

# ANNUAL REPORT CERTIFICATION

## Port of Clarkston

MCAG No. 0437

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: 849 Port Way, Clarkston, WA 99403

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Official E-mail Address: wanda@portofclarkston.com

Official Phone Number: 509-758-5272

### AUDIT CONTACT or PREPARER INFORMATION and CERTIFICATION:

Audit Contact or Preparer Name and Title: Wanda Keefer, Port Manager

Contact Phone Number: 509-758-5272

Contact E-mail Address: [Wanda@portofclarkston.com](mailto:Wanda@portofclarkston.com)

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

Signatures:



## Port of Clarkston

Schedule 01

For the year ended December 31, 2017

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
0437	401	Operations	3081000	Reserved Cash and Investments - Beginning	\$156,557
0437	401	Operations	3088000	Unreserved Cash and Investments - Beginning	\$915,315
0437	401	Operations	3111000	Property Tax	\$353,115
0437	401	Operations	3319700	Federal Direct Grant from Department of Homeland Security	\$0
0437	401	Operations	3321560	Payment In-Lieu of Tax	\$630
0437	401	Operations	3340420	State Grant from Department of Commerce	\$25,555
0437	401	Operations	3446410	Airports and Ports Services	\$28,142
0437	401	Operations	3446450	Airports and Ports Services	\$810
0437	401	Operations	3446610	Airports and Ports Services	\$585,499
0437	401	Operations	3446690	Airports and Ports Services	\$31,868
0437	401	Operations	3611000	Investment Earnings	\$758
0437	401	Operations	3670000	Contributions and Donations from Nongovernmental Sources	\$10,850
0437	401	Operations	3850000	Special or Extraordinary Items	\$3,027
0437	401	Operations	3893000	Agency Type Collections	\$67,187
0437	401	Operations	5460010	Airports and Ports	\$382,138
0437	401	Operations	5460020	Airports and Ports	\$136,642
0437	401	Operations	5460030	Airports and Ports	\$100,585
0437	401	Operations	5460040	Airports and Ports	\$0
0437	401	Operations	5850000	Special or Extraordinary Items	\$10,000
0437	401	Operations	5893000	Agency Type Remittances	\$67,187
0437	401	Operations	5894000	Agency Type Disbursements	\$140
0437	401	Operations	5914670	Debt Repayment - Airports and Ports	\$113,474

0437	401	Operations	5924680	Interest and Other Debt Service Cost - Airports and Ports	\$16,782
0437	401	Operations	5944660	Capital Expenditures/Expenses - Airports and Ports	\$260,262
0437	401	Operations	5081000	Reserved Cash and Investments - Ending	\$156,557
0437	401	Operations	5088000	Unreserved Cash and Investments - Ending	\$761,742

Port of Clarkston  
STATEMENT OF ACTIVITIES  
ARISING FROM CASH TRANSACTIONS  
For the Year Ending 12/31/2017

**OPERATING REVENUES:**

Marina operations	\$ 300
Cruise boat dock operations	28,142
Granite Lake Park	810
Property lease/rental operations	622,326
Total Operating Revenues	<b>\$ 651,578</b>

**OPERATING EXPENSES**

General operations	\$ 100,585
Maintenance	136,642
General and administrative	382,138
Total Operating Expenses	<b>\$ 619,365</b>

**NET OPERATING INCOME (LOSS) \$ 32,213**

**NONOPERATING REVENUES/(EXPENSES):**

Property tax	\$ 353,115
Federal Direct Grant - Homeland Security	0
Miscellaneous taxes	2,438
Interest income	758
State Grant from Department of Commerce	25,555
Miscellaneous non-operating revenue	434
Contributions from non-government sources	10,850
Other increases in fund resources - Insurance recoveries	779
Custodial activities - collection of leasehold taxes	67,187
Proceeds from sales of capital assets	0
Other decreases in resources - Miscellaneous Non operating Expense	(41)
Custodial activities - disbursement of leasehold taxes	(67,187)
Agency-Type Disbursements - Directed - for Asotin Marina	(14,036)
Debt Repayment	(113,474)
Interest and Other Debt Service Cost	(16,782)
Capital Expenditures	(260,262)
Total Nonoperating Revenues/(Expenses)	<b>\$ (10,666)</b>

Increase (decrease) in cash and investments **\$ 21,547**

Beginning balance of cash and investments **\$ 915,315**

**ENDING BALANCE OF CASH AND INVESTMENTS **\$ 936,862****

PORT OF CLARKSTON  
Notes to Financial Statements  
December 31, 2017

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

The Port of Clarkston was incorporated in 1958 and operates under the laws of the State of Washington applicable to a Port District. The Port of Clarkston is a special purpose local government and provides a shipping terminal, industrial properties, property leases, recreational and tourism moorage and recreational facilities, as well as capacity building with local partners to grow the local economy.

The Port of Clarkston reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

While financial transactions of Port Districts are typically organized on the basis of several funds--each of which is considered a separate accounting entity--the Port of Clarkston uses a single governmental fund, the general or current expense fund. This fund accounts for all cash, investments, revenues and expenditures. There are no interfund loans.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Budgets

The Port of Clarkston adopts an annual appropriated budget for its general or current expense fund, which constitutes legal authority for expenditures. It is adopted by the Board of Commissioners. Annual appropriations lapse at fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting (cash basis).

The final appropriated amount for the general fund budget was \$1,149,355. Actual expenditures for 2017 were \$1,091,147. Variance for 2017 was \$58,20, meaning expenses were 5% lower than anticipated. A good part of the reason for the difference is that Avista Utilities did not bill against the CD for the Irrevocable Standby Letter of Credit until 2018. It is possible that the Port will receive two bills from Avista in 2018.

PORT OF CLARKSTON  
Notes to Financial Statements, Continued  
December 31, 2017

D. Cash and Investments – See Note 2, *Deposits and Investments*.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

E. Capital Assets

Capital assets are assets with an individual cost of more than \$10,000 and an estimated useful life in excess of 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation pay may be accumulated up to 240 hours or thirty days and is payable upon separation or retirement. Sick leave is earned one day per month and may accumulate up to 720 hours or ninety days. Upon separation or retirement, employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt – See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

No other financing sources or uses beyond general fund revenue flow (which includes lease revenue), long-term debt (see Note 4) and private, state and federal grants addressed in Schedules 15 and 16 exist for the Port of Clarkston.

I. Risk Management – See Note 6, *Risk Management*.

J. Reserved Fund Balance

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Port of Clarkston Board of Commissioners. When expenditures that meet restrictions are incurred, the port district intends to use reserved resources first before using unreserved amounts.

**NOTE 2 – DEPOSITS AND INVESTMENTS:**

It is the Port of Clarkston's policy to invest all temporary cash surpluses. As the Port has only one fund, no proration of interest earned is necessary. All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Port or its agent in the government's name. Investments are reported at original cost. Investments by type at December 31, 2017 are as follows:

PORT OF CLARKSTON  
Notes to Financial Statements, Continued  
December 31, 2017

Investments

Due to low interest rates, the last of the Port’s investments held by the Asotin County Treasurer in the Local Government Investment Pool were removed from the account July 2014.

Unrestricted Cash - The Port’s total reserved and unreserved cash as of December 31, 2017 is as follows:

	<u>Total 2017</u>	<u>2017--Unreserved</u>
General Fund – Maintenance Fund	\$ 756,692	\$ 756,692
General Fund - Incidental Expense	5,000	5,000
Petty Cash	50	50
Reserve for future unemployment claims	5,000	0
CD for Irrevocable Standby Letter of Credit	<u>151,557</u>	<u>0</u>
<b>Total Unrestricted Cash</b>	<b>\$ 918,249</b>	<b>\$ 761,742</b>

The Port’s main cash account (titled “Maintenance Fund” above) is held by the Asotin County Treasurer and the expenditures are processed by Twin River National Bank. The Port has an incidental checking at Twin River National Bank through which it receives electronic funds transfers, and the Port’s petty cash is held at the Port. The Port’s deposits and investments are insured, registered or held by the Port or its agent in the Port’s name.

Reserved Cash/Reserve Fund Balance/Restricted Cash

*Irrevocable Standby Letter of Credit:* On June 9, 2014, the Port of Clarkston established an Irrevocable Standby Letter of Credit in the amount of \$189,557 through Twin River National Bank naming Avista Corporation as Beneficiary. The Port did this in lieu of prepaying for connections for electrical service for Turning Pointe Business Park. In 2016, \$38,000 was paid to Avista Utilities leaving a remaining balance of \$151,557. This Letter of Credit is secured by a Certificate of Deposit at Twin River National Bank. The certificate of deposit is included in cash balances reported by the Port of Clarkston in this Annual Report as reserved cash.

*Self-Insured Unemployment Compensation:* The Port of Clarkston has reserved an amount of \$5,000 for potential unemployment claims, based on the average annual amount of claimed.

Securities Lending Transactions and Derivates – The Port does not invest in these or similar transactions.

**NOTE 3 – PROPERTY TAXES:**

The County Treasurer acts as an agent to collect property taxes levied in Asotin County for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by the Asotin County Treasurer. Delinquent taxes are considered fully collectible because a lien affixes to the property when taxes are levied.

The Washington State Constitution and RCW 84.55.010 limits the rate Ports may levy. The Port of Clarkston’s regular levy for 2017 was .2103 per \$1,000 on an assessed valuation of \$1,689,484,336 for a total regular levy of \$355,302.

PORT OF CLARKSTON  
Notes to Financial Statements, Continued  
December 31, 2017

**NOTE 4 – DEBT SERVICE REQUIREMENTS:**

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt and liabilities of the Port of Clarkston and summarizes the Port’s debt transactions for the year ended December 31, 2017. The debt service requirements for the Port’s only debt, general obligation bonds, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 114,723	\$ 15,328	\$ 130,051
2019	\$ 89,808	\$ 12,991	\$ 102,799
2020	\$ 68,906	\$ 11,688	\$ 80,594
2021	\$ 67,448	\$ 10,939	\$ 78,388
2022	\$ 68,006	\$ 10,177	\$ 78,183
2023-2027	\$ 349,206	\$ 38,627	\$ 387,833
2028-2032	\$ 307,281	\$ 15,803	\$ 323,084
2033-2037	\$ 20,526	\$ 1,232	\$ 21,758
Totals	\$ 1,085,905	\$ 116,784	\$ 1,202,689

As of December 31, 2017, the Port of Clarkston is holding unrestricted cash of \$780,620 which is sufficient to cover the debt obligation for the next nine years.

- (1) *Tuntland Building:* On December 31, 2008, the Port purchased a 12,880 square foot building at 1390 Fair Street for \$425,000. The Port paid half down and the sellers, Donald & Sandra Tuntland, are holding the paper on the remaining balance. The Port is paying 5% interest and making monthly payments of \$2,253.89 for 10 years. Payments began February 2009 and will conclude with the payment in late 2018.
- (2) *Land for Business Park:* In 2012, the Port of Clarkston made three separate purchases of land from the Asotin County Board of Commissioners. Two were covered by general fund resources. The third incurred debt: Tract C: 70 acres at \$4,360 per acre; Total cost: \$305,200; Debt incurred to Asotin County: \$296,264. The terms of the payment agreement call for the Port of Clarkston to make a single payment every year for each of 20 years. Interest accrues at 4% per year. Annual payments are \$21,800. Partial deed releases by the county occurred in 2016 after the balance was below \$261,600.
- (3) *Business Park:* In May 2010, the Port of Clarkston executed a contract with the Washington State Department of Commerce - Community Economic Revitalization Board for a loan at -0-% interest. Annual payments began on January 1, 2017, in the amount of \$46,667 each and will continue for 14 more years. The Port began drawing against this resource in 2011.
- (4) *Telecommunications Infrastructure:* In 2014, the Port of Clarkston executed a contract with the Washington State Department of Commerce - Community Economic Revitalization Board for a loan of \$130,000 at 3.0% interest. Annual payments began with an interest only payment on January 1, 2016. Regular principal payments of \$6,842 plus interest will follow every year thereafter until the last payment in January 2035.



PORT OF CLARKSTON  
Notes to Financial Statements, Continued  
December 31, 2017

**NOTE 5 – PENSION PLANS**

The Port of Clarkston’s pension plans are all state sponsored pension plans. Substantially all Port of Clarkston’s full time and qualifying part-time employees participate in 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: Public Employees’ Retirement System (PERS) Plans 2 and 3 and PERS 1 UAAL.

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 98504-8380. Also the DRF CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2017 (the measurement date of the plans), the Port of Clarkston’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation Percentage	Liability
PERS 1 UAAL	0.002004%	\$ 95,091
PERS 2 and 3	0.002578%	89,573
	<b>Total</b>	<b>\$184,665</b>

**NOTE 6 – RISK MANAGEMENT:**

The Port of Clarkston 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.

PORT OF CLARKSTON  
Notes to Financial Statements, Continued  
December 31, 2017

**NOTE 6 – RISK MANAGEMENT (continued):**

- \$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.

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 7 – OTHER DISCLOSURES:**

A. Contingencies and Litigation:

The Port has actively participated in grant programs in the past. These grants are subject to audit by the grantors or their representatives. Such audits could result in reimbursements by grantor agencies for expenditures to be disallowed under the terms of the grants. The management of the Port believes that there would be no such disallowances relating to grant funds received. Details on grants are provided in Part D of this Note titled *Grants*.

Litigation

The Port is not a defendant in any legal action nor is it aware of any legal claims which could arise during the normal course of business. However, as a member of the Inland Ports and Navigation Group (IPNG), the Port of Clarkston is an intervener on the Biological Opinion (BiOp) released by NOAA Fisheries May 5, 2009. In August

PORT OF CLARKSTON  
Notes to Financial Statements, Continued  
December 31, 2017

**NOTE 7 – OTHER DISCLOSURES (continued):**

2011, U.S. District Court Judge James A. Redden remanded the BiOp back to the federal agencies, seeking more certainty in estuary and tributary habitat restoration actions. IPNG, along with other partners, filed a protective notice of appeal, which was decided by Judge Michael Simon on May 4, 2016.

In 2016, motions for injunctive relief relating to river operations were filed by plaintiffs and on March 27, 2017, Judge Simon ruled on these requests. Judge Simon's decision is being appealed to the Ninth Circuit Court of Appeals.

Issues related to the navigation channel continue to be sensitive. Litigation is likely to continue on these and related issues; if so, the Port anticipates continuing to participate through IPNG.

B. Construction in Progress:

Construction projects begun in 2016 or carried over from 2016 were complete by December 31, 2017. Last mile connections of telecommunications infrastructure are typically considered on-going rather than major construction projects.

C. Bad Debts: No accounts were identified for collection in 2017.

D. Grants: (listed below)

**CERB Feasibility Study on Multi-tenant incubator building at Turning Pointe Business Park** (S15-790A0-077): In late 2015, the Port was awarded a feasibility study grant for a multi-tenant incubator building at Turning Pointe Business Park in the amount of \$48,000. The Port brings \$16,000 cash match to the project. The project was completed in 2017.

Port of Clarkston  
Schedule 09  
For the year ending December 31, 2017

ID. No.	Description	Maturity/Payment Due Date	Beginning Balance 01/01/2017	Additions	Reductions	Ending Balance 12/31/2017
<b>General Obligations</b>						
263.61	Tuntland Bldg	1/10/2019	51,375	-	21,614	29,761
263.61	Brooks Property	2/15/2020	69,513	-	25,029	44,484
263.83	CERB Loan Turning Pointe	12/31/2031	700,000	-	46,667	653,333
263.83	CERB Loan - Telecom	1/31/2035	130,000	-	6,842	123,158
263.85	Land Purchase from County	12/31/2032	248,512	-	13,323	235,189
<b>Total General Obligations</b>			<b>1,199,400</b>	<b>-</b>	<b>113,475</b>	<b>1,085,925</b>
<b>Revenue Obligations</b>						
259.12	Compensated Absences	12/31/2017	12,148	16,957	16,472	12,633
264.30	Pension Liability	12/31/2017	184,665	-	-	184,665
<b>Total Revenue Obligations</b>			<b>196,813</b>	<b>16,957</b>	<b>16,472</b>	<b>197,298</b>
<b>Total General and Revenue Obligations</b>			<b>1,396,213</b>	<b>16,957</b>	<b>129,947</b>	<b>1,283,223</b>

Port of Clarkston  
Schedule 15  
For the year ended December 31, 2018

State Agency BARS Account	Program Title	Identification #	Amount
Department of Commerce	Community Economic Revitalization Board	S15-790A0-077	25,555

**Port of Clarkston  
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

**Port of Clarkston**  
**LOCAL GOVERNMENT RISK-ASSUMPTION**  
**For the Year Ended December 31, 2017**

Program Manager: Wanda Keefer  
 Address: 849 Port Way, Clarkston, WA 99403  
 Phone: 509-758-5272  
 Email: wanda@portofclarkston.com

1. Does the entity self-insure for any class of risk, including liability, property, health and welfare, unemployment compensation, workers' compensation? **YES**

a. Which class of risk does the entity self-insure?

- i.  Liability
- ii.  Property
- iii.  Health & Welfare (medical, vision, dental, prescription)
- iv.  Unemployment Compensation (Port of Clarkston has Reimbursable status)
- v.  Workers' Compensation
- vi.  Other - please describe: \_\_\_\_\_

b. Does the entity self-insure as an individual program? **NO**

c. Does the entity self-insure as a joint program? **NO**

2. Does the entity administer its own claims? **NO**

3. Does the entity contract with a third party administrator for claims administration? **NO**

4. Did the entity receive a claims audit in the last three years, regardless of who administered the claims? **NO**

5. Were the program's revenues sufficient to cover the program's expenses? **YES**

6. Did the program use an actuary to determine its liabilities? **UNKNOWN**

Description of Risk Type	Number of claims received during the period	Number of claims paid during the period	Total amount of claims paid during the period
none			