Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Kalama

Cowlitz County

For the period January 1, 2016 through December 31, 2016

Published October 19, 2017

Report No. 1020052

Office of the Washington State Auditor
Pat McCarthy

October 19, 2017

Board of Commissioners
Port of Kalama
Kalama, Washington

Report on Financial Statements

Please find attached our report on the Port of Kalama's financial statements.

We are issuing this report in order to provide information on the Port's financial condition.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

TABLE OF CONTENTS

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards 4

Independent Auditor's Report On Financial Statements 6

Financial Section 9

About The State Auditor's Office 48

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Port of Kalama
Cowlitz County
January 1, 2016 through December 31, 2016

Board of Commissioners
Port of Kalama
Kalama, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Port of Kalama, Cowlitz County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated October 12, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Port's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of the Port's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

October 12, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Kalama
Cowlitz County
January 1, 2016 through December 31, 2016

Board of Commissioners
Port of Kalama
Kalama, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Kalama, Cowlitz County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Kalama, as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 10 through 14, information on postemployment benefits other than pensions on page 44 and pension plan information on pages 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

October 12, 2017

FINANCIAL SECTION

Port of Kalama
Cowlitz County
January 1, 2016 through December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016
Statement of Revenues, Expenses and Changes in Net Position – 2016
Statement of Cash Flows – 2016
Notes to Financial Statements – 2016

REQUIRED SUPPLEMENTARY INFORMATION

Other Postemployment Benefits – Schedule of Funding Progress – 2016
Schedule of Proportionate Share of the Net Pension Liability – PERS 1 – 2016
Schedule of Proportionate Share of the Net Pension Liability – PERS 2/3 – 2016
Schedule of Employer Contributions – PERS 1 – 2016
Schedule of Employer Contributions – PERS 2/3 – 2016

PORT OF KALAMA
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016

Introduction

The following Management's Discussion and Analysis (MD&A) of the Port of Kalama's activities and financial performance provides an introduction to the financial statements of the Port of Kalama for the fiscal year ended December 31, 2016, with selected comparative information for the fiscal year ended December 31, 2015. The information contained in this MD&A has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section.

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

Overview of the financial statements

The financial section of this annual report consists of three parts: management's discussion and analysis, the basic financial statements including notes, and required supplementary information. The report includes the following three basic financial statements: the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

Financial position summary

The statement of net position presents the financial position of the Port at the end of the fiscal year. The statement includes all the assets and liabilities of the Port. Net position, the difference between total assets and total liabilities, is an indicator of the fiscal health of the organization and the Port's financial position over time. A summarized comparison of the Port's assets, liabilities, and net position at December 31st is as follows:

	2016	2015
Assets:		
Current assets	$ 43,353,199	$ 44,551,893
Restricted assets	0	0
Other noncurrent assets	0	0
Capital assets, net	132,616,619	126,661,949
Total assets	$ 175,969,818	$ 171,213,842
Deferred outflows of resources:		
Deferred outflows related to pensions	$ 210,068	$ 142,747

	2016	2015

Liabilities:				
Current liabilities	$	3,780,005	$	2,040,866
Long-term liabilities, net		1,635,459		1,492,636
Total liabilities	$	5,415,464	$	3,533,502
Deferred inflows related to pensions	$	60,121	$	152,509
	$	60,121	$	152,509
Net position:				
Net investment in capital assets	$	132,616,619	$	126,661,949
Restricted		0		0
Unrestricted		38,087,682		41,008,629
Total net position	$	170,704,301	$	167,670,578

Total assets of the Port and deferred outflows exceeded its liabilities and deferred inflows by $170,704,301 (reported as total net position).

Capital assets

The Port continues to undergo a period of growth in both revenue-generating industry and in recreation for the public. The Port's investment in total capital assets, net of accumulated depreciation, as of December 31, 2016, increased to $132.6 million, a 5% increase over 2015. The Port's investment in capital assets includes land, buildings, improvements, machinery and equipment, and work in progress. Please see note 4. Major projects in 2016 included

Completed Projects:

- The completion of two new warehouses in response to a current tenant's business expansion. The two warehouses cost $5.10 million together and added 62,715 square feet of leasable property to the Port of Kalama's North Port area. Please see Note 19.
- Acquisition of four sites at East Port consistent with the Port's long-term planning for current and future development. The costs for the sites total $1.95 million.
- Marina parking and trail project totaled $1.39 million.

Ongoing Projects:

Major capital projects along with their work in process totals include

- North Port Second Berth - $1.1 million and Ranney Collector Well - $0.2 million. Completion of the berth and the well is contingent on the Port and Northwest Innovation Works, Kalama, LLC, meeting certain conditions of the lease agreement. NWIW's goal is to build and operate a methanol export facility. The Port would provide the dock and water for the facility.

- Spencer Creek Business Park Phases 1 and 2 - $2.6 million. Development of Spencer Creek Business Park is part of the Port's long-term plans for developing its East Port area for light industrial tenants.

- McMenamins - $0.9 million. McMenamins is a popular chain of hotels, breweries, and pubs in Oregon and Washington. In accordance with the lease agreement, the Port will construct the building shell, and McMenamins will complete the inside of the building.

Liabilities

The Port's current liabilities increased $1.74 million or 85% from $2.04 million to $3.78 million. Key increases in balances include a $741 thousand prepayment of rent to the Port, $349 thousand increase in retainage owed to contractors, and a $298 thousand increase in the security deposit on commitment fees held for a large potential client.

Net position

- Net position grew from $167.6 million to $170.7 million during 2016. Seventy-eight percent of the Port's net position was invested in capital assets, up from seventy-five percent in 2015. The Port uses these capital assets to provide services to its visitors, customers, and tenants; consequently, these assets are not available for future spending.

- The unrestricted net asset balance of $38 million may be used to meet any of the Port's ongoing obligations.

Financial operations highlights

The change in net position is an indicator of whether or not the overall fiscal condition of the Port has improved during the year. Following is a summary of the statements of revenues, expenses and changes in net position.

	2016	2015
Operating revenues	$ 14,772,388	$ 14,421,683
Operating expenses	6,866,957	6,003,087
Operating income before depreciation	7,905,431	8,418,595
Depreciation expense	3,969,934	2,182,828
Operating income	3,935,497	6,235,768
Nonoperating income (expense)	(901,774)	(767,775)
Net Income	3,033,723	5,467,993
Capital contributions	0	59,772,072
Change in net position	3,033,723	65,240,065
Beginning net position	167,670,578	103,446,933
Prior period adjustment	0	0
Change in accounting principle	0	(1,016,420)
Ending net position	$ 170,704,301	$ 167,670,578

- Overall marine terminal revenues for 2016 were up $632.8 thousand while throughput increased from 12,080,138 to 14,240,930 short tons. Marine terminal revenue accounted for 70% of operating revenue in 2016.

- Industrial tenant rent – Because of the recent upswing in the economy there was increased demand for the Port's industrial buildings and sites. The industrial park is at 100% occupancy and plans for a new warehouse are underway. Despite maximum occupancy, leased property revenue is down $290 thousand due to a contractual decrease in rent paid by BNSF on property rented for a laydown yard. Property rent was 26% of overall operating revenue.

- Marina revenue remained steady in 2016. Marina revenue made up 3% of operating revenue for the year.

Budgetary highlights

The following represents the Port's budget highlights for the years ended December 31, 2016, with comparisons of the budget for 2015.

- Terminal revenue at both Kalama Export and TEMCO exceeded projected amounts. Kalama Export by $434 thousand and TEMCO by $1.949 million.

- North Port terminal revenue underperformed projections by $175.9 thousand partially due to a newly imposed tariff on steel imports.

- Maintenance dredging expense varies from year to year depending on the dynamics of the river.

2016 dredging expenses were $1,067,889 compared to $1,047,452 in 2015.

- Unexpected flooding caused damage to Haydu park and $380 thousand of repair costs were incurred and an unbudgeted feasibility study for repairs and maintenance in the marina cost $277 thousand.

2016	Budget	Actual	Difference
Operating and nonoperating revenues	$ 13,704,200	$ 15,191,561	$ 1,487,361
Operating and nonoperating expenses	7,095,000	12,157,838	5,062,838
Net income	$ 6,609,200	$ 3,033,723	$ (3,575,477)

2015	Budget	Actual	Difference
Operating and nonoperating revenues	$ 11,692,000	$ 14,785,222	$ 3,093,222
Operating and nonoperating expenses	5,113,000	9,317,229	4,204,229
Net income	$ 6,579,000	$ 5,467,993	$ (1,111,007)

Requests for information

This financial report is intended to provide a general overview of the Port of Kalama's financial position. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Port's financial manager at

Port of Kalama
110 Marine Drive
Kalama WA 98625

Or at the Port's website

pok@portofkalama.com

PORT OF KALAMA
STATEMENT OF NET POSITION
As of December 31, 2016

ASSETS		
Current assets		
Cash and cash equivalents	$	30,866,893
Investments		10,851,345
Accounts receivable		1,176,559
Funds held for channel deepening		12,428
Due from other governments		62
Inventory – fuel		6,962
Prepaid expenses		438,950
Total current assets		43,353,199
NONCURRENT ASSETS		
Capital assets not being depreciated		
Land and land rights		13,879,276
Construction in process		6,470,854
Capital assets being depreciated		
Structures and improvements		122,797,528
Machinery and equipment		2,756,235
Other improvements		8,073,793
Intangible Assets		159,690
Less accumulated depreciation		(21,520,757)
Total noncurrent assets		132,616,619
TOTAL ASSETS	$	175,969,818
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		210,068
TOTAL DEFERRED OUTFLOWS	$	210,068

the accompanying notes are an integral part of these statements

PORT OF KALAMA
STATEMENT OF NET POSITION
As of December 31, 2016

LIABILITIES		
Current liabilities		
Warrants payable	$	177,979
Accounts payable		1,252,304
Taxes payable		199,994
Wages and benefits		81,503
Rent securities, retainage, and other		2,068,225
Total current liabilities		3,780,005
Noncurrent liabilities		
Net pension liability		1,152,813
Other post-employment benefits		482,646
Total noncurrent liabilities		1,635,459
TOTAL LIABILITIES	$	5,415,464
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		60,121
TOTAL DEFERRED INFLOWS	$	60,121
NET POSITION		
Net investment in capital assets		132,616,619
Restricted		0
Unrestricted		38,087,682
TOTAL NET POSITION	$	170,704,301

the accompanying notes are an integral part of these statements

PORT OF KALAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended December 31, 2016

OPERATING REVENUES		
Marine terminal operations	$	10,408,788
Property lease operations		3,873,816
Marina operations		489,784
TOTAL OPERATING REVENUES		14,772,388
OPERATING EXPENSES		
General and administrative		4,739,739
Marine terminals		1,057,741
Marina and recreation		1,069,477
Total before depreciation		6,866,957
Depreciation		3,969,934
TOTAL OPERATING EXPENSES		10,836,891
OPERATING INCOME	$	3,935,497
NONOPERATING REVENUES (EXPENSES)		
Investment income		162,329
Taxes levied		0
Interest expense		(502)
Columbia River Channel Improvement expense		(90,196)
Maintenance dredging expense		(1,067,889)
Grants		256,844
Other		(162,360)
TOTAL NONOPERATING REVENUES (EXPENSES)		(901,774)
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS	$	3,033,723
CAPITAL CONTRIBUTIONS	$	0
Increase (decrease) in net position		3,033,723
Net position as of January 1, 2016		167,670,578
NET POSITION AS OF DECEMBER 31, 2016	$	170,704,301

the accompanying notes are an integral part of these statements

PORT OF KALAMA
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	16,019,993
Cash paid to suppliers		(5,490,411)
Cash paid for employees		(1,995,907)
Cash paid for taxes		(180,621)
Cash received from other		29,935
Cash paid for other		(243,887)
Net cash provided by operating activities		8,139,102
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from property taxes		0
Other received, net		0
Net cash provided by / used in noncapital financing activities		0
CASH FLOWS FROM CAPITAL AND RELATED RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(9,924,602)
Retainage		348,566
Principal paid on revenue bonds		0
Principal paid on loans		0
Interest paid on revenue bonds		(502)
Interest paid on loans		0
Contributed capital for capital improvements		256,844
Due from other governments		0
Due to other governments		(1,432)
Net cash used in capital and related financing activities		(9,321,126)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases / sales of investments		(9,989,764)
Interest income		162,329
Net cash provided by / used in investing activities		(9,827,435)
Net increase (decrease) in cash and cash equivalents		(11,009,459)
Cash and cash equivalents January 1, 2016		41,888,780
Cash and cash equivalents December 31, 2016		30,879,321

the accompanying notes are an integral part of these statements

PORT OF KALAMA

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income	$	3,935,497
Adjustments to reconcile operating income to net cash provided by (used) by operating activities		
Depreciation		3,969,934
Sand sales		(2,766)
Columbia River channel improvement		(90,196)
Maintenance dredging		(1,067,889)
Pension expense related to GASB 68		(86,077)
Other		(159,593)
Change in assets and liabilities		
(Increase) decrease in accounts receivable		166,502
(Increase) decrease in inventories		878
(Increase) decrease in prepaid expense		11,618
Increase (decrease) in accounts and warrants payable		181,093
Increase (decrease) in taxes payable		129,767
Increase (decrease) in wages and benefits payable		73,321
Increase (decrease) in customer deposits		1,077,013
		4,203,605
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	8,139,102

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	$	0

the accompanying notes are an integral part of these statements

PORT OF KALAMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

Note 1: Summary of Significant Accounting Policies

The Port of Kalama was incorporated in 1920 and operates under the laws of the State of Washington applicable to a Port district. The accounting and reporting policies of the Port of Kalama conform to generally accepted accounting principles for local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of the significant accounting policies is presented to assist the reader in interpreting the financial statements. The more significant policies are described below.

Reporting Entity: The Port of Kalama is a special-purpose government that provides marine terminals, land and industrial development, and public recreation facilities to the general public and is supported primarily through user charges.

The Port is governed by an elected three-member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Port of Kalama has no component units.

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

Funds are accounted for on a “cost of services” or “economic resources” measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on the statements of net position. Their reported net position is segregated into net investment in capital assets, 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 operating, investing, capital and non-capital financing activities.

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

The district distinguishes between operating revenues and expenses from nonoperating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a district’s principal ongoing operations. The principal operating revenues of the district are charges to customers for terminal activities, industrial building leases, and marina slip leases. Operating expenses for the district include costs related to terminal activities, administrative expenses, and depreciation on capital assets, etc. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Assets, Liabilities, and Net Position:

Cash and Cash Equivalents. It is the Port's policy to invest all temporary cash surpluses. At December 31, 2016, the treasurer was holding $26,937,993 in short-term residual investments of surplus cash. This amount is classified on the statement of net position as cash and cash equivalents. For purposes of the statement of cash flows, the district considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments. See Note 2. Deposits and Investments.

Receivables. Taxes receivable consist of property taxes and related interest and penalties. (See Note No. 3. Property Taxes.) Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year. Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

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

Inventories. Inventories are valued by the FIFO method, which approximates the market value. Inventories consist of fuel for sale in the Marina.

Restricted Assets and Liabilities. The Port has no restricted assets and liabilities.

Capital Assets and Depreciation. See Note 4. Capital Assets and Depreciation.

Custodial Accounts. This account reflects the liability for net monetary assets being held by the Port in its trustee or agency capacity.

Deferred Outflows / Inflows of Resources. The Port reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent consumption of net position that applies to future reporting period. Deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period.

Compensated Absences. Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The district records unpaid leave for compensated absences as an expense and liability when incurred. Vacation pay, which may be accumulated up to a maximum of 30 days, is payable upon resignation, retirement, or death. Sick leave may accumulate up to a maximum of 120 days.

Other Accrued Liabilities. These accounts consist of accrued wages and accrued benefits.

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.

Long-Term Debt. See Note 9. Long-Term Debt.

Note 2: Deposits and Investments

All the Port's deposits and investments are insured or registered, and are held by the Port or its agents in the Port's name.

Treasury Function

The Cowlitz County Treasurer is empowered to act as fiduciary for the Port and taxing districts within the county. Duties include the deposit and prudent investment of public funds as legally prescribed by the laws of the State of Washington. Both the Cowlitz County Treasurer and the Washington State Local Government Investment Pool have formal investment policies which apply to the Port's deposits and investments.

It is the policy of the Cowlitz County Treasurer to deposit and invest all funds received in a manner which will provide maximum security with the highest investment return while meeting the cash flow requirements of the governmental entities within the County's jurisdiction. Cowlitz County's investment policy conforms to all State and local statutes governing the investment of public funds including those enumerated in Chapter 36.29, Chapter 39.58, Chapter 39.59, and Chapter 39.60 of the Revised Code of the State of Washington.

The primary objectives, in priority order, of the Cowlitz County Treasurer investment activities shall be:

1. Safety. Safety of principal is the foremost objective of the investment policy. Investments of the Cowlitz County Treasurer shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio whether from securities, defaults, or erosion of market value.
2. Liquidity. The Cowlitz County Treasurer's investment portfolio shall remain sufficiently liquid to enable the governmental entities within the its jurisdiction to meet all reasonably anticipated operating requirements.
3. Yield. The Cowlitz County Treasurer's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints, and the cash flow characteristics of the portfolio.

Deposits

The Port's cash and cash equivalents of $30.8 million as of December 31, 2016 were deposited in qualified depositaries as required by state statute. The Port's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in multiple financial institution collateral pool administered by the Washington Public Deposit Project Commission (PDPC). The PDPC is a statutory authority under chapter 39.58 RCW. Currently, all public depositaries with the state fully collateralize uninsured public deposits at 100 percent.

Investments

Investments are stated at fair value, based on quoted market prices in accordance with GASB Statement No. 72, *Fair Value Measurement and Application.* Accordingly, the change in the fair-value of investment is recognized as an increase or decrease to the investment assets and investment income.

Interest income on investments is recognized in non-operating revenue as earned. Changes in fair value of investments are recognized on the Statements of Revenues, Expenses, and Changes in Net Position.

State of Washington under Chapter 39.59 RCW limits the investment of public funds by local governments to the following authorized instruments: (i) bonds of the State or any local government in the State, (ii) general obligation bonds of any other state or local government thereof which have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency, (iii) registered warrants of a local government in the same county as the local government making the investment, (iv) obligations of the U.S. government, its agencies and wholly owned corporations, or obligations issued or guaranteed by supranational institutions, provided, that at the time of investment the United States government must be the largest shareholder of such institution, (v) obligations of the Federal Home Loan Bank, Fannie Mae and other government-sponsored enterprises whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system, (vi) bankers' acceptances purchased in the secondary market, (vii) commercial paper purchased in the secondary market, subject to State Investment Board policies, and (viii) corporate notes purchased in the secondary market, subject to State Investment Board Policies.

Risks

Interest Rate Risk – Interest rate risk is the risk that changes in interest will adversely affect the fair market value of an investment. The Port looks to maximize investment return while preserving liquidity. To the extent possible, the Port will attempt to match its investments with anticipated cash flow requirements.

Credit Risk – Credit Risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Washington State Local Government Investment Pool is an unrated 2a-7 like pool, as defined by the Government Accounting Standards Board.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. To minimize this risk, the Port utilizes the Cowlitz County Treasurer for all investment transactions. It is the Treasurer's policy that all security transactions entered into by the Treasurer shall be conducted on a delivery versus payment (DVP) basis. Securities shall be held at the Federal Reserve Bank or trust department of a bank insured by Federal Deposit Insurance Corporation.

All transactions will be evidenced by safekeeping receipts. The certificates of deposit are covered by the Public Deposit Protection Commission (PDPC) of the State of Washington. The PDPC is a statutory authority under Chapter 39.58 RCW. The PDPC approves which banks and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC by requiring banks and thrifts to pledge securities as collateral.

Investments Measured at Amortized Cost

As of December 31, 2016, the Port had the following investments at amortized cost:

December 31, 2016	Amortized Costs			
Investment Type	Maturities	Port's Own Investment	Investments held by Port as an agent for others	Total
WA State Local Government Investment Pool	< 1 year	$ 26,937,992.85	$ -	$ 26,937,992.85
WA State Local Government Investment Pool - CD	1 year	$ 157,457.50	$ -	$ 157,457.50
Fibre Federal Credit Union- CD	3 Year	$ 40,654.00	$ -	$ 40,654.00
Total		$ 27,136,104.35	$ -	$ 27,136,104.35

The Washington State Local Government Investment Pool (LGIP) manages a portfolio of securities that meet the maturity, quality, diversification and liquidity requirements set forth by the GASB for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The funds are limited to high quality obligations with regulated maximum and average maturities to minimize both market and credit risk.

During 2016, the Port adopted the requirements of GASB 79 related to LGIP investments. The LGIP transacts with its participants at a stable net asset value per share of $1.00, the same method used for reporting. LGIP participants may contribute and withdraw funds on a daily basis. Participants must inform the Office of the State Treasurer of any contribution or withdrawal over $1 million dollars no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for $1 million or less can be requested at any time prior to 10 a.m. on the day of the transaction. However, participants may complete transactions greater than $1 million dollars when notification is made between 9 a.m. and 10 a.m., at the sole discretion of the Office of the State Treasurer. All participants are required to file with the State Treasurer documentation containing the names and titles of the officials authorized to contribute or withdraw funds. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

Investments Measured at Fair Value

The Port measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3: Unobservable inputs for an asset or liability.

On December 31, 2016, the Port had the following investments measured at fair value:

December 31, 2016	Fair Value Measurement Using			
Investment Type	**Quoted prices Active Markets for Identical Assets (Level1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Federal National Mortgage Assn	$ -	$ 4,966,415	$ -	$ 4,966,415
Federal Farm Credit Bank	-	4,959,705	-	4,959,705
Federal Farm Credit Bank	-	658,887	-	658,887
Total	$ -	$ 10,585,007	$ -	$ 10,585,007

The tables below identify the type of investments, concentration of investments in any one issuer, and maturities of the Port investment portfolio as of December 31, 2016:

December 31, 2016		Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-3**	**More Than 3**	**% of Portfolio**
Federal National Mortgage Assn	$ 4,993,500	$ -	$ 4,993,500	$ -	13.21%
Federal Farm Credit Bank	4,996,264	-	4,996,264	-	13.22%
Federal Farm Credit Bank	663,470	-	663,470	-	1.76%
Federal Home Loan Bank-CD	157,458	-	157,458	-	0.42%
Fibre Federal Credit Union-CD	40,654	-	40,654	-	0.15%
WA State Local Govt Invest Pool	26,937,993	26,937,993	-	-	71.24%
Total	$ 37,789,339	$ 26,937,993	$ 10,851,346	$ -	100.00%
% of Portfolio		71.28%	28.72%	0.00%	100.00%

*The fair value of the investments in the Washington State Local Government Investment Pool are same as the amortized cost of the pool shares.

The tables below identify the credit risk of the Port investment portfolio as of December 31, 2016:

December 31, 2016	Moody's Equivalent Credit Ratings				
Investment Type	**Fair Value**	**Aaa**	**Aa1**	**Aa2**	**No Rating**
Federal National Mortgage Assn	$ 4,993,500	$ 4,993,500	$ -	$ -	$ -
Federal Farm Credit Bank	4,996,264	4,996,264	-	-	-
Federal Farm Credit Bank	663,470	663,470	-	-	-
Federal Home Loan Bank-CD	157,458	-	-	-	157,458
Fibre Federal Credit Union-CD	40,654	-	-	-	40,654
WA State Local Govt Invest Pool	26,937,993	-	-	-	26,937,993
Total	$ 37,789,339	$ 10,653,234	$ -	$ -	$ 27,136,105

*The fair value of the investments in the Washington State Local Government Investment Pool are same as the amortized cost of the pool shares.

Note 3: Property Taxes

The Cowlitz County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections would be credited at the end of each month to the Port by the county treasurer.

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

Property taxes would be recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies would be recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

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

The Port elected to remove itself from the tax levy rolls for taxes receivable in 2016.

Note 4: Capital Assets and Depreciation

Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

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

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

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

Interest on funds used during construction, less interest earned on related interest-bearing investments if the asset is financed with externally restricted tax-exempt proceeds, is capitalized 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 cost in the same manner as construction labor and material costs. The Port had no capitalized interest in 2016.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of 3 to 75 years.

Capital assets activity for the year ended December 31, 2016, was as follows:

	Balance 01/01/2016	Increases	Decreases	Ending Balance 12/31/2016
Capital Assets, not being depreciated:				
Land and Land Rights	$ 13,126,778	$ 752,498	$ -	$ 13,879,276
Construction in Progress	4,273,078	3,706,881	1,509,105	6,470,854
Total	$ 17,399,856	$ 4,459,379	$ 1,509,105	$ 20,350,130
Capital Assets being depreciated:				
Structures & Improvements	115,683,292	7,114,236	-	122,797,528
Machinery & Equipment	2,694,476	87,058	25,299	2,756,235
Other Improvements	8,402,615	773,449	1,102,271	8,073,793
Intangible	50,244	109,445	-	159,689
Total	$ 126,830,627	$ 8,084,188	$ 1,127,570	$ 133,787,245
Less accumulated depreciation for:				
Structures & Improvements	13,491,487	3,161,786	-	16,653,273
Machinery & Equipment	421,964	124,239	15,179	531,024
Other Improvements	3,637,931	676,128	31,068	4,282,991
Intangible Amortization	17,152	36,318	-	53,470
Total accumulated depreciation	$ 17,568,534	$ 3,998,471	$ 46,247	$ 21,520,758
Total net capital assets	$ 126,661,949	$ 8,545,096	$ 2,590,428	$ 132,616,617

Construction Commitments

The Port has active construction projects as of December 31, 2016. The projects include:

Project	Expended to Date	Remaining Commitment
Spencer Creek Light Industrial Park Infrastructure Phase 2	1,212,059	1,354,973.70
Restaurant and Hotel Building	921,003	7,385,334.19
	2,133,062	8,740,307.89

Other Commitments:

Project	Expended to Date	Encumbrances
North Port Second Berth *	1,125,180	19,000,000
Marina Improvements **	309,506	6,000,000
Ranney Collector Well *	233,507	11,000,000
East Port Traffic Revision	114,398	5,000,000
Central Port Storm Water System	79,295	500,000
Security Infrastructure ***	19,563	526,000
Light Industrial Building	18,533	10,000,000
Hendrickson Road Improvements	19,335	1,000,000
	1,919,317	53,026,000

*These commitments are contingent on Northwest Innovation Works, Kalama, LLC reaching certain contractual milestones in their project to build a methanol export facility. Funding will come from cash reserves and/or new debt.
**The Port has been awarded $1.5 M in grants from the State of Washingtons's Recreation and Conservation Office (RCO). The remaining costs will be funded by cash reserves and/or new debt.
***The Port has been awarded $394,000 in a grant from the U.S. Department of Homeland Security for security infrastructure in the North Port marine industrial site. Remaining costs will be funded by cash reserves and/or new debt.

5: 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 2016:

Aggregate Pension Amounts – All Plans		
Pension liabilities	$	(1,152,813)
Pension assets	$	-
Deferred outflows of resources	$	209,521
Deferred inflows of resources	$	(60,121)
Pension expense/expenditures	$	57,586

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 Employee's Retirement System (PERS)

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

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

<u>Contributions</u>

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 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**

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

The Port's actual PERS plan contributions were $71,204 for the year ended December 31, 2016.

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer**	**Employee***
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%**

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

The Port's actual PERS plan contributions were $72,464 for the year ended December 31, 2016.

Actuarial Assumptions

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

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, 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%

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

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

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, 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%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of the Net Pension Liability

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 one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 722,361	$ 599,022	$ 492,882
PERS 2/3	$ 1,019,629	$ 553,791	$ (288,280)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2016, the Port reported a total pension liability of $1,152,813 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$ 599,022
PERS 2/3	$ 553,791

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

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.01221%	0.01115%	(0.00106)%
PERS 2/3	0.01233%	0.01099%	(0.00134)%

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, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the Port recognized pension expense as follows:

	Pension Expense
PERS 1	$ (20,236)
PERS 2/3	$ 77,822

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$
Net difference between projected and actual investment earnings on pension plan investments	$ 15,082	$
Changes of assumptions	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$ 35,894	$
TOTAL	$ 50,976	$ 0

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 29,489	$ (18,282)
Net difference between projected and actual investment earnings on pension plan investments	$ 67,768	$
Changes of assumptions	$ 5,724	$
Changes in proportion and differences between contributions and proportionate share of contributions	$ 19,056	$ (41,839)
Contributions subsequent to the measurement date	$ 36,508	$
TOTAL	$ 158,545	$ (60,121)

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, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2017	$ (3,714)
2018	$ (3,714)
2019	$ 13,852
2020	$ 8,658
2021	
Thereafter	
Total	$ 15,082

Year ended December 31:	PERS 2/3
2017	$ (4,752)
2018	$ (4,752)
2019	$ 41,918
2020	$ 29,503
2021	
Thereafter	
Total	$ 61,917

Note 6: Risk Management

The Port maintains insurance against most normal hazards through a commercial insurance broker for public officials, commercial, automobile, property loss, and general liability.

In comparison to prior years, there were no significant changes in the types and coverage of insurance policies purchased by the Port for 2016. Also, settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7: Operating and Capital Leases

The Port is committed to make the following payments for lease of two mowers.

Date	Payments
2017	16,039
2018	10,639
	$ 26,678

The fixed price purchase option for the first mower is $4,966. The second mower's purchase option price is fair market value.

Note 8: Contingent Liabilities

The Port's financial statements include all material liabilities. There are no material contingent liabilities to report.

Note 9: Other Post-Employment Benefit Plans

Plan Description and Funding Policy

In addition to pension benefits as described in Note 6, the Port, through the Health Care Authority (HCA), provides an agent multiple-employer other post-employment benefit plan (OPEB). Per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the Health Care Authority, 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.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 66 of the state's K-12 schools and educational service districts (ESDs), and 229 political subdivisions including the Port. Additionally, the PEBB plan is available to the retirees of the remaining 238 K-12 schools and ESDs. As of June 2016, membership in the PEBB plan consisted of the following:

	Active Employees	Retirees[1]	Total
State	110,856	31,584	142,440
K-12 Schools and ESDs[2]	2,712	34,387	37,099
Political Subdivisions	13,325	1,855	15,180
Total	126,893	67,826	194,719

[1] Retirees include retired employees, surviving spouses, and terminated members entitled to a benefit.
[2] In the Washington State Fiscal Year 2016, there were 107,858 full-time equivalent active employees in the 238 K-12 schools and ESDs that elected to limit participation in PEBB only to their retirees.

	Active Employees	Retirees	Total
Port of Kalama	20	5	25

For calendar year 2016, the estimated monthly cost for PEBB benefits for active employees (average across all plans and tiers) is as follows:

Required Premium [3]		
Medical	$	956
Dental		79
Life		4
Long-term Disability		2
Total	$	1,041

Contributions		
Employer Contribution	$	899
Employee Contribution		142
Total	$	1,041

[3] Per 2016 PEBB Financial Projection Model 3.0

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members and the historical pattern of practice regarding the sharing of benefit costs.

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. Retirees' access to PEBB plans depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, and Higher Education.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's Non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the Non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other Non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2015, the average weighted implicit subsidy was valued at $308 per member per month, and in calendar year 2016, the average weighted implicit subsidy is projected to be $304 per member per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the Health Care Authority administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state legislature. In calendar year 2015, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar 2016.

Administrative costs as well as implicit and explicit subsidies are funded by required contributions from participating employers. The subsidies provide monetary assistance for medical and life insurance benefits.

Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.
Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan and actuarial methods and assumptions used.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to:

http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported by the state as an agency fund using the accrual basis. It has no assets. The PEBB OPEB plan does not issue a publicly available financial report.

Annual OPEB Cost and Net OPEB Obligation

The Port's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following tables show the components of the Port's annual OPEB cost for the Port's fiscal year 2016, and changes in the net OPEB obligation (NOO). All contributions required by the funding method were paid.

Annual OPEB Cost		
ARC	$	82,654
Interest on NOO		16,538
Amortization of NOO		(23,910)
Annual OPEB Cost	$	75,282
Contributions Made		(6,092)
Increase in NOO	$	69,190
BOY NOO		413,456
YE NOO	$	482,646

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for calendar years 2016, 2015, and 2014 were as follows:

Annual OPEB Cost	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$ 75,282	8%	$482,646
2015	$ 78,163	7%	$413,456
2014	$ 57,292	8%	$340,886

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2016, was as follows:

Unfunded Actuarial Accrued Liability (UAAL)	
Actuarial Accrued Liability (AAL)	$ 768,792
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 768,792
UAAL / Covered Payroll	
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	$ 1,280,092
UAAL as a Percentage of Covered Payroll	60%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions used by the PEBB by were as follows:

Actuarial valuation date	January 1, 2015
Actuarial cost method	Projected Unit Credit (PUC)
Amortization method	Closed, level percentage of projected payroll amortization
Remaining amortization period	30 years for each new layer of NOO
Asset valuation method	N/A – No assets
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3.75%
Healthcare inflation rate	8.0% initial, 4.9% ultimate rate in 2094
Inflation rate	3.0%

The Port used the alternate measurement method permitted under GASB Statement No. 45. A single retirement age of 62.4 was assumed for all active members to determine the AAL and normal cost. 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 group data with four active groupings and four 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 valuation.

Note 10: Pollution Remediation Obligations

The Port has identified a location which has minor contamination issues. Historical records indicate that diesel fuel and lubricants were stored and used on the property, and fuel contamination – mainly benzene, toluene, and total petroleum hydrocarbons as gasoline (TPH-G) – occurred at the site. In addition, a bleach spill at the same location may have killed microbes needed for biodegradation.

The Port proposed an independent action to jump-start biological activity to degrade the contaminants through natural attenuation, and the Washington Department of Ecology agreed to the approach. The plan entails injecting acetic acid through an infiltration trench in order to lower the pH level and promote the biodegradation process. The Port continues to monitor and assess pH levels.

In 2016, $5,123 was expended for remediation. Funds were spent on groundwater monitoring and legal fees. Future annual costs of injecting acetic acid, monitoring pH levels, and environmental legal fees are expected to decrease and are therefore considered immaterial.

Note 11: Tenant Leases

As part of its normal operations, the Port of Kalama leases out land and buildings to tenants who intend to utilize the Port's facilities generating direct benefits within the community. The Port's objective is that lease terms be for a length of time that will assist in ensuring economic stability and a fair return on the value of the facilities being leased. Lease terms, including options for renewal, run from 1 to 50 years. In addition, there are properties that are rented on a month-to-month basis.

The following is a schedule of future minimum rent revenue under noncancelable leases having an initial term in excess of one year.

Year	Revenue
2017	$ 2,714,941
2018	2,284,626
2019	2,046,787
2020	2,005,427
2021	2,005,427
	$ 11,057,208

Note 12: Major Receivables

In 2016, 70% of total operating revenue came from three unrelated terminal customers. The comparable figure from 2015 was 68%.

	Revenue
Terminals	$ 10,408,788
Leased Properties	3,873,816
Marina	489,784
	$ 14,772,388

Note 13: Channel Deepening Project

The Columbia River Channel Improvement Project is a bi-state project supported by Port sponsors from the States of Oregon and Washington. Over the past decade, the Washington Ports of Kalama, Longview, and Vancouver, have cooperated with the U.S. Army Corps of Engineers and the Ports of Portland and St. Helens, regarding improvements to the Columbia River Federal Navigation Channel. This has included, among other activities, a reconnaissance study, a feasibility study under the auspices of the Columbia River Improvement Project, The Dredged Material Management Plan and associated environmental impact statements for both the maintenance of the existing channel and the plans to increase the channel depth from 40 to 43 feet.

The Ports entered into the “Washington Ports Agreement” in 1999 for the purpose of participating as non-federal sponsors for the Channel Improvement Project. The Ports expanded the Agreement by amendments on October 17, 2001, on February 19, 2002, on March 15, 2002, and January 30, 2004.

The Washington and Oregon Ports, having entered into the “Intergovernmental Agreement Among Lower Columbia River Ports for Columbia River Channel Deepening and Maintenance,” then entered into The Project Cooperation Agreement with the U.S. Army Corps of Engineers for the Channel Improvement Project on June 21, 2004. The Project Cooperation Agreement identified disposal, mitigation, and restoration sites needed for the Channel Improvement Project.

The State of Washington appropriated $27.7 million for the Washington sponsors' share of project costs. The Oregon - Washington Ports Agreement allocates costs of the Channel Improvement Project. All costs incurred, with the exception for Port-owned beneficial use sites, will be shared 50/50 between the states. The Washington Ports' portion of the costs is shared equally among the three Washington Ports. At the completion of the Columbia River Channel Improvement Project a final accounting of the project will occur to ensure that the non-federal sponsors have equally contributed to the project, and met their obligations to U.S. Army Corps of Engineers.

Note 14: Accounting and Reporting Changes

In 2016, the Port implemented the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to establish general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. The Port adopted this guidance in the current year and provided the required disclosures. The adoption of this guidance did not have a material impact on the net position and changes in net position.

In June 2015, GASB issued statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68.* The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2016. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

In June 2015, GASB issued statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans.* The objective of this statement is to improve the usefulness of information about post-employment benefits other than pensions (other post-employment benefits or OPEB) included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

In June 2015, GASB issued Statement No. 75 *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions.* The statement establishes standards for state and local government employer recognition, measurement and presentation of information about post-employment benefits other than pensions (OPEB). The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes the hierarchy of GAAP for state and local governments. The Port adopted this guidance in the current year and provided the required disclosures. The adoption of this guidance did not have a material impact on the net position and changes in net position.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement ensures that financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. The Port adopted this guidance in the current year, but has no outstanding tax abatement agreements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that statement. This statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominate state or local governmental employer. This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The Port adopted this guidance in the current year and provided the required disclosures. The adoption of this guidance did not have a material impact on the net position and changes in net position.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all its investments at amortized cost for financial reporting purposes. The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The Port adopted this standard and included the prescribed disclosures in Note 2 Deposits and Investments.

In March 2016, GASB issued Statement No. 82, *Pension Issues-an Amendment of GASB Statements No. 67, No. 68, and No. 73.* This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 which are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The adoption of this guidance did not have a material impact on the net position and changes in net position of the Port.

PORT OF KALAMA
Required Supplemental Information
December 31, 2016

Other Postemployment Benefits						
Schedule of Funding Progress (December 31, 2016)						
Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liablilites	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2016	$ -	$ 768,792	$ 768,792	0%	$ 1,280,092	60%
12/31/2015	$ -	$ 787,617	$ 787,617	0%	$ 1,188,519	66%
12/31/2014	$ -	$ 568,117	$ 568,117	0%	$ 1,079,610	53%

PORT OF KALAMA
Required Supplemental Information
December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Port of Kalama
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2016
Last 10 Fiscal Years*

		2015	2016	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.012212%	0.011154%								
Employer's proportionate share of the net pension liability	$	638,801	599,022								
Covered payroll*	$	1,128,534	1,259,902								
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	56.60%	47.55%								
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%	57.03%								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)*

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Port of Kalama
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2016
Last 10 Fiscal Years*

		2015	2016	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.012325%	0.010999%								
Employer's proportionate share of the net pension liability	$	440,379	553,791								
Covered payroll*	$	1,012,321	1,115,343								
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	43.50%	49.65%								
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%	57.03%								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)*

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Port of Kalama
Schedule of Employer Contributions
PERS 1
For the year ended December 31, 2016
Last 10 Fiscal Years*

		2015	2016	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	60,661	71,204								
Contributions in relation to the statutorily or contractually required contributions*	$	(60,661)	(71,204)								
Contribution deficiency (excess)	$	0	0								
Covered payroll*	$	1,194,889	1,307,679								
Contributions as a percentage of covered payroll	%	5.08%	5.45%								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)*

** Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8)*

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Port of Kalama
Schedule of Employer Contributions
PERS 2/3
For the year ended December 31, 2016
Last 10 Fiscal Years*

		2015	2016	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	$	61,397	72,464								
Contributions in relation to the statutorily or contractually required contributions*	$	(61,397)	(72,464)								
Contribution deficiency (excess)	$	0	0								
Covered payroll*	$	1,054,988	1,307,679								
Contributions as a percentage of covered payroll	%	5.82%	5.54%								

Notes to Schedule:

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)*

** Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8)*

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as fraud, state whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov