	Pete Hanke	8/31/2016	51.96	0.00	51.96	Check Entry Number: 001
056611	9/14/2016	HEN002	Henery Hardware					Check Entry Number: 001
			578276	7/26/2016	74.05	0.00	74.05	
			578277	7/26/2016	15.24	0.00	15.24	

Bank Code: W - WARRANTS PAYABLE

Check Number	Check Date	Vendor	Invoice Number	Invoice Date	Invoice Amount	Discount Applied	Payment Amount
			578403	7/27/2016	44.67	0.00	44.67
			578417	7/27/2016	16.34	0.00	16.34
			578423	7/27/2016	23.96	0.00	23.96
			578689	7/29/2016	1.84	0.00	1.84
			578860	8/1/2016	33.09	0.00	33.09
			578900	8/2/2016	14.16	0.00	14.16
			578936	8/2/2016	10.24	0.00	10.24
			579100	8/4/2016	26.14	0.00	26.14
			579157	8/4/2016	43.59	0.00	43.59
			579161	8/4/2016	83.94	0.00	83.94
			579174	8/4/2016	27.23	0.00	27.23
			579206	8/5/2016	12.62	0.00	12.62
			579220	8/5/2016	16.34	0.00	16.34
			579429	8/8/2016	24.82	0.00	24.82
			579510	8/9/2016	17.36	0.00	17.36
			579538	8/9/2016	22.96	0.00	22.96
			579541	8/9/2016	30.29	0.00	30.29
			579548	8/9/2016	16.34	0.00	16.34
			579600	8/10/2016	6.31	0.00	6.31
			579631	8/10/2016	23.67	0.00	23.67
			579663	8/10/2016	13.06	0.00	13.06
			579849	8/12/2016	19.61	0.00	19.61
			579873	8/12/2016	12.63	0.00	12.63
			579881	8/12/2016	123.80	0.00	123.80
			579901	8/12/2016	119.89	0.00	119.89
			580143	8/16/2016	16.11	0.00	16.11
			580152	8/16/2016	6.74	0.00	6.74
			580158	8/16/2016	4.57	0.00	4.57
			580251	8/17/2016	11.74	0.00	11.74
			580270	8/17/2016	8.26	0.00	8.26
			580327	8/17/2016	33.06	0.00	33.06
			580366	8/18/2016	29.40	0.00	29.40
			580472	8/19/2016	25.65	0.00	25.65
			580691	8/22/2016	30.51	0.00	30.51
			580709	8/22/2016	15.25	0.00	15.25
			580713	8/22/2016	17.43	0.00	17.43
			580739	8/22/2016	38.13	0.00	38.13
			580757	8/23/2016	15.01	0.00	15.01
			580767	8/23/2016	171.95	0.00	171.95
			580892	8/24/2016	13.06	0.00	13.06
			580953	8/25/2016	41.41	0.00	41.41
			<b>Check 056611 Total:</b>		<b>1,112.69</b>	<b>0.00</b>	<b>1,112.69</b>
056612	9/14/2016	HEN004	Henery's Garden Center				<b>Check Entry Number: 001</b>
			538700	8/23/2016	51.21	0.00	51.21
056613	9/14/2016	HEN006	Quilcene Henery's Hardware				<b>Check Entry Number: 001</b>
			08/25/2016	8/25/2016	135.06	0.00	135.06
056614	9/14/2016	JAC010	JACO Analytical, Inc				<b>Check Entry Number: 001</b>
			E6H011	8/24/2016	11.00	0.00	11.00
056615	9/14/2016	JC0003	Jefferson County - Public Work				<b>Check Entry Number: 001</b>
			08/31/2016	8/31/2016	1,110.55	0.00	1,110.55
056616	9/14/2016	JEF030	Jefferson Healthcare				<b>Check Entry Number: 001</b>
			1038142	8/17/2016	287.00	0.00	287.00
056617	9/14/2016	JON020	Brad Jones				<b>Check Entry Number: 001</b>
			09/01/216	9/1/2016	651.99	0.00	651.99
056618	9/14/2016	KEN010	Kendrick Equipment				<b>Check Entry Number: 001</b>
			U2950	8/17/2016	328.99	0.00	328.99
			U2951	8/17/2016	173.63	0.00	173.63
			U2961	8/26/2016	176.62	0.00	176.62
			<b>Check 056618 Total:</b>		<b>679.24</b>	<b>0.00</b>	<b>679.24</b>
056619	9/14/2016	KHI010	Amy Khile				<b>Check Entry Number: 001</b>
			2	9/8/2016	210.00	0.00	210.00
056620	9/14/2016	KIT001	Kitsap Tractor & Equipment				<b>Check Entry Number: 001</b>
			154202	8/4/2016	108.09	0.00	108.09
			155243	8/31/2016	670.49	0.00	670.49
			<b>Check 056620 Total:</b>		<b>778.58</b>	<b>0.00</b>	<b>778.58</b>
056621	9/14/2016	KOR050	Kord Information Systems				<b>Check Entry Number: 001</b>
			95	9/6/2016	1,593.00	0.00	1,593.00
056622	9/14/2016	MAR017	Marine Assist				<b>Check Entry Number: 001</b>
			08/19/2016	8/19/2016	2,887.50	0.00	2,887.50
056623	9/14/2016	MIS070	Steve Mishko				<b>Check Entry Number: 001</b>
			08/02/2016	8/2/2016	207.39	0.00	207.39
056624	9/14/2016	MUR002	Murrey's Disposal Co. Inc.				<b>Check Entry Number: 001</b>
			4456269	9/1/2016	34.47	0.00	34.47
			4456335	9/1/2016	198.63	0.00	198.63
			4456414	9/1/2016	396.01	0.00	396.01
			<b>Check 056624 Total:</b>		<b>629.11</b>	<b>0.00</b>	<b>629.11</b>
056625	9/14/2016	NEL001	Sue Nelson				<b>Check Entry Number: 001</b>
			08/31/2016	8/31/2016	53.46	0.00	53.46
056626	9/14/2016	NOR001	North Coast Electric Co				<b>Check Entry Number: 001</b>
			S7376348.001	8/26/2016	703.42	0.00	703.42
056627	9/14/2016	NOR046	Northwest Tool & Trade				<b>Check Entry Number: 001</b>
			409808	9/7/2016	65.07	0.00	65.07

Bank Code: W - WARRANTS PAYABLE							
Check Number	Check Date	Vendor	Invoice Number	Invoice Date	Invoice Amount	Discount Applied	Payment Amount
			447249	8/26/2016	52.27	0.00	52.27
				<b>Check 056627 Total:</b>	117.34	0.00	117.34
056628	9/14/2016	NWS050	NW Straits Commission				<b>Check Entry Number: 001</b>
			08/18/2016 S	8/18/2016	155.00	0.00	155.00
056629	9/14/2016	OBA020	Dick O'Bannon				<b>Check Entry Number: 001</b>
			08/14/2016	8/14/2016	40.00	0.00	40.00
056630	9/14/2016	OLY002	SupplyWorks				<b>Check Entry Number: 001</b>
			373654128	7/27/2016	352.20	0.00	352.20
			373654136	7/27/2016	759.68	0.00	759.68
			374326775	8/3/2016	229.90	0.00	229.90
			374326783	8/3/2016	186.48	0.00	186.48
			375042272	8/10/2016	139.84	0.00	139.84
			375042280	8/10/2016	620.04	0.00	620.04
			375042298	8/10/2016	212.45	0.00	212.45
			375722857	8/17/2016	401.92	0.00	401.92
			375722865	8/17/2016	165.79	0.00	165.79
				<b>Check 056630 Total:</b>	3,068.30	0.00	3,068.30
056631	9/14/2016	OLY003	Olympic Springs, Inc.				<b>Check Entry Number: 001</b>
			08/31/2016 S	8/31/2016	25.85	0.00	25.85
056632	9/14/2016	OLY004	Olympic Art and Office				<b>Check Entry Number: 001</b>
			08/30/2016 S	8/30/2016	36.78	0.00	36.78
056633	9/14/2016	OTT060	Michael & Susan Ottevanger				<b>Check Entry Number: 001</b>
			08/19/2016	8/19/2016	30.00	0.00	30.00
056634	9/14/2016	PAC004	Pacific Office Equipment Co				<b>Check Entry Number: 001</b>
			08/31/2016 S	8/31/2016	477.38	0.00	477.38
056635	9/14/2016	PAP020	Pape Material Handling Exchang				<b>Check Entry Number: 001</b>
			7696137	8/30/2016	131.36	0.00	131.36
056636	9/14/2016	PAR060	Parametrix				<b>Check Entry Number: 001</b>
			01-77537	8/18/2016	15,064.26	0.00	15,064.26
056637	9/14/2016	PEN030	Peninsula Paint Co.				<b>Check Entry Number: 001</b>
			F0131414	8/19/2016	58.83	0.00	58.83
			F131993	8/30/2016	25.48	0.00	25.48
				<b>Check 056637 Total:</b>	84.31	0.00	84.31
056638	9/14/2016	PET015	Kim Peterson				<b>Check Entry Number: 001</b>
			08/26/2016	8/26/2016	449.67	0.00	449.67
056639	9/14/2016	PIT001	Pitney Bowes Global Fin. Svcs.				<b>Check Entry Number: 001</b>
			3301341375	8/31/2016	453.29	0.00	453.29
056640	9/14/2016	POR005	Port Townsend Leader				<b>Check Entry Number: 001</b>
			08/31/2016 S	8/31/2016	2,504.38	0.00	2,504.38
056641	9/14/2016	PUD001	Pud District #1				<b>Check Entry Number: 001</b>
			08/18/2016 S	8/18/2016	471.50	0.00	471.50
			08/25/2016	8/25/2016	316.15	0.00	316.15
				<b>Check 056641 Total:</b>	787.65	0.00	787.65
056642	9/14/2016	QUI001	Quill Corporation				<b>Check Entry Number: 001</b>
			8371014	8/16/2016	147.14	0.00	147.14
			8406836	8/17/2016	89.84	0.00	89.84
			8611671	8/24/2016	58.40	0.00	58.40
			8707290	8/18/2016	286.31	0.00	286.31
				<b>Check 056642 Total:</b>	581.69	0.00	581.69
056643	9/14/2016	SAF001	Safeway, Inc.				<b>Check Entry Number: 001</b>
			09/03/2016 S	9/3/2016	1,158.08	0.00	1,158.08
056644	9/14/2016	SCH001	Les Schwab Tires				<b>Check Entry Number: 001</b>
			37900184729	8/23/2016	180.04	0.00	180.04
056645	9/14/2016	SCH045	Renee Schroetlin				<b>Check Entry Number: 001</b>
			08/12/2016	8/12/2016	507.78	0.00	507.78
056646	9/14/2016	SEC010	Security Services				<b>Check Entry Number: 001</b>
			94612	9/1/2016	173.50	0.00	173.50
056647	9/14/2016	SEC035	Secretary of State Archive Div				<b>Check Entry Number: 001</b>
			06/10/2016	6/10/2016	34.40	0.00	34.40
056648	9/14/2016	SHO010	Shold Excavating Inc				<b>Check Entry Number: 001</b>
			36523	8/16/2016	46.76	0.00	46.76
056649	9/14/2016	SKO000	Skookum Contract Services				<b>Check Entry Number: 001</b>
			CI-10004859	8/31/2016	6,606.08	0.00	6,606.08
056650	9/14/2016	SPE001	SOS Printing				<b>Check Entry Number: 001</b>
			54994	8/26/2016	17.22	0.00	17.22
056651	9/14/2016	STA005	Staples Credit Plan				<b>Check Entry Number: 001</b>
			08/15/2016 S	8/15/2016	228.81	0.00	228.81
056652	9/14/2016	SYM070	Richard Symms				<b>Check Entry Number: 001</b>
			08/29/2016	8/29/2016	136.00	0.00	136.00
056653	9/14/2016	TER030	Terrapin Architecture PC				<b>Check Entry Number: 001</b>
			16-178	8/3/2016	22.50	0.00	22.50
056654	9/14/2016	TET060	Tetra Tech, Inc.				<b>Check Entry Number: 001</b>
			51085172	8/31/2016	2,397.38	0.00	2,397.38
056655	9/14/2016	THO040	Gordon Thompson				<b>Check Entry Number: 001</b>
			08/23/2016	8/23/2016	11.30	0.00	11.30
056656	9/14/2016	TOP010	Topper Industries, Inc				<b>Check Entry Number: 001</b>
			9757	8/10/2016	2,096.05	0.00	2,096.05
056657	9/14/2016	TOW001	Townsend Electric				<b>Check Entry Number: 001</b>
			14460	8/29/2016	112.27	0.00	112.27
056658	9/14/2016	TUC050	Stephen Tucker				<b>Check Entry Number: 001</b>
			08/31/2016	8/31/2016	514.22	0.00	514.22
056659	9/14/2016	TUR055	Charles Turner				<b>Check Entry Number: 001</b>
			08/24/2016	8/24/2016	46.00	0.00	46.00



Bank Code: W - WARRANTS PAYABLE							
Check Number	Check Date	Vendor	Invoice Number	Invoice Date	Invoice Amount	Discount Applied	Payment Amount
056660	9/14/2016	TWI001	Spectra Laboratories - Kitsap				Check Entry Number: 001
			16-06170	8/25/2016	210.00	0.00	210.00
			1606171	8/25/2016	210.00	0.00	210.00
			Check 056660 Total:		420.00	0.00	420.00
056661	9/14/2016	UPS020	The UPS Store				Check Entry Number: 001
			08/31/2016	8/31/2016	9.28	0.00	9.28
056662	9/14/2016	VER001	Verizon Wireless, Bellevue				Check Entry Number: 001
			9770414862	8/15/2016	344.15	0.00	344.15
056663	9/14/2016	WAV040	Wave Broadband				Check Entry Number: 001
			08/21/2016 S	8/21/2016	672.75	0.00	672.75
056664	9/14/2016	WES006	Westbay Auto Parts, Inc.				Check Entry Number: 001
			08/25/2016 S	8/25/2016	171.13	0.00	171.13
056665	9/14/2016	WIL002	Shawn E Wiles				Check Entry Number: 001
			08/31/2016	8/31/2016	58.00	0.00	58.00
056666	9/14/2016	WIM001	Wimactel, Inc				Check Entry Number: 001
			000154365	8/1/2016	59.18	0.00	59.18
056667	9/14/2016	WIN003	Windridge Solutions				Check Entry Number: 001
			288	9/1/2016	1,012.50	0.00	1,012.50
056668	9/14/2016	WIN070	Thomas Winkler				Check Entry Number: 001
			08/29/2016	8/29/2016	449.67	0.00	449.67
056669	9/14/2016	WOO045	Mike Woolf				Check Entry Number: 001
			08/11/2016	8/11/2016	7.00	0.00	7.00
056670	9/14/2016	WOR070	Workamper News, Inc				Check Entry Number: 001
			41320	8/25/2016	99.00	0.00	99.00
			Report Total:		190,626.40	0.00	190,626.40