



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Kalama

Cowlitz County

For the period January 1, 2017 through December 31, 2017

Published August 13, 2018

Report No. 1021876





**Office of the Washington State Auditor
Pat McCarthy**

August 13, 2018

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,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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**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, 2017 through December 31, 2017**

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, 2017, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated July 30, 2018.

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

July 30, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Kalama Cowlitz County January 1, 2017 through December 31, 2017

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, 2017, 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, 2017, 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 and required supplementary information listed on page 9 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 July 30, 2018 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

July 30, 2018

FINANCIAL SECTION

**Port of Kalama
Cowlitz County
January 1, 2017 through December 31, 2017**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017

Statement of Revenues, Expenses and Changes in Net Position – 2017

Statement of Cash Flows – 2017

Notes to Financial Statements – 2017

REQUIRED SUPPLEMENTARY INFORMATION

Information on Other Postemployment Benefits – Schedule of Funding Progress and
Schedule of Employer Contributions – 2017

Schedule of Proportionate Share of Net Pension Liability – PERS 1 – 2017

Schedule of Proportionate Share of Net Pension Liability – PERS 2/3 – 2017

Schedule of Employer Contributions – PERS 1 – 2017

Schedule of Employer Contributions – PERS 2/3 – 2017

PORT OF KALAMA
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

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, 2017, with selected comparative information for the fiscal year ended December 31, 2016. 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.

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.

The notes provide additional information that is essential to a full understanding of the data contained in the financial statements. Following the notes is the further required supplementary information regarding post-employment retirement benefits and certain information regarding the Port's activity in the Washington state's Public Employees' Retirement System (PERS).

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

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.

- Total assets and deferred outflows of the port exceeded its liabilities and deferred inflows by \$171,946,720 (reported as total net position) at year end, an increase of \$1,242,419 from the previous years end net position of \$170,704,301.
- 2017 saw a very active investment in capital assets. Total current and restricted assets decreased \$5,628,479 while capital assets increased \$8,205,775 over 2016.
- Total liabilities increased \$1,207,386 over 2016 mostly due to substantial completion of the Channel Improvement Project between the Lower Columbia Washington and Oregon Ports and recording \$707,312 equalization due to the Port of Portland to be repaid over ongoing channel maintenance.

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

	NET POSITION	
	<u>2017</u>	<u>2016</u>
ASSETS		
Current and restricted assets	\$ 37,724,720	\$ 43,353,199
Capital assets, net	<u>\$ 140,822,394</u>	<u>\$ 132,616,619</u>
Total Assets	\$ 178,547,114	\$ 175,969,818
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - pensions	<u>\$ 200,370</u>	<u>\$ 210,068</u>
Total Deferred Outflows of Resources	\$ 200,370	\$ 210,068
LIABILITIES		
Current liabilities	\$ 4,365,290	\$ 3,780,005
Noncurrent liabilities	\$ 1,256,860	\$ 482,646
Net pension liability	<u>\$ 1,000,700</u>	<u>\$ 1,152,813</u>
Total Liabilities	\$ 6,622,850	\$ 5,415,464
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pensions	<u>\$ 177,913</u>	<u>\$ 60,121</u>
Total Deferred Inflows of Resources	\$ 177,913	\$ 60,121
NET POSITION		
Net investment in capital assets	\$ 140,822,394	\$ 132,616,619
Restricted	\$ -	\$ -
Unrestricted	<u>\$ 31,124,326</u>	<u>\$ 38,087,682</u>
Total Net Position	<u>\$ 171,946,720</u>	<u>\$ 170,704,301</u>

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, 2017, increased to \$140.8 million, a 6% increase over 2016. 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 2017 included:

Completed Projects:

- Acquisition of three sites at East Port consistent with the Port's long-term planning for current and future development. The costs for the sites total \$1.84 million.

Ongoing Projects:

Major capital expenditures on projects in process include the following:

- McMenamins - \$5.8 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 interior of the building.
- Hendrickson Drive parking and lighting improvements - \$1.1 million. The project constructs a parking addition adjacent to Marine Park and McMenamins. The project includes 117 new parking spaces, 29,000 square feet of existing asphalt, 1,240 feet of chain link fence, storm water treatment, lighting, landscaping and curbing.
- New light industrial warehouse - \$1.7 million. This project includes construction of a new light industrial warehouse, including surrounding parking, stormwater handling and landscaping in the Kalama River Industrial Park. The building is 110,000 square feet of indoor space with an extra 10,000 of outdoor covered space.
- Spencer Creek Business Park land and road Improvements - \$1.1 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.

Net position

- Net position grew from \$170.7 million to \$171.9 million during 2017. Eighty-two percent of the Port's net position is invested in capital assets. 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 \$31 million may be used to meet any of the Port's ongoing obligations.

Summary of Operations and Changes in Net Position

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

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.

	2017	2016
Operating revenues	\$ 14,615,334	\$ 14,772,388
Operating expenses	7,012,779	6,866,957
Operating income before depreciation	7,602,555	7,905,431
Depreciation expense	4,374,448	3,969,934
Operating income	3,228,107	3,935,497
Nonoperating income (expense)	(1,985,686)	(901,774)
Net Income	1,242,421	3,033,723
Capital contributions	0	0
Change in net position	1,242,421	3,033,723
Beginning net position	170,704,301	167,670,578
Prior period adjustment	0	0
Change in accounting principle	0	0
Ending net position	\$ 171,946,720	\$ 170,704,301

- Overall marine terminal revenue for 2017 was down \$495.5 thousand driven by a decrease in throughput from 14,240,930 to 14,070,546 short tons. Marine terminal revenue accounted for 68% of operating revenue in 2017 down from 70% in 2016.
- Industrial tenant rent – A continuing strong economy maintained a strong demand for the Port's industrial buildings and sites. The Kalama River Industrial Park is at 100% occupancy and construction on a new warehouse is underway with 60,000 out of the total 110,000 square feet under contract. Revenue from the leasing of the Port's properties is up by \$246.7 thousand and made up 28% of overall operating revenue (up from 26% in 2016).
- Marina revenue increased slightly in 2017 with an increase of \$61.3 thousand due to an increase in moorage rates and higher fuel revenue. Marina revenue made up 4% of operating revenue for the year.

Budgetary highlights

The following represents the Port's budget highlights for the years ended December 31, 2017, with comparisons of the budget for 2016.

- Overall terminal revenue was on budget. Terminal revenue at both Kalama Export and TEMCO exceeded projected amounts. Kalama Export by \$129 thousand and TEMCO by \$238 thousand. North Port terminal revenue underperformed projections by \$365 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. 2017 dredging expenses were \$1,754,347 compared to \$1,067,889 in 2016.

2017	Budget	Actual	Difference
Operating and nonoperating revenues	\$ 14,400,000	\$ 15,256,703	\$ 856,703
Operating and nonoperating expenses	6,400,000	9,639,834	3,239,834
Income (before depreciation)	<u>\$ 8,000,000</u>	<u>\$ 5,616,869</u>	<u>\$ (2,383,131)</u>

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
Income (before depreciation)	<u>\$ 6,609,200</u>	<u>\$ 3,033,723</u>	<u>\$ (3,575,477)</u>

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 West Marine Drive
Kalama WA 98625

Or at the Port's website:

www.portofkalama.com

PORT OF KALAMA
STATEMENT OF NET POSITION
As of December 31, 2017

ASSETS

Current assets

Cash and cash equivalents	\$ 23,475,703
Investments	12,992,332
Accounts receivable	850,568
Inventory – fuel	9,938
Prepaid expenses	396,179
Total current assets	<u>37,724,720</u>

NONCURRENT ASSETS

Capital assets not being depreciated

Land and land rights	14,841,825
Construction in process	16,158,403

Capital assets being depreciated

Structures and improvements	123,662,534
Machinery and equipment	2,828,530
Other improvements	9,066,619
Intangible Assets	159,689
Less accumulated depreciation	<u>(25,895,206)</u>
Total noncurrent assets	<u>140,822,394</u>

TOTAL ASSETS

\$ 178,547,114

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	<u>200,370</u>
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TOTAL DEFERRED OUTFLOWS

\$ 200,370

*The accompanying notes are an integral part of these statements

PORT OF KALAMA
STATEMENT OF NET POSITION
As of December 31, 2017

LIABILITIES

Current liabilities		
Warrants payable	\$	258,858
Accounts payable		2,703,514
Taxes payable		81,620
Wages and benefits		111,606
Rent securities, retainage, and other		1,209,692
Total current liabilities		<u>4,365,290</u>

Noncurrent liabilities

Note payable		707,312
Net pension liability		1,000,700
Other post-employment benefits		549,548
Total noncurrent liabilities		<u>2,257,560</u>
TOTAL LIABILITIES	\$	<u>6,622,850</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions		<u>177,913</u>
TOTAL DEFERRED INFLOWS	\$	<u>177,913</u>

NET POSITION

Net investment in capital assets		140,822,394
Restricted		0
Unrestricted		<u>31,124,326</u>
TOTAL NET POSITION	\$	<u>171,946,720</u>

*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, 2017

OPERATING REVENUES

Marine terminal operations	\$ 9,943,706
Property lease operations	4,120,535
Marina operations	551,093
TOTAL OPERATING REVENUES	<u>14,615,334</u>

OPERATING EXPENSES

General and administrative	5,792,563
Marine terminals	892,846
Marina and recreation	327,370
Total before depreciation	7,012,779
Depreciation	4,374,448
TOTAL OPERATING EXPENSES	<u>11,387,227</u>
OPERATING INCOME	<u>\$ 3,228,107</u>

NONOPERATING REVENUES (EXPENSES)

Investment income	334,947
Taxes levied	0
Columbia River Channel Improvement expense	(870,238)
Maintenance dredging expense	(1,754,347)
Grants	206,543
Other	97,409
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(1,985,686)</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS	<u>\$ 1,242,421</u>

CAPITAL CONTRIBUTIONS	<u>\$ 0</u>
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Increase (decrease) in net position	1,242,421
Net position as of January 1, 2017	170,704,299
NET POSITION AS OF DECEMBER 31, 2017	<u><u>\$ 171,946,720</u></u>

*The accompanying notes are an integral part of these statements

PORT OF KALAMA
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 14,193,920
Cash paid to suppliers	(4,627,623)
Cash paid for employees	(2,230,803)
Cash paid for taxes	(389,838)
Cash received from other	(30,384)
Cash paid for other	(866,337)
Net cash provided by operating activities	<u>6,048,935</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Proceeds from property taxes	0
Other received, net	0
Net cash provided by / used in noncapital financing activities	<u>0</u>

CASH FLOWS FROM CAPITAL AND RELATED

RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(12,580,225)
Retainage	30,319
Principal paid on revenue bonds	0
Principal paid on loans	707,312
Interest paid on revenue bonds	0
Interest paid on loans	0
Contributed capital for capital improvements	206,543
Due from other governments	63
Due to other governments	(10,525)
Net cash used in capital and related financing activities	<u>(11,646,513)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net purchases / sales of investments	(2,140,987)
Interest income	334,947
Net cash provided by / used in investing activities	<u>(1,806,040)</u>

Net increase (decrease) in cash and cash equivalents	(7,403,618)
Cash and cash equivalents January 1, 2017	<u>30,879,321</u>
Cash and cash equivalents December 31, 2017	<u><u>23,475,703</u></u>

*The accompanying notes are an integral part of these statements

PORT OF KALAMA
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

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

Operating income	\$ 3,228,107
Adjustments to reconcile operating income to net cash provided by (used) by operating activities	(33)
Depreciation	4,374,448
Sand sales	(2,469)
Columbia River channel improvement	(870,238)
Maintenance dredging	(1,754,347)
Pension expense related to GASB 68	(24,622)
Other	99,910
Change in assets and liabilities	
(Increase) decrease in accounts receivable	325,969
(Increase) decrease in inventories	(2,976)
(Increase) decrease in prepaid expense	42,792
Increase (decrease) in accounts and warrants payable	1,544,379
Increase (decrease) in taxes payable	(118,373)
Increase (decrease) in wages and benefits payable	86,701
Increase (decrease) in customer deposits	(880,313)
	<u>2,820,828</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,048,935</u>

*The accompanying notes are an integral part of these statements

PORT OF KALAMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

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, 2017, the treasurer was holding \$23,475,703 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 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

Cash on hand at December 31, 2017 was \$50. The carrying amount of the Port's deposits, including certificates of deposit, was \$22,277,490 and the bank balance was \$1,198,163.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the port would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Port's deposits are deposited in qualified depositories as required by state statute. The Port's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit

Protection Commission (PDPC) and therefore do not have custodial risk. The Port has not experienced any losses in its deposit accounts.

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 the Port may face should interest rate variances affect the fair value of investments. While the port does not have a formal policy that addresses interest rate risk, 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.

The table below identifies the type of investments, concentration of investments in any one issuer, and maturities of the Port investment portfolio:

December 31, 2017		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	\$ -	\$ -	14.16%
Federal Home Loan Bank	405,868	405,868	-	-	1.15%
Federal Home Loan Bank	596,700	596,700	-	-	1.69%
Federal Farm Credit	4,996,264	4,996,264	-	-	14.17%
Fibre Federal Credit Union-CD	40,654	-	40,654	-	0.12%
Federal Home Loan Bank	295,877	295,877	-	-	0.84%
Federal Farm Credit	1,000,000	1,000,000	-	-	2.84%
Federal Farm Credit	663,470	-	663,470	-	1.88%
WA State Local Govt Invest Pool	22,277,490	22,277,490	-	-	63.16%
Total	\$ 35,269,823	\$ 34,565,699	\$ 704,124	\$ -	100.00%
% of Portfolio		98.00%	2.00%	0.00%	100.00%

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. The port does not have a formal policy that addresses credit risk, but State statute establishes the type of investments and the credit quality rating the port can invest in.

The table below identifies credit quality ratings for the port's investment portfolio:

December 31, 2017		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 Home Loan Bank	405,868	405,868			
Federal Home Loan Bank	596,700	596,700			
Federal Farm Credit Bank	4,996,264	4,996,264	-	-	-
Federal Farm Credit Bank	663,470	663,470	-	-	-
Federal Farm Credit Bank	1,000,000	1,000,000			
Federal Home Loan Bank-CD	295,877	157,458	-	-	-
Fibre Federal Credit Union-CD	40,654	-	-	-	40,654
WA State Local Govt Invest Pool	22,277,490	-	-	-	26,937,993
Total	\$ 35,269,823	\$ 12,813,260	\$ -	\$ -	\$ 27,136,105

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 treasurer's deposits when they exceed the amount insured by the FDIC by requiring banks and thrifts to pledge securities as collateral.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The Port does not have a formal policy for concentration of credit risk.

Investments in Local Government Investment Pool (LGIP)

The Port is a participant in the Local Government Investment Pool authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

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, 2017, the Port had the following investments measured at fair value:

Investment Type	Total As of December 31, 2017	Fair Value Measurement Using		
		Quoted prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Federal National Mortgage Assn	\$ 4,975,425	\$ -	\$ 4,975,425	\$ -
Federal Home Loan Bank	295,402	-	295,402	-
Federal Home Loan Mtg Corp	592,845	-	592,845	-
Federal Home Loan Mtg Corp	403,246	-	403,246	-
Federal Farm Credit Bank	4,976,200		4,976,200	
Federal Farm Credit Bank	996,476	-	996,476	-
Federal Farm Credit Bank	654,729	-	654,729	-
Total Investments Measured at Fair Value	\$ 12,894,323	\$ -	\$ 12,894,323	\$ -
Investments Measured at Amortized Costs				
WA State Local Government Investment Pool	22,277,490			
Fibre Federal Credit Union - CD	40,654			
Total Investments Measured at Amortized Costs	\$ 22,318,144			
Total Investments	\$ 35,212,467			

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 2017.

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.

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 2017.

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, 2017, was as follows:

	Beginning Balance 01/01/2017	Increases	Decreases	Ending Balance 12/31/2017
<i>Capital Assets, not being depreciated:</i>				
Land and Land Rights	\$ 13,879,276	\$ 972,477	\$ 9,928	\$ 14,841,825
Construction in Progress	6,470,854	10,873,819	1,186,270	16,158,403
Total	\$ 20,350,130	\$ 11,846,296	\$ 1,196,198	\$ 31,000,228
<i>Capital Assets being depreciated:</i>				
Structures & Improvements	122,797,528	865,006	-	123,662,534
Machinery & Equipment	2,756,235	72,295	-	2,828,530
Other Improvements	8,073,793	992,826	-	9,066,619
Intangible	159,689	-	-	159,689
Total	\$ 133,787,245	\$ 1,930,127	\$ -	\$ 135,717,372
<i>Less accumulated depreciation for:</i>				
Structures & Improvements	16,653,273	3,466,846	-	20,120,119
Machinery & Equipment	531,024	138,858	-	669,882
Other Improvements	4,282,991	763,495	-	5,046,486
Intangible Amortization	53,470	5,249	-	58,719
Total accumulated depreciation	\$ 21,520,758	\$ 4,374,448	\$ -	\$ 25,895,206
Total net capital assets	\$ 132,616,617	\$ 9,401,975	\$ 1,196,198	\$ 140,822,394

Construction Commitments

The Port has active construction projects as of December 31, 2017. The projects include:

Project	Contract Amount	Expended to Date	Remaining Commitment
Spencer Creek Light Industrial Park Infrastructure Phase 2	1,394,636	760,208	634,428
Restaurant and Hotel Building	7,385,334	5,584,069	1,801,265
Hendrickson Road Improvements	968,627	963,889	4,738
Hendrickson Road Sewer Extension	379,233	257,662	121,571
Light Industrial Building - Architecture	605,500	499,660	105,840
Marina Improvements**	4,603,741	0	4,603,741
	15,337,071	8,065,488	7,271,583

Other Commitments:

Project		Expended to Date	Encumbrances
North Port Second Berth *		1,266,494	19,000,000
Ranney Collector Well *		266,166	11,000,000
Central Port Storm Water System		79,295	500,000
Security Infrastructure ***		329,839	526,000
Light Industrial Building		18,533	10,000,000
Amphitheater		72,071	855,000
		2,032,398	41,881,000

*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 Washington'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 2017:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(1,000,700)
Pension assets	
Deferred outflows of resources	\$200,370
Deferred inflows of resources	\$(177,913)
Pension expense/expenditures	\$146,544

State Sponsored Pension Plans

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

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

Department of Retirement Systems
Communications Unit

P.O. Box 48380
Olympia, WA 98540-8380

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

Public Employees' Retirement System (PERS)

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

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

Contributions

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

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

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

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 2017 were as follows:

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

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

The Port of Kalama's actual PERS plan contributions were \$81,060 to PERS Plan 1 and \$90,107 to PERS Plan 2/3 for the year ended December 31, 2017.

Actuarial Assumptions

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

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

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

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

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

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the Port of Kalama's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$699,488	\$574,202	\$465,678
PERS 2/3	\$1,149,029	\$426,498	\$(165,510)

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, 2017, the Port reported a total pension liability of \$1,000,700 for its proportionate share of the net pension liabilities as follows (only report applicable plans):

	Liability (or Asset)
PERS 1	\$574,202
PERS 2/3	\$426,498

At June 30, the Port's proportionate share of the collective net pension liabilities was as follows (only report applicable plans):

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.011154%	0.012101%	0.000947%
PERS 2/3	0.010999%	0.012275%	0.001276%

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.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.65 percent of employer contributions.

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

Pension Expense

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

	Pension Expense
PERS 1	\$85,637
PERS 2/3	\$60,907

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following 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	\$	(\$21,428)
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$ 43,553	\$
TOTAL	\$ 43,553	(\$21,428)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,214	(\$14,027)
Net difference between projected and actual investment earnings on pension plan investments	\$	(\$113,694)
Changes of assumptions	\$ 4,530	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 58,082	\$ (28,765)
Contributions subsequent to the measurement date	\$ 50,991	\$
TOTAL	\$ 156,817	(\$156,486)

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2018	\$ (14,484)
2019	\$ 4,573
2020	\$ (1,062)
2021	\$ (10,455)
2022	
Thereafter	
Total	\$ (21,428)

Year ended December 31:	PERS 2/3
2018	\$ (42,981)
2019	\$ 9,655
2020	\$ (5,044)
2021	\$ (38,273)
2022	\$ 11,297
Thereafter	\$ 14,686
Total	\$ (50,660)

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 2017. Also, settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7: Operating and Capital Leases

Operating Leases

The port is committed under leases for a mower and a copier machine. Such leases are considered to be operating leases for accounting purposes. Total cost for such leases was \$18,451.78 for the year ended December 31, 2017. The mower lease expires September 2018 and the copier lease expires April 2020. Future minimum lease payments are as follows:

Date	Payments
2018	14,163
2019	3,524
2020	1,175
2021	0
	\$ 18,862

The purchase option price at the end of the lease for both pieces of equipment is fair market value.

Note 8: Long-Term Debt

Note Payable

The Washington and Oregon ports entered into the “Intergovernmental Agreement Among Lower Columbia River Ports for Columbia River Channel Deepening and Maintenance” with the U.S. Army Corps of Engineers for the Channel Improvement Project on June 21, 2004. The project Cooperation Agreement identifies disposal, mitigation and restoration sites needed for the Channel Improvement Project. The State of Washington appropriated \$27.7 million for the Washington sponsor’s 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 share of the costs is shared equally between 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, met their obligations to the U.S. Army Corps of Engineers, and equalization will occur between the State of Washington and Oregon. Having reached substantial completion on December 31, 2017, the Port has accrued a cost of \$707,312 and will start amortization on the straight-line method over 20 years when the U.S. Army Corps of Engineers completes the project. (see Note 15, Columbia River Channel Improvement Project)

Note 9: Changes in Long-Term Liabilities

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

	Beginning Balance 01/01/2017	Additions	Reductions	Ending Balance 12/31/2017	Due Within One Year
Note Payable	\$ -	\$ 707,312	\$ -	\$ 707,312	\$ -
Net Pension Liability	\$ 1,152,813	\$ -	\$ 152,113	\$ 1,000,700	\$ -
OPEB	\$ 482,646	\$ 66,902	\$ -	\$ 549,548	\$ -
Total Long-Term Liabilities	\$ 1,635,459	\$ 774,214	\$ 152,113	\$ 2,257,560	\$ -

Note 10: Contingent Liabilities

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

Note 11: 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	113,326	32,250	145,846
K-12 Schools and ESDs ²	3,081	35,551	38,632
Political Subdivisions	14,288	2,032	16,320
Total	130,695	70,103	200,798

¹ Retirees include retired employees, surviving spouses, and terminated members entitled to a benefit.

² In the Washington State Fiscal Year 2017, there were 111,242 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	22	5	27

For calendar year 2017, the estimated monthly cost for PEBB benefits for active employees (average across all plans and tiers) is as follows:

Required Premium ³		
Medical	\$	1,025
Dental		79
Life		4
Long-term Disability		2
Total	\$	1,110

Contributions		
Employer Contribution	\$	959
Employee Contribution		151
Total	\$	1,110

³ Per 2017 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 2016, the average weighted implicit subsidy was valued at \$304 per member per month, and in calendar year 2017, the average weighted implicit subsidy is projected to be \$328 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 2016, the explicit subsidy was up to \$150 per member per month, and it remained up to \$150 per member per month in calendar 2017.

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 2017, and changes in the net OPEB obligation (NOO). All contributions required by the funding method were paid.

Annual OPEB Cost	
ARC	\$ 82,101
Interest on NOO	19,306
Amortization of NOO	(27,911)
Annual OPEB Cost	\$ 73,496
Contributions Made	(6,593)
Increase in NOO	\$ 66,903
BOY NOO	482,646
YE NOO	\$ 549,548

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for calendar years 2017, 2016, and 2015 were as follows:

Annual OPEB Cost	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 73,496	9%	\$549,548
2016	\$ 75,282	8%	\$482,646
2015	\$ 78,163	7%	\$413,456

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2017, was as follows:

Unfunded Actuarial Accrued Liability (UAAL)	
Actuarial Accrued Liability (AAL)	\$ 5,480,321
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 5,480,321
UAAL / Covered Payroll	
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$ 6,511,457
UAAL as a Percentage of Covered Payroll	84.16%

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 were as follows:

Actuarial valuation date	January 1, 2017
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	3.75%
Projected salary increases	3.75%
Healthcare inflation rate	7.0% 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 12: 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 2017, \$5,469 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 13: 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
2018	\$ 3,004,384
2019	2,971,810
2020	2,886,832
2021	2,840,240
2022	2,639,421
	\$ 14,342,687

Note 14: Major Receivables

In 2017, 68% of total operating revenue came from three unrelated terminal customers. The comparable figure from 2016 was 70%.

	Revenue
Terminals	\$ 9,913,299
Leased Properties	4,120,535
Marina	551,093
	\$ 14,584,927

Note 15: 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, and equalization will occur between the States of Washington and Oregon.

The deepening portion of the 103-mile navigation channel was substantially completed in November 2010. There are two remaining disposal sites to be acquired. Disposal sites are reported as capital contributions for financial statement purposes and are carried at one-third of value by the ports of Kalama, Longview and Vancouver.

Note 16: Accounting and Reporting Changes

In March 2016, GASB issued statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this statement is to address certain issues that have been raised with respect to the aforementioned statements. Specifically, 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 this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions 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. The adoption of this standard for the fiscal year ending December 31, 2017 had no impact on the port’s financial statements and related disclosures and had no material impact on the net position and changes in net position.

PORT OF KALAMA
Required Supplemental Information
December 31, 2017

Other Postemployment Benefits						
Schedule of Funding Progress (December 31, 2017)						
Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2017	\$ -	\$ 763,766	\$ 763,766	0%	\$ 1,481,422	52%
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%

Other Post Retirement Benefits			
Schedule of Employer Contribution (December 31, 2017)			
	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 73,496	9%	\$ 549,548
2016	\$ 75,282	8%	\$ 482,646
2015	\$ 78,163	7%	\$ 413,456

PORT OF KALAMA
Required Supplemental Information
December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans											
Port of Kalama											
Schedule of Proportionate Share of the Net Pension Liability											
PERS 1											
As of June 30, 2017											
Last 10 Fiscal Years*											
		2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.012101%	0.011154%	0.012212%							
Employer's proportionate share of the net pension liability	\$	574,202	599,022	638,801							
Covered payroll*	\$	1,354,784	1,259,901	1,138,739							
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	42.38%	47.55%	56.10%							
Plan fiduciary net position as a percentage of the total pension liability	%	61.24%	57.03%	59.10%							
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)											

PORT OF KALAMA
Required Supplemental Information
December 31, 2017

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, 2017												
Last 10 Fiscal Years*												
		2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.012275%	0.010999%	0.012325%								
Employer's proportionate share of the net pension liability	\$	426,498	553,791	440,379								
Covered payroll*	\$	1,213,880	1,115,343	1,012,322								
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	35.14%	49.65%	43.50%								
Plan fiduciary net position as a percentage of the total pension liability	%	90.97%	57.03%	89.20%								
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)												

PORT OF KALAMA
Required Supplemental Information
December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans											
Port of Kalama											
Schedule of Employer Contributions											
PERS 1											
For the year ended December 31, 2017											
Last 10 Fiscal Years*											
		2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	\$	81,060	71,204	60,661							
Contributions in relation to the statutorily or contractually required contributions*	\$	(81,060)	(71,204)	(60,661)							
Contribution deficiency (excess)	\$	0	0	0							
Covered payroll*	\$	1,451,926	1,307,679	1,194,889							
Contributions as a percentage of covered payroll	%	5.58%	5.45%	5.08%							
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)											

PORT OF KALAMA
Required Supplemental Information
December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans											
Port of Kalama											
Schedule of Employer Contributions											
PERS 2/3											
For the year ended December 31, 2017											
Last 10 Fiscal Years*											
		2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	\$	90,107	72,464	61,397							
Contributions in relation to the statutorily or contractually required contributions*	\$	(90,107)	(72,464)	(61,397)							
Contribution deficiency (excess)	\$	0	0								
Covered payroll*	\$	1,308,942	1,164,869	1,054,988							
Contributions as a percentage of covered payroll	%	6.88%	6.22%	5.82%							
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.

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