PORT OF KLICKITAT

Bingen, Washington
and
Dallesport, Washington

FINANCIAL STATEMENTS

December 31, 2017

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Annual Report Disclosure Form

MCAG No. 1741

Port of Klickitat

Please check if the statements/schedules are attached. If Schedule 22 is not applicable mark the spot NA (*not applicable*). An unmarked spot will indicate that a schedule is not attached due to lack of activities described in this schedule in reported year.

Certification	X
Financial Statements (including notes)	X
Schedule 01, *Revenues and Expenses*	X
Schedule 09, *Liabilities*	X
Schedule 15, *State Financial Assistance*	X
Schedule 16, *Expenditures of Federal Awards*	X
Schedule 19, *Labor Relations Consultants*	X
Schedule 21, *Risk Management*	X
Schedule 22, *Annual Questionnaire for Accountability Audit*[1]	N/A

[1] Only port districts with annual revenue usually less than $300,000 are required to prepare this schedule.

ANNUAL REPORT CERTIFICATION

Port of Klickitat
(Official Name of Government)

1741
MCAG No.

Submitted pursuant to RCW 43.09.230 to the Washington State Auditor's Office

For the Fiscal Year Ended December 31, 2017

GOVERNMENT INFORMATION:

Official Mailing Address 154 E. Bingen Point Way, Suite A; Bingen, WA 98605

Official Website Address www.portofklickitat.com

Official E-mail Address port@portofklickitat.com

Official Phone Number (509) 493-1655

AUDIT CONTACT or PREPARER INFORMATION and CERTIFICATION:

Audit Contact or Preparer Name and Title Margie Ziegler, Port Auditor

Contact Phone Number (509) 493-1655

Contact E-mail Address mziegler@portofklickitat.com

I certify this 30th day of April, 2018, that the annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to ensure accurate financial reporting, comply with applicable laws and safeguards public resources, including controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.

Audit Contact or Preparer Signature: Margie Ziegler

PORT OF KLICKITAT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2017

Introduction

This discussion and analysis of the Port of Klickitat's financial performance provides an overview of the Port's financial activities for the year ended December 31, 2017. It 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. Please read it in conjunction with the Port's financial statements and notes to the financial statements.

Discussion of the Basic Financial Statements

Financial Highlights

- Total assets of the Port exceeded its total liabilities by $15 million as of December 31, 2017 (reported as *total net position*). This represented an increase of $0.6 million from the Port's total net position of $14.4 million as of December 31, 2016.

- Of the $15 million and $14.4 million in total net position as of December 31, 2017 and 2016, respectively, $3.7 million in 2017 and $3.4 million in 2016 are "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the Port's ongoing obligations to citizens and creditors. $11.2 million and $11 million in 2017 and 2016, respectively, was invested in capital assets, net of related debt and $64 thousand and $70 thousand in 2017 and 2016, respectively, was invested in restricted assets. Net investment in capital assets is calculated by taking the total net capital assets, less all capital related debt that is attributable to the acquisition, construction, or improvement of those assets, including the general obligation bonds and loans payable. Net investment in capital assets was made up of $12.1 million of net capital assets less related debt of $924 thousand in 2017 and $12.0 million of net capital assets less related debt of $1.0 million in 2016, respectively.

Overview of the Financial Statements

The Port's basic financial statements include two components: 1) financial statements; and 2) notes to the financial statements. The Port is not required to reflect both a government-wide perspective financial report and a fund perspective financial report since the Port maintains a single enterprise fund which uses the same measurement focus (economic resources) and accounting framework (accrual) as would be reflected in the government-wide financial statements.

The following is a brief discussion of the financial statements found on pages 10 - 14 of this report.

- The Statement of Net Position reflects the Port's financial position at year-end. The financial position is represented by the difference between assets owned and liabilities owed at a specific point in time, as well as the addition of deferred outflows and subtraction of deferred inflows. The difference between these items is reflected as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Port is improving or deteriorating.

Discussion of the Basic Financial Statements, Continued

Overview of the Financial Statements, Continued

- The Statement of Revenues, Expenses and Changes in Fund Net Position reflects the change in the Port's financial position (net position) during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and unpaid liabilities owed to vendors). This statement presents net income or loss from operations as well as nonoperating revenues and expenses, capital contributions and extraordinary items.

- The Statement of Cash Flows reflects the net increases or decreases in cash from four activities: 1) *Operating activities*, with a reconciliation of cash flows from operating activities to net income or loss from operations; 2) *Non-capital financing activities;* 3) *Capital and related activities;* 4) *Investing activities.*

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15 - 44 of this report.

Financial Analysis

The largest portion of the Port's net position (74.7 percent as of December 31, 2017 as compared to 75.9 percent as of December 31, 2016) reflects its investment in capital assets (e.g. land, construction in progress, intangible assets, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets. Although the Port's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

PORT OF KLICKITAT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2017

Condensed Comparative Financial Data

Net Position
(in thousands of dollars)

	2017	2016
ASSETS		
Current assets and other assets	$ 4,330	$ 4,054
Capital assets, net	12,204	12,051
Total assets	16,534	16,105
DEFERRED OUTFLOWS OF RESOURCES	22	33
LIABILITIES		
Current liabilities	249	268
Long-term liabilities	1,278	1,418
Total liabilities	1,527	1,686
DEFERRED INFLOWS OF RESOURCES	31	6
NET POSITION		
Net investment in capital assets	11,197	10,953
Restricted	64	70
Unrestricted	3,736	3,423
Total net position	$ 14,997	$ 14,446

Change in Net Position
(in thousands of dollars)

	2017	2016
OPERATING REVENUES		
Marine terminal operations	77	85
Water system operations	68	55
Royalties	142	119
Property lease and rental operations	766	746
Total operating revenues	1,053	1,005
NONOPERATING REVENUES		
Investment income	35	16
Property taxes - general	260	254
Other nonoperating revenues	32	37
Total nonoperating revenues	327	307
Total revenues	1,380	1,312
OPERATING EXPENSES		
General operations	64	112
Maintenance	141	189
General and administrative	323	323
Depreciation	289	290
Total operating expenses	817	914
NONOPERATING EXPENSES		
Interest expense	11	13
Other nonoperating expenses	1	2
Total nonoperating expenses	12	15
Total expenses	829	929
Income before contributions	551	383
Capital contributions	-	-
Change in net position	551	383
Net position as of January 1	14,446	14,063
Change in accounting principles	-	-
Net position as of December 31	14,997	14,446

Operations

Total operating revenues for the Port in 2017 were $1.1 million, which represented a slight improvement over 2016 of $48,000. The Port continues to utilize its capital assets to generate revenue mainly through land/building lease activities. Non-operating income for the year was stable with only a modest increase in investment income, approximately $20,000, accounting for the increase.

Total operating expenses for 2017 were $817,000, down approximately $100,000 from the 2016. The decrease in expenses were seen in general operations and maintenance. General and administrative expenses were unchanged from the 2016 activity.

The result of small increases in revenues, coupled with decreasing expenses resulted in a $551 thousand increase in net position for the year. The Port is committed to using its resources to create long-term economic opportunities for the community.

Capital Asset and Long-Term Debt Activity

Capital Assets

The Port's investment in capital assets remained stable at $12.0 million as of December 31, 2017 and 2016 (net of accumulated depreciation of $4 million and $3.7 million, respectively). This investment in capital assets includes land, construction in progress, intangible assets, buildings, machinery, equipment and infrastructure.

The Port invested approximately $412,000 and $363,000 in capital assets during the years ended December 31, 2017 and 2016, respectively. The Port's remaining capital commitments were approximately $63,102 and $302,259 as of December 31, 2017 and 2016, respectively.

Additional information on the Port's capital assets can be found in Note 4 to the financial statements.

Capital Assets
(in thousands of dollars)

	2017	2016
Land	3,350	3,350
CIP	757	485
Intangible Assets	144	144
Buildings	7,326	7,315
Other Imp.	3,840	3,710
Dock & Marina	598	598
Truck & Vehicles	24	24
Machinery & Equip	60	60
Furn & Fixtures	3	3
Office Equip	7	7
Total Capital Assets before accumulated depreciation/amortization	16,109	15,696
Less accumulated depreciation/amortization	(3,986)	(3,698)
Total Capital Assets, net	12,123	11,998

Capital Asset and Long-Term Debt Activity, Continued

Long-Term Debt Activity

At December 31, 2017, the Port had outstanding general obligation bond debt of zero. The Port had no revenue bonds outstanding at any time during the year ended December 31, 2017. The Port had other long-term debt outstanding of $.9 million at December 31, 2017. In 2017, the Port's long-term debt decreased by $0.1 million, from $1 million in 2016.

Additional information on the Port's long-term debt activity can be found in Note 8 to the financial statements.

Other Potentially Significant Matters

All known facts, decisions and conditions that are expected to have a significant effect on the Port's financial position have been addressed in these financial statements.

Requests for Information

This financial report is designed to provide 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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Port of Klickitat, Port Auditor, 154 E. Bingen Point Way, Suite A, Bingen, Washington 98605, or by phone at (509) 493-1655.

PORT OF KLICKITAT
STATEMENT OF NET POSITION
December 31, 2017

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 4,137,747
Restricted assets	
Cash and cash equivalents	129,467
Taxes Receivable	1,151
Interest Receivable	59
Taxes receivable	11,966
Accounts receivable, net	21,977
Interest receivable	4,030
Prepaid expenses	23,503
Total current assets	4,329,900
NONCURRENT ASSETS	
Capital Assets not being depreciated	
Land	3,350,406
Construction in Progress	756,797
Capital assets being depreciated/amortized	
Property, plant and equipment	11,857,637
Intangible Assets	143,515
Less accumulated depreciation/amortization	(3,986,421)
Other noncurrent assets	
Preliminary surveys, net	82,010
Total noncurrent assets	12,203,944
Total assets	16,533,844
DEFERRED OUTFLOWS OF RESOURCES	
Defered Outflows - Related to Pension	21,680
Total Deferred Outflows of Resources	21,680

PORT OF KLICKITAT
STATEMENT OF NET POSITION
December 31, 2017

LIABILITIES

CURRENT LIABILITIES	
Accounts Payable	13,998
Accrued employee benefits	1,906
Accrued wages	8,202
Accrued compensated absences	-
Leasehold taxes payable	22,019
Sales Tax payable	762
Other payable	-
Accrued interest payable	8,806
Contract payable	-
Retainage payable	5,617
Current Portion of long-term obligations	122,110
Customer deposits and prepayments	65,249
Total current liabilities	248,668
NONCURRENT LIABILITIES	
Employee leave benefits	19,307
Other post-employment benefits	151,371
Other noncurrent liabilities	157,033
Net Pension Liability	147,961
Due to other governments	802,505
Total noncurrent liabilities	1,278,177
Total Liabilities	1,526,845
Deferred Inflows of Resources	
Related to Pensions	31,398
Total Deferred Inflows of Resources	31,398
NET POSITION	
Net Investment in capital assets	11,197,322
Restricted for:	
Industrial Development District	54,277
Other	10,000
Unrestricted	3,735,682
TOTAL NET POSITION	$ 14,997,281

PORT OF KLICKITAT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

Year ended December 31, 2017

Operating Revenues		
Marine Terminal operations		76,938
Water System operations		67,678
Royalties		142,082
Property Lease and rental operations		765,651
Total Operating Revenue		1,052,348
Operating Expenses		
General operations		63,753
Maintenance		140,615
General and administrative		323,250
Depreciation		288,706
Total Operating Expenses		816,325
Operating Income		236,024
Nonoperating Revenues (Expenses)		
Investment income		35,419
Taxes levied for:		
General purposes		259,729
Miscellaneous taxes		30,770
Interest expense		(11,361)
Other nonoperating revenues (expenses)		405
Total nonoperating revenues (expenses)		314,962
Increase in net position		550,986
Net Position as of January 1		14,446,295
Net position as of December 31	$	14,997,281

PORT OF KLICKITAT
STATEMENT OF CASH FLOWS
Year ended December 31, 2017

Cash flows from operating activities	
Cash received from customers	$ 890,486
Cash received from other operating activities	142,082
Cash payment for goods and services	(231,961)
Cash payments to employees	(344,701)
Other receipts	405
Other payments made	-
Net cash provided (used) by operating activities	456,311
Cash flows from noncapital financing activities	
Proceeds from unrestricted property taxes	291,166
Net cash provided (used) by noncapital financing activities	291,166
Cash flows from capital and related financing activities	
Payment of loans and notes	(88,971)
Disbursements for purchase of capital assets	(406,850)
Interest and fiscal charges paid	(12,727)
Net cash provided (used) for capital and related financing activities	(508,548)
Cash flows from investing activities	
Receipts of interest and dividends	32,865
Net cash provided by investing activities	32,865
Net increase (decrease) in cash and cash equivalents	271,794
Cash and cash equivalents - January 1	3,995,420
Cash and cash equivalents - December 31	$ 4,267,214
Reconciliation to statement of net position	
Cash and cash equivalents - unrestricted	4,137,747
Cash and cash equivalents - restricted	129,467
Cash and cash equivalents - December 31	$ 4,267,214

PORT OF KLICKITAT
STATEMENT OF CASH FLOWS
Year ended December 31, 2017

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	$	236,024
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization		288,706
Change in assets and liabilities:		
Decrease (increase) in accounts receivable		(802)
Increase (decrease) in accounts payable		(32,621)
Increase (decrease) in customer deposits		3,348
Decrease (increase) in prepaid items		(1,093)
Increase (decrease) in unearned revenue		(22,326)
Increase (decrease) in other payables		33,054
Increase (decrease) in pension related balances		(19,443)
Other receipts (payments)		(28,535)
Total adjustments		220,288
Net cash used by operating activities	$	456,311

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Port of Klickitat was created in 1945 and operates under the laws of the State of Washington applicable to Port districts. The financial statements of the Port have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America, as they are applied to governments. The accounting policies of the Port conform to accounting principles generally accepted in the United States of America, as applicable to proprietary funds of governmental units, except as otherwise noted. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The Port is located in Klickitat County, Washington, and its territory covers less than the entire county. The Port is a special purpose government that provides marine terminal, marina, and industrial park facilities and services to the general public and is supported by user charges, property lease revenues, ad valorem property taxes levied for operations and debt services and other miscellaneous taxes.

The Port is governed by an elected three member board. As required by GAAP, management has considered all potential component units in defining the reporting entity. The Port is a primary government and does not have any component units.

Basis of Accounting and Reporting

The accounting records of the Port are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 of the Revised Code of Washington (RCW).

The Port accounts for funds on a cost of services or an economic resources measurement basis. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their Statement of Net Position. The reported fund equity (total net position) is segregated into net position invested in capital assets, net of related debt, restricted and unrestricted net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in total net position. The Port discloses changes in cash flows by a separate statement that presents their operating, noncapital financing, capital and related financing and investing activities.

The Port uses the accrual framework of accounting where revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are earned. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Basis of Accounting and Reporting, Continued

The Port distinguishes between operating revenues and expenses from nonoperating revenues and expenses. 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 for the use of Port facilities, including industrial properties and buildings, marine terminal, and the water system at the Dallesport Industrial Park. Operating expenses for the Port include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues include ad valorem tax levy revenues, interest income, grant reimbursements and other revenues. Nonoperating expenses include interest expense, election expense and other expenses.

Assets, Liabilities and Equities

<u>Cash and Cash Equivalents</u> - See Note 2 and the Statement of Cash Flows.

As required by state law, all investments of Port funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, or certificates of deposit with Washington State banks or savings and loan institutions.

The Port's cash and cash equivalents are considered to be cash on hand, certificates of deposit, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Interest on debt securities held as investments is recognized in nonoperating revenues when earned. Changes in the fair value of investments are included in nonoperating revenues (for unrealized gains) or nonoperating expense (for unrealized losses).

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.

Certain Investments for the Port are reported at fair value in accordance with GASB statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Likewise, some investments are reported at amortized cost

<u>Investments</u> - See Note 2.

<u>Receivables</u>

Taxes receivable consists of property taxes and related interest and penalties. Because such taxes are considered liens on property and all property taxes are ultimately collected with interest at the statutory rate, the Port has not established a reserve for doubtful taxes receivable. See Note 3.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Assets, Liabilities and Equities, Continued

Receivables, Continued

Accrued interest receivable consists of amounts earned on investments at the end of the year.

Accounts receivable consists of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared. Receivables are recorded when either the asset or revenue recognition criteria have been met as discussed in Note 1, Basis of Accounting and Reporting. Accounts receivable are reported net of an allowance for amounts estimated to be uncollectible. Any amounts written off are adjusted to the allowance for doubtful accounts. The Port uses the reserve method of accounting for doubtful accounts, which is maintained based on historical analysis, as a percentage of outstanding receivables. Accounts receivable are written off according to criteria established by the Port. Any amounts written off are adjusted to the allowance for doubtful accounts.

Allowance for doubtful accounts consists of the estimated amounts of customer accounts that will never be collected. The allowance is estimated from an annual review of historical and current customer activities. As of December 31, 2017, the allowance for doubtful accounts was $500.

Concentrations

For the year ended December 31, 2017, four customers accounted for 87 percent of operating revenue. No other customers individually exceeded 4 percent of operating revenue in 2017.

Significant Risks and Uncertainties

The Port is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, federal, state and local government regulations and changes in law.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Assets, Liabilities and Equities, Continued

Amounts Due From Other Governments

This account includes amounts due from other governments for grants, entitlements, temporary loans, taxes and charges for services.

Inventories

The Port expenses office supplies, maintenance parts, inventory and supplies in the period they are acquired. If these items were inventoried, no material change in net income would result.

Restricted Assets and Liabilities

In accordance with contractual agreements, restricted asset accounts are established, which are restricted for specific uses, including construction and debt service.

The restricted assets at December 31, 2017 consist of the following:

Current restricted assets	
Investments - State Pool	
Customer deposits	$ 65,249
Executive retention program	10,000
IDD	54,140
Total Investments - State Pool	129,389
Cash - Industrial Development District (IDD)	78
Taxes Receivable	1,151
Interest Receivable - IDD	59
Total Current Restricted Assets	$ 130,677

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Assets, Liabilities and Equities, Continued

Deferred Compensation Plan

In 2010, the Port activated an executive incentive plan. $2,500 was reclassified to restricted assets for 2017 and 2016, respectively, in accordance with the agreement terms of the plan, the employee was paid $10,000 in 2017 and the balance of $10,000 was paid to the employee in 2018. The funds were being held within the Port's investments account at the Washington State Investment Pool. The employee vesting at December 31, 2017 was 100%.

Capital Assets and Depreciation

Capital assets, including intangible assets are detailed in Note 4. Intangible assets represent the cost of long-lived organizational master plans.

Other Assets, net, Non-current

Other assets, net represent preliminary surveys and investigations not yet finalized. Other assets were $82,010 at December 31, 2017, net of accumulated amortization.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The Port records unpaid vacation and sick leave for compensated absences as an expense and liability when incurred. The accrued compensated absence balance at December 31, 2017 is $19,307.

Compensatory leave time may accumulate up to a maximum of eighty hours per hourly employee, unless approved by the Executive Director. The employee may elect to receive compensatory time off instead of cash payment for overtime pay (both are computed at 1.5 times the hours worked).

Vacation leave, which may be accumulated up to an employee's amount of vacation hours accrued during a twenty four month period, is payable upon separation, retirement or death. Sick leave may accumulate up to 1,056 hours and upon separation or retirement, employees receive payment of unused sick leave up to a maximum of 120 hours.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Assets, Liabilities and Equities, Continued

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/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 at fair value.

Advertising

The Port expenses its advertising costs as they are incurred. Advertising expense for the year ended December 31, 2017 was $100.

Customer Deposits

The Port is required by law to hold a performance or security deposit on all leases and is in compliance with the law. Lessee's failure to pay or abandonment of the property and lease can be covered by the funds held and accessible to the Port.

Net Position

Net Investment in Capital Assets represents the historical cost of capital assets reduced for accumulated depreciation less outstanding debt and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets.

Restricted represents restricted assets that have been externally restricted by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through statutory, constitutional or contractual provisions and deferred outflows of resources related to those assets, less related liabilities. The Port maintains a variety of internal use restrictions on various funds; however, none of these funds are restricted as defined here.

Unrestricted represents the net amount of the assets, deferred outflow of resources, liabilities and deferred inflow of resources not included in the determination of net investment in capital assets or the restricted portion of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Assets, Liabilities and Equities, Continued

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS:

As of December 31, 2017, the Port cash, cash equivalents, and investments as reported on the Statement of Net Position are as follows:

Cash on hand	$	66,516
State Treasurer's Investment Pool		4,134,626
Cash held by Klickitat PUD		66,072
Total cash and investments	$	4,267,214

The investments in the Washington State Local Government Investment Pool are classified as cash equivalents.

Deposits

As of December 31, 2017, the carrying amount of the Port's unrestricted and restricted cash deposits with financial institutions was $66,338 and $78, respectively. In addition, the Klickitat PUD holds water system cash on behalf of the Port, in the amount of $66,072.

Custodial risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned. The Port's deposits at year-end were entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The FDIC covers the Port's insured deposits. The PDPC provides collateral protection. The PDPC (established under Chapter 39.58 RCW) constitutes a multiple financial institution collateral pool. Pledged securities under the PDPC collateral pool are held by the PDPC's agent in the name of the collateral pool.

Investments

The Port is currently invested in the Washington State Local Government Investment Pool (LGIP), which is reported at amortized cost. The LGIP operates in accordance with appropriate state laws and regulations. The LGIP transacts with its participants at a stable net asset value per share and meets the portfolio maturity, quality, diversification, liquidity and shadow pricing requirements that allows it to report at amortized costs. Further, The LGIP is classified as an unrated 2a-7 investment pool per the Securities and Exchange Commission

The weighted average maturities of the LGIP are less than three (3) months and approximately one (1) year, respectively, with cash available to the Port on demand. The on demand availability of these funds defines them as cash equivalent liquid investments and not subject to interest rate risk. Cash investments are not subject to interest rate risk or any market value reporting requirements. All LGIP investments are either obligations of the United States government, government-sponsored enterprises, or insured demand deposit accounts and certificates of deposits, meaning credit risk is very limited. The investments are either fully insured or fully held by a third party custody provider in the name of the LGIP. The LGIP is audited by the Washington State Auditor's Office and regulated by Washington RCWs and the LGIP Advisory Committee.

NOTE 2 - DEPOSITS AND INVESTMENTS, CONTINUED:

Investments, Continued

Investments Measured at Amortized Cost
As of December 31, 2017, the Port presents the LGIP investment of $4,134,626 at amortized cost. This is reported at amortized cost because the State Pool has elected to measure in this manner. The only restriction on withdrawals from the State Investment Pool is when a deposit is received by ACH. In this case, a five day waiting period exists.

NOTE 3 - PROPERTY TAX:

The Klickitat County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed to the Port of Klickitat's account daily as they are received by the Klickitat County Treasurer. A revaluation of all property is performed every year.

<u>Property Tax Calendar</u>

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

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

The Port may levy up to $0.45 per $1,000 of assessed valuation for general Port purposes. This amount may be reduced for any of the following reasons:

a. Washington State law, in RCW Chapter 84.55.010, as amended by initiative 747, limits the growth of regular property taxes to one percent per year, after adjustments for new construction. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.

b. The Port may voluntarily levy taxes below the legal limit.

NOTE 3 - PROPERTY TAX, CONTINUED:

c. The State Constitution limits total regular property taxes to one percent of assessed valuation. If the combined taxes of all districts within the county exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.

The Port's regular levy for 2017 was $0.17509 per $1,000 on a total assessed valuation of $1,479,418,164 for total regular levy of $259,033.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION:

Major expenses for capital assets, including major repairs that increase the useful life of an asset, are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when incurred.

All capital assets are valued at historical cost, or where historical cost is not known, at estimated historical cost. Donations of capital assets from developers and customers are recorded at acquisition value at the date of donation. Certain capital assets were acquired from other governmental entities in prior years and these assets are also recorded at their acquisition value at the time of the donation. The Port of Klickitat's capitalization threshold is $500. The Port maintains detailed depreciable infrastructure records.

The Port acquired certain assets with funding provided by federal and state financial assistance programs. Depending upon the terms of the agreements involved, the funding governmental unit could retain an equity interest in these assets resulting in the assets reverting back to the agency if the assets are not used for their intended purposes. 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.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION, CONTINUED:

An allowance for funds used during construction is capitalized, when material, as part of the cost of the asset. The procedure is intended to remove the cost of financing construction activity from the operating statements and to treat such costs in the same manner as construction labor and material costs. During 2017, the Port had no capitalized net interest costs and did not offset any interest costs by any interest income.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives using the straight-line method, full month convention, with useful lives of 3 to 70 years. The major categories are:

Buildings and structures	30 - 70 years
Other improvements	10 - 60 years
Docks and marina ramps	20 - 40 years
Trucks and vehicles	5 - 10 years
Machinery and equipment	5 - 10 years
Furniture and fixtures	5 - 10 years
Office equipment	3 - 5 years

<u>Impaired Capital Assets</u>

The Port does not have any impaired capital assets. However, Bingen Lake and the surrounding wetland and buffer, which totals 36.33 acres, is an identified wetland and as such, is subject to various governmental agency restrictions as to its future development. The subject lake and wetland is being carried on the Port's books at its allocated historical cost of $7,820 from when it was first purchased in 1959.

In 1987, the Port had an engineering firm delineate the wetland. The lake, wetland and buffer are subject to the Klickitat County Critical Areas Ordinance adopted January 27, 2004, Washington Administrative Code (WAC) 173-22, Water Pollution Control Act (Chapter 90.48 RCW), Shoreline Management Act (Chapter 90.58 RCW) and Growth Management Act (Chapter 36.70A RCW). Developable lands that are adjacent to the identified lake and wetland could potentially be enhanced by such adjacent habitat. As there is no determination if the value of the identified lake and wetland is less than the carrying value of $7,820, the Port has not made any reductions to the carrying value of the lake and wetland on its books at this time.

PORT OF KLICKITAT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION, CONTINUED:

Capital assets activity for the year ended December 31, 2017 was as follows:

Asset Category	Ending Balance 12/31/2016	Increases	Decreases	Ending Balance 12/31/2017
Capital Assets not being depreciated				
Land	$ 3,350,406	$ -	-	$ 3,350,406
Construction in progress	485,030	410,001	138,233	756,797
Total capital assets not being depreciated	3,835,436	410,001	138,233	4,107,203
Captial assets being depreciated/amortized				
Buildings and structures	7,314,624	10,880	-	7,325,504
Other improvements	3,710,168	129,818	-	3,839,986
Docks and marina ramps	597,913	-	-	597,913
Trucks and vehicles	23,741	-	-	23,741
Machinery and equipment	60,493	-	-	60,493
Furniture and fixtures	2,870	-	-	2,870
Intangible assets	143,515	-	-	143,515
Office equipment	7,131	-	-	7,131
Total capital assets being depreciated	11,860,454	140,698	-	12,001,152
Less accumulated depreciation for				
Buildings and structures	1,494,757	113,032	-	1,607,789
Other improvements	1,717,733	148,982	-	1,866,715
Docks and marina ramps	384,134	14,948	-	399,082
Trucks and vehicles	23,444	296	-	23,740
Machinery and equipment	47,988	5,371	-	53,359
Furniture and fixture	2,073	269	-	2,342
Intangible assets	20,964	5,571	-	26,535
Office equipment	6,622	237	-	6,859
Total accumulated depreciation	3,697,715	288,706	-	3,986,421
Total capital assets being depreciated, net	8,162,739	(148,008)	-	8,014,731
Total capital assets, net	$ 11,998,175	$ 261,993	$ 138,233	$ 12,121,934

NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction Commitments

The Port has various active construction projects as of December 31, 2017. At year-end the Port's commitments with contractors are as follows:

Project	Spent To-Date	Remaining Commitment
Marina Recreation Planning	$ 60,210	$ 4,335
Bingen Point Grading Project	505,356	58,767
	$ 565,566	$ 63,102

Of the committed balance of $63,102 the Port has raised all necessary funds.

NOTE 6 - 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 2017:

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	147,961
Deferred outflows of resources	$	21,680
Deferred inflows of resources	$	31.398
Pension expense/expenditures	$	3,995

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

NOTE 6 - PENSION PLANS, CONTINUED:

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
January – June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**
July – December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**12.70%**	**6.00%**

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

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

NOTE 6 - PENSION PLANS, CONTINUED:

members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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

<u>Contributions</u>

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

NOTE 6 - PENSION PLANS, CONTINUED:

2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
January-June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**11.18%**	**6.12%**
July-December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	.018%	
Employee PERS Plan 3		varies
Total	**12.70%**	**7.38%**

*For employees participating in JBM, the contribution rate was 15.30% for January-June 2017 and 18.45% July-December 2017.

The Port's actual PERS plan contributions were $9,628 to PERS Plan 1 and $12,657 to PERS Plan 2/3 for the year ended December 31, 2017.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study.*

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% 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%

NOTE 6 - PENSION PLANS, CONTINUED:

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 changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basis minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

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. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). 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.

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. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

NOTE 6 - PENSION PLANS, CONTINUED:

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, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/ (Asset)

The table below presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7.5 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.

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
PERS 1	92,544	75,969	61,611
PERS 2/3	193,954	71,992	(27,938)

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.

NOTE 6 - PENSION PLANS, CONTINUED:

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

At June 30, 2017, the Port reported a total pension liability of $147,961 for its proportionate share of the net pension liabilities as follows:

Plan	Liability or Asset
PERS 1	75,969
PERS 2/3	71,992

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

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.00173%	0.00160%	-0.00013%
PERS 2/3	0.00221%	0.00207%	-0.00014%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

NOTE 6 - PENSION PLANS, CONTINUED:

Pension Expense

For the year ended December 31, 2017, the Port recognized pension expense as follows:

	Pension Expense
PERS 1	(2,845)
PERS 2/3	6,840
TOTAL	3,995

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual Investment earnings on pension plan investments	$ -	$ (2,835)
Contributions subsequent to the measurement date	5,504	-
TOTAL	$ 5,504	$ (2,835)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,294	$ (2,368)
Net difference between projected and actual Investment earnings on pension plan investments	-	(19,191)
Changes of assumptions	765	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(7,004)
Contributions subsequent to the measurement date	8,117	
TOTAL	$ 16,176	$ (28,583)

NOTE 6 - PENSION PLANS, CONTINUED:

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,294	$ (2,368)
Net difference between projected and actual Investment earnings on pension plan investments	-	(22,026)
Changes of assumptions	765	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(7,004)
Contributions subsequent to the measurement date	13,621	
TOTAL	$ 21,680	$ (31,398)

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, 2018. Other amounts reported as deferred outflows and deferred inflows to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3
2018	(1,916)	(9,378)
2019	605	448
2020	(140)	(2,628)
2021	(1,383)	(8,543)
2022	-	(175)
Thereafter	-	(229)

NOTE 7 - RISK MANAGEMENT:

The Port of Klickitat maintains insurance against most normal hazards for commercial automobile, property loss and general liability.

The Port is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2017, there are 540 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- $1,000,000 deductible on liability loss - the member is responsible for the first $1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining $999,000 on a liability loss.
- $250,000 deductible on property loss - the member is responsible for the first $1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining $249,000 on a property loss.
- Enduris is responsible for the $4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is $20 million per occurrence and property coverage limit is $1 billion per occurrence. Enduris offers crime coverage up to a limit of $1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

NOTE 7 - RISK MANAGEMENT, CONTINUTED:

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.

Insurance settlements, if any, have not exceeded insurance coverage in each of the past three years.

NOTE 8 - LONG-TERM DEBT:

Long-Term Debt

The Port is liable for subordinated interagency Washington State Community Economic Revitalization Board (CERB) loans. These loans are payable from the revenues of the Port.

Subordinated interagency loans outstanding at December 31, 2017 are as follows:

Description/Purpose	Amount	Maturity	Rate	Amount
CTED-CERB Loan/B. Pt. Ph 1, Bldg 1B	$ 353,606	1/27/2020	3.00%	79,628
CTED-CERB Loan/B. Pt. Ph 1, Bldg 1D	$ 650,000	7/1/2024	1.00%	315,421
CTED-CERB Loan/B. Pt. Ph 1, Bldg 1E	$ 525,000	1/1/2027	1.60%	343,566
CTED-CERB Loan/B. Pt. Harbor Dr	$ 310,000	7/1/2026	0.00%	186,000
Total subordinated interagency loans outstanding				924,615
Less current portion				(122,110)
Long-term portion				$ 802,505

NOTE 8 - LONG-TERM DEBT, CONTINUED:

Long-Term Debt, Continued

The annual debt service requirements to maturity for subordinated interagency loans are as follows:

Year ending December 31	Total	Principal	Interest
2018	$ 133,150	$ 122,110	$ 11,040
2019	133,150	123,831	9,319
2020	133,150	125,588	7,562
2021	104,999	99,231	5,768
2022	104,999	100,218	4,781
2023 - 2027	363,687	353,635	10,051
	$ 973,134	$ 924,615	$ 48,520

The accompanying Schedule of Liabilities (Schedule 09) provides a listing of the outstanding debt of the Port and summarizes the Port's debt transactions for the year ended December 31, 2017.

Changes in Long-Term Liabilities

During the year ended December 31, 2017, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2017	Additions	Reductions	Ending Balance 12/31/2017	Due Within One Year
Employee Leave Benefits	$ 19,550	$ -	$ 242	$ 19,307	$ -
Other post-employment benefits	121,715	29,656	-	151,371	-
Net Pension Liability	204,171	-	56,210	147,961	-
Loans Payable	1,045,038	-	120,423	924,615	122,110
Total Long-Term Liabilities	$ 1,390,474	$ 29,656	$ 176,875	$ 1,243,253	$ 122,110

NOTE 9 - LEASE COMMITMENTS:

Property Leases

As part of its normal operations, the Port of Klickitat leases land and buildings under operating leases to tenants who intend to utilize the facilities to generate direct benefits within the community.

The Port's objective is that lease terms be for a length of time that will assist in insuring economic stability and a fair return on the value of the facilities being leased. Lease terms, not including renewal options, run for one to fifty years. In addition, there are properties that are rented on a month-to-month basis. All leases are accounted for as operating leases.

Minimum annual rental payments for all operating leases for the next five years and thereafter having non-cancelable terms exceeding one year are as follows:

Year	Total
2018	$ 819,749
2019	518,535
2020	444,630
2021	447,894
2022	275,212
2023 - 2027	1,468,798
2028 - 2032	995,377
2033 - 2037	991,926
2038 - 2042	1,021,835
2043 - 2047	1,034,989
2048 - 2052	678,708
2053 - 2057	684,323
2058 - 2062	684,744
2063	90,604
Total	$ 10,157,324

NOTE 9 - LEASE COMMITMENTS, CONTINUED:

Property Leases, Continued

Property lease revenue for the year ended December 31, 2017 was $765,651. The total cost of leased buildings for December 31, 2017, was $7,231,566. Accumulated depreciation on the leased property as of December 31, 2017, was $1,565,365. Although ground leases are included in the minimum rental payments disclosed above, the cost of the leased land is not included in the cost of leased property as it is immaterial.

NOTE 10 - RESTRICTED NET POSITION:

The Port's Statement of Net Position reports $64,277 of restricted net position, all of which is restricted by government law or regulation, constitutional provision or contractual agreement.

NOTE 11 - CONTINGENCIES AND LITIGATION:

The Port of Klickitat has recorded in its financial statements all material liabilities. For 2017, there are no other claims, matters of litigation or assessments. In the opinion of management, the Port's insurance policies are adequate to pay all known or pending claims.

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

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB):

Plan Description

In addition to the pension benefits described in Note 7, the Port participates in a cost sharing multiple-employer defined benefit other post-employment benefit (OPEB) plan. This plan is administered by the Health Care Authority (HCA) per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability. Benefits are offered to retirees at a subsidized rate.

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

As of year-end, there were no Port employees that had retired and were receiving these benefits.

This OPEB plan does not issue a stand-alone financial report but it is included in the report of the State of Washington, Office of Financial Management. This report can be obtained from the following website: http://www.ofm.wa.gov/cafr/.

Funding Policy:

This plan is not currently funded. The Port was required to contribute $29,656 at December 31, 2017, but only contributed $0. The amount contributed differs from the Annual Required Contribution (ARC) because the plan is financed on a pay-as-you-go-basis. The difference between the OPEB Costs and the required contribution is called the Net OPEB Obligation (NOO). This amount of $151,371 is the actuarial accrued liability recognized on the statement of net position at December 31, 2017.

The total unfunded actuarial liability (UAAL) is $215,409. The covered payroll (annual payroll of active employees covered by the plan) was $201,623 and the ratio of the UAAL to the covered payroll was 106.8 percent.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB), CONTINUED:

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2017	$ 29,656	0%	$ 151,371
2016	$ 34,108	0%	$ 121,715
2015	$ 34,494	0%	$ 90,307

Annual OPEB Cost and Net OPEB Obligation

The Port's annual other postemployment benefit (OPEB) cost (expense) is determined based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the Alternative measurement method parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Port's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Port's net OPEB obligation.

	2017
Actuarial Required Contribution (ARC)	$ 31,827
Interest on Net OPEB Obligation (NOO)	4,869
Adjustment to NOO	(7,039)
Annual OPEB Cost	29,657
Employer Contributions	-
Increase (Decrease) in NOO	29,657
Net OPEB Obligation January 1	121,715
Net OPEB Obligation December 31	$ 151,371

Actuarial Methods and Assumptions:

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB), CONTINUED:

Additionally, calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. The specific actuarial methods and significant assumptions used to determine the ARC for the current year are as follows:

Valuation Date	1/1/2017
Actuarial Cost Method	Projected Unit Credit
Method used to determine the actuarial value of assets	N/A
Interest Rate for Discounting Future Liabilities	3.75%
Projected Payroll Growth	3.75%
Investment Return	N/A
Expected Retirement Age	62.4
Healthcare Cost Trend Rate - Initial	7.0%
Healthcare Cost Trend Rate - Ultimate	4.9%
Amortization Period - Open	30

Retirement, disablement, termination and mortality rates were assumed to follow the PERS 2 rates used in the June 30, 2015 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide PEBB study performed in 2015. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 30 years. The assumptions are individually and collectively reasonable for the purposes of this evaluation.

NOTE 13 - SUBSEQUENT EVENTS:

The Port has evaluated subsequent events through April 30, 2018, which is the date the financial statements were available to be issued.

In May 2018 the Port will complete the BP Infrastructure Grading Project.

The Port is in the process of various land and building improvements as a part of their ongoing commitment to capital infrastructure to enhance its leasing opportunities. The Port has entered into various contracts with engineers and architects as a part of its capital improvement plan.

NOTE 14 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

The Port is in compliance with all finance-related legal and contractual provisions.

PORT OF KLICKITAT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFIT
SCHEDULE OF FUND PROGRESS
For the Year Ended December 31, 2017

Actuarial Valuation Date	Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2015	12/31/2015	-	201,306	201,306	0.0%	222,198	90.6%
12/31/2016	12/31/2016	-	205,766	205,766	0.0%	186,961	110.1%
12/31/2017	12/31/2017	-	215,409	215,409	0.0%	201,623	106.8%

PORT OF KLICKITAT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
December 31, 2017

PERS 1
As of June 30
Last Four Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.001601%	$ 75,969	$ 183,734	41.35%	61.24%
2016	0.001727%	92,748	206,882	44.83%	57.03%
2015	0.006313%	90,222	202,524	44.55%	59.10%
2014	0.005270%	92,431	197,426	46.82%	61.19%

PERS 2/3
As of June 30
Last Four Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.002072%	$ 71,992	$ 183,734	39.18%	90.97%
2016	0.002213%	111,423	206,882	53.86%	85.82%
2015	0.006598%	46,613	202,524	23.02%	89.20%
2014	0.005305%	81,537	197,426	41.30%	93.29%

PORT OF KLICKITAT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
December 31, 2017

PERS 1
As of December 31
Last Four Calendar Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2017	$ 9,761	$ (9,761)	$ -	$ 199,127	4.90%
2016	9,463	(9,463)	-	198,389	4.77%
2015	9,489	(9,489)	-	213,191	4.45%
2014	8,282	(8,282)	-	201,139	4.12%

PORT OF KLICKITAT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
December 31, 2017
PERS 2/3
As of December 31
Last Four Calendar Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2017	$ 13,677	$ (13,677)	$ -	$ 199,127	6.87%
2016	12,360	(12,360)	-	198,389	6.23%
2015	12,175	(12,175)	-	213,191	5.71%
2014	10,243	(10,243)		201,139	5.09%

PORT OF KLICKITAT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION - PENSION
December 31, 2017

As of December 31
Last Four Calendar Years

Note 1: Information Provided

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

Note 2: Significant Factors

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

Note 3: Covered payroll

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

Note 4: Change in contribution rate

The employer contribution rates for both PERS 1 and PERS 2/3 plans increased from 11.18% to 12.70% for pay periods beginning July 2017.

REVENUES AND EXPENSES

For the Year Ended December 31, 2017

MCAG	Fund Number	Fund Name	Account Code	Account Title	Amount
1741	401	General	3081900	Restricted Net Position-Beginning	70,531
1741	401	General	3086000	Net Investment in Capital Assets-Beginning	10,953,137
1741	401	General	3088900	Unrestricted Net Position-Beginning	3,416,627
1741	401	General	3881000	Prior Period Adjustment	6,000
1741	401	General	3111000	Property Tax	259,729
1741	401	General	3370000	Local Grants, Entitlements and Other Payments	30,770
1741	401	General	3446000	Airports and Ports Services	76,938
1741	401	General	3446000	Airports and Ports Services	209,760
1741	401	General	3611000	Investment Earnings	35,419
1741	401	General	3620000	Rents and Leases	737,242
1741	401	General	3620000	Rents and Leases	28,409
1741	401	General	3699200	Miscellaneous Other Non-Operating	6,443
1741	401	General	5014600	Depreciation - Airports and Ports	288,706
1741	401	General	5081900	Restricted Net Position-Ending	64,277
1741	401	General	5086000	Net Investment in Capital Assets-Ending	11,197,322
1741	401	General	5088900	Unrestricted Net Position-Ending	3,735,682
1741	401	General	5460010	Airports and Ports - Salaries	219,234
1741	401	General	5460020	Airports and Ports - Benefits	132,540
1741	401	General	5460030	Airports and Ports - Supplies	22,257
1741	401	General	5460040	Airports and Ports - Services	153,588
1741	401	General	5914670	Debt Repayments - Airports and Ports	120,423
1741	401	General	5985040	Other Non-Operating Expenses	6,038
1741	401	General	5924680	Interest and Other Debt Service Cost - Airports and Ports	11,361
1741	401	General	5944660	Capital Expenditures/Expenses - Airports and Ports	412,468
1741	401	General	8100000	Cash, Cash Equivalents and Investments	4,267,214
1741	401	General	8200000	Other Current Assets	62,686
1741	401	General	8300000	Noncurrent Assets	12,203,944
1741	401	General	8400000	Deferred Outflows	21,680
1741	401	General	8500000	Current Liabilities	248,668
1741	401	General	8600000	Noncurrent Liabilities	1,278,177

SCHEDULE OF LIABILITIES

For the Year Ended December 31, 2017

Debt Type	ID No.	Description	Maturity/Payment Due Date	Beginning Balance 01/1/2017	Additions	Reductions	Ending Balance 12/31/17
Revenue Obligations							
	263.84	CTED-CERB LOAN - B.Pt. Phase 1, Bldg. 1B, ISSUED 2000	1/1/2017	104,640	-	25,012	79,628
	263.84	CTED-CERB LOAN - B.Pt. Phase 1, Bldg. 1D, ISSUED 2004	7/1/2017	358,714	-	43,293	315,421
	263.84	CTED-CERB LOAN - B.Pt. Phase 1, Bldg. 1E, ISSUED 2006	1/1/2017	375,017	-	31,452	343,566
	263.84	CTED-CERB LOAN - B.Pt. Phase 1, Harbor Drive, ISSUED 2011	7/1/2017	206,666	-	20,667	185,999
	259.12	Compensated Absences		19,550	-	242	19,307
	264.40	OPEB		121,715	29,656	-	151,371
	264.30	Pension Liabilities		204,171	-	56,210	147,961
		Total Liabilities		$ 1,390,473	29,656	176,876	1,243,253

SCHEDULE OF STATE FINANCIAL ASSISTANCE

For the Year Ended December 31, 2017

1	2	3	4
Grantor	Program Title	Identification Number	Amount
None			

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017

1	2	3	4	5			6	7
Federal Agency Pass-Through Agency	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
None								

The Accompanying Notes To The Schedule Of Expenditures of Federal Awards Are An Integral Part Of This Schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017

Note 1 - Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Port of Klickitat's financial statements. The Port uses the accrual framework of accounting where revenues are recognized when earned and expenses are recognized when incurred. Fixed asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

Note 2 - Program Costs

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Port's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

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

SCHEDULE OF LABOR RELATIONS CONSULTANT(S)

For the Year Ended December 31, 2017

Has your government engaged labor relations consultants? ____Yes _X_ No

If yes, please provide the following information for each consultant:

Name of Firm
Name of Consultant
Business Address
Amount Paid To Consultant During Fiscal Year
Terms and Conditions, as Applicable, Including: Rates (e.g., hourly, etc.) ____________ Maximum Compensation Allowed ____________ Duration of Services ____________ Services Provided ____________ ____________

SCHEDULE OF RISK MANAGEMENT
LOCAL GOVERNMENT RISK-ASSUMPTION
WITHOUT FORMAL RISK FINANCING PLAN

Port of Klickitat

Program Manager: Mr. Marc Thornsbury, Executive Director
Address: 154 E. Bingen Point Way, Suite A
Bingen, Washington 98605
Phone: (509) 493-1655
Email: mthornsbury@portofklickitat.com

Date: April 30, 2018
Fiscal Period: FYE 12/31/17

Property/Liability Risk Assumed:

Effective Date	Description of Risk	Amount (i.e., attachment point, etc.)	Change from prior year?
NONE			

Health/Welfare Risk Assumed:

Effective Date	Description of Risk	Number of Participants	Change from prior year?
NONE			