



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Shelton

For the period January 1, 2018 through December 31, 2018

Published November 25, 2019

Report No. 1025123





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

November 25, 2019

Board of Commissioners
Port of Shelton
Shelton, Washington

Report on Financial Statements

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

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

Sincerely,

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

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 Shelton
January 1, 2018 through December 31, 2018**

Board of Commissioners
Port of Shelton
Shelton, 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 Shelton, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Port's financial statements, and have issued our report thereon dated November 18, 2019.

We issued an unmodified opinion on the fair presentation of the Port's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Port using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 opinions 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

November 18, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Shelton January 1, 2018 through December 31, 2018

Board of Commissioners
Port of Shelton
Shelton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Shelton, for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Port's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for 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 opinions 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 opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Port of Shelton has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the Port of Shelton, and its changes in cash and investments, for the year ended December 31, 2018, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Port used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Port of Shelton, as of December 31, 2018, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2019 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

November 18, 2019

FINANCIAL SECTION

Port of Shelton January 1, 2018 through December 31, 2018

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018
Notes to Financial Statement – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018

Port of Shelton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

Beginning Cash and Investments

30810	Reserved	255,423
30880	Unreserved	4,216,955
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	734,836
320	Licenses and Permits	-
330	Intergovernmental Revenues	258,949
340	Charges for Goods and Services	1,825,667
350	Fines and Penalties	-
360	Miscellaneous Revenues	65,641
Total Revenues:		2,885,093

Expenditures

540	Transportation	1,754,770
Total Expenditures:		1,754,770
Excess (Deficiency) Revenues over Expenditures:		1,130,323

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	144,000
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	246,521
381, 395, 398	Other Resources	131,020
Total Other Increases in Fund Resources:		521,541

Other Decreases in Fund Resources

594-595	Capital Expenditures	856,636
591-593, 599	Debt Service	301,981
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	211,692
Total Other Decreases in Fund Resources:		1,370,309

Increase (Decrease) in Cash and Investments:	281,555
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Ending Cash and Investments

5081000	Reserved	255,423
5088000	Unreserved	4,498,510
Total Ending Cash and Investments		4,753,933

The accompanying notes are an integral part of this statement.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Port of Shelton (Port) was incorporated in 1948 and operates under the laws of the State of Washington applicable to a Port district.

Reporting Entity

The Port is located in Mason County, Washington and its territory covers less than the entire county. The Port is a special purpose local government that provides industrial and commercial property rentals, a marina and airport facilities to the general public and is supported by user charges and taxes from a property tax levy. The Port may acquire and improve land for sale or lease for industrial or commercial purposes. The Port is governed by an elected three-member board.

Basis of Accounting and Reporting

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. The Port has one fund. The following fund type is used:

PROPRIETARY FUND TYPE

Enterprise Fund

This fund accounts for operations that provide goods or services to the general public and are supported primarily through user charges.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

B. Basis of Accounting and Measurement Focus

The Port's financial statement is prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Cash and Investments - See Note 3, Deposits and Investments.

D. Capital Assets - See Note 9, Capital Assets.

E. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation leave, eligible sick leave and associated payroll taxes. Payments are recognized as expenditures when paid.

Vacation pay, which accrues on the employee's anniversary date, may be accumulated up to eighty (80) hours and is payable upon separation, retirement or death.

The Port allows up to seven hundred twenty (720) hours accumulation of sick leave. At the time of termination of employment (either voluntarily or involuntarily) any unused sick leave is forfeited and employees are not entitled to any pay in lieu of unused sick leave. Upon retirement, an employee shall receive pay for 25% of their accumulated sick leave provided that the employee has a minimum of five (5) years of continuous service with the Port and meet all the requirements to be eligible for retirement under the Public Employees' Retirement System.

The total compensated absences balance was \$51,083 at December 31, 2018. See *Schedule of Liabilities* (Schedule 09).

F. Long-Term Debt - See Note 5, Debt Service Requirements.

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Commissioners. When expenditures that meet restrictions are incurred, the Port intends to use reserved resources first before using unreserved amounts. Reservations of Beginning and Ending Cash and Investments consist of \$255,423, respectively.

NOTE 2 - BUDGETS:

Annual budgets are adopted on the same basis of accounting as used for financial reporting.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS:

It is the Port's policy to invest all temporary cash surpluses. The interest on these investments is recorded in the Port's General Fund. The carrying amount of the Port's cash deposits with financial institutions was \$851,672 held at Heritage Bank, a \$225 deposit in transit to Heritage Bank and \$4,872 temporarily held at the Mason County Treasurer's Office, for a total carrying value of \$856,769 at December 31, 2018. The total carrying amount of the investments was \$3,897,164 and the total carrying amount of cash and investments was \$4,753,933 at December 31, 2018, respectively.

All deposits and certificates of deposits were covered by the Federal Depository Insurance Corporation (FDIC) or by the Washington Public Deposit Protection Commission (PDPC). All investments are insured, registered or held by the Port or its agent in the government's name. See Note 1C, Cash and Investments.

Investments are reported at original cost. Investments by type at December 31, 2018 are as follows:

<u>Type of Investment</u>	<u>Port's Own Investments Total</u>
Heritage Bank - Public Now Invest - Reserved	\$ 26,073
Local Government Investment Pool (LGIP) - Reserved	<u>229,350</u>
Total Reserved	<u>255,423</u>
Heritage Bank - Public Now Invest - Unreserved	799,677
Local Government Investment Pool (LGIP) - Unreserved	<u>2,842,064</u>
Total Unreserved	<u>3,641,741</u>
Total Reserved and Unreserved Investments	\$ <u>3,897,164</u>

Within the investment accounts, the Port internally maintains segregated subaccounts to reflect reserved and internally reserved accounts. See Note 9, Restatement for the Reclassification of Reserved and Unreserved Cash and Equivalents - Beginning.

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

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS, CONTINUED:

On May 15, 2002, the Port Commission passed Resolution 02-04, appointing one of its members to be the Port Treasurer. The Port Treasurer maintains the accounts of the Port at Heritage Bank in Shelton, Washington, a certified Public Depository Institution and the LGIP in Olympia, Washington, a State of Washington qualified external investment pool, managed and operated by the Washington State Treasurer. The Port invests its surplus cash according to a Policy adopted by the Commission in Resolution 02-05 dated May 15, 2002, that uses three criteria to determine what investments are appropriate. The three criteria, in order of importance are; safety of principal, liquidity of the investment and overall return on investment. Investment earnings are reported in each investment's respective total.

NOTE 4 - PROPERTY TAX:

The Mason County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed to the Port at the start of the month following collection by the Mason County Treasurer.

Property tax revenues are recognized when cash is received by Mason County on behalf of the Port. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Port may levy up to \$0.45 per \$1,000 of assessed valuation for general Port purposes.

The Port's regular levy for 2018 was \$0.3362720 per \$1,000 on a total assessed valuation of \$2,198,157,051 for a total regular levy of \$739,179.

NOTE 5 - DEBT SERVICE REQUIREMENTS:

Debt Service

The Port issues General Obligation (G.O.) bonds to finance the acquisition and construction of capital assets. The Port is also liable for subordinated interagency Washington State Community Economic Revitalization Board (CERB) loans and Washington State Department of Health loans, which were transferred from the Drinking Water State Revolving Fund (DWSRF) on June 30, 2018. The bonds and loans are payable from the revenues of the Port. See Note 1F, Long-Term Debt.

The accompanying *Schedule of Liabilities* (Schedule 09) provides more details of the outstanding debt and liabilities of the Port and summarizes the Port's debt transactions for the year ended December 31, 2018.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 5 - DEBT SERVICE REQUIREMENTS, CONTINUED:

Debt Service, Continued

The debt service requirements for G.O. bonds and subordinated interagency loans at December 31, 2018 are as follows:

Year ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 262,860	\$ 61,712	\$ 324,572
2020	269,467	50,858	320,325
2021	264,726	40,381	305,107
2022	280,550	30,217	310,767
2023	291,383	19,480	310,863
2024 - 2028	317,682	30,187	347,869
2029 - 2033	118,841	13,676	132,517
2034 - 2038	<u>127,224</u>	<u>5,291</u>	<u>132,515</u>
Totals	\$ <u>1,932,733</u>	\$ <u>251,802</u>	\$ <u>2,184,535</u>

2018 Subordinated Interagency Loan

The Port executed a CERB Committed Private Partner Program grant/loan on May 18, 2017 for a public facilities project consisting of a \$160,000 loan, \$160,000 grant and an \$80,000 Port match, for a total project cost of \$400,000 for infrastructure for a tenant at Johns Prairie. In 2018, after meeting the Port match requirements, the Port incurred and was reimbursed for 90% of the \$160,000 of eligible expenditures incurred under the loan provision, which started the loan repayment portion of the agreement and correspondingly incurred and was reimbursed 90% of the \$160,000 eligible expenditures under the grant. The tenant subsequently went bankrupt and the Port is in the process of releasing the site. The loan term is twenty (20) years, maturing July 31, 2038, with an interest rate of 1.13%. The first payment date is July 31, 2019 and the final payment date is July 31, 2038. See Note 9, Grants, Contingencies and Litigation, Subsequent Events and *Schedule of Liabilities* (Schedule 09).

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - OPEB PLANS:

The Port is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The Port had nine (9) active plan members and three (3) retired plan members as of December 31, 2018. The Port contributed \$69,557 to the plan for the year ended December 31, 2018.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 7 - PENSION PLANS:

State Sponsored Pension Plans

Substantially all Port full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS), a statewide retirement system administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit retirement plans.

The State Legislatures establishes and amends laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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

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

At June 30, 2018 (the measurement date of the plans), the Port's proportionate share of the collective net pension liabilities, as reported on the *Schedule of Liabilities* (Schedule 09), was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$28,025	0.004193%	\$187,261
PERS 2/3	\$41,532	0.005382%	\$ 91,893
Total	\$69,557		\$279,154

NOTE 8 - RISK MANAGEMENT:

Port of Shelton is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2018, there are 549 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 8 - RISK MANAGEMENT, CONTINUED:

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

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim.

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

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

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

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

A Board of Directors consisting of seven (7) board members governs Enduris. The Pool's members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Enduris did not have any claim settlements that exceeded limits in the last three years.

The Port received \$134,245 in insurance recoveries from Enduris in 2018. See Note 9, Subsequent Events.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 9 - OTHER DISCLOSURES:

Capital Assets

Capital assets, including major repairs, are assets with an initial individual cost of \$3,000 or more and an estimated useful life in excess of one (1) year. Capital assets and inventory are recorded as capital expenditures when purchased. See Note 1D, Capital Assets.

During 2018, the Port incurred the following transactions affecting its capital assets. On October 2, 2018, the Port amended its Comprehensive Scheme of Harbor Improvements. On October 16, 2018, the Port declared as surplus the Oakland Bay Marina (OBM) by Resolution 18-08. On December 18, 2018, the Port authorized a purchase and sale agreement for the Oakland Bay Marina to the Shelton Yacht Club (SYC) for \$50,000. The Port and the SYC entered into a process to address the various sale requirements. See Note 9, Subsequent Events.

On December 18, 2018, the Port declared as surplus a building located at 121 W Enterprise. The Port negotiated to sell the building to a Port tenant, the building occupant, for \$378,100 plus respective expenses. The Port also negotiated to purchase a building from the same Port tenant for \$228,521 plus respective expenses. Both the sale and the purchase transactions were completed in February of 2019. See Note 1D, Capital Assets and Note 9, Subsequent Events.

Grants

In 2018, the Federal Aviation Administration (FAA) awarded the Port an Airport Improvement Program (AIP) grant of \$288,624, which is 90% of the total project costs of \$320,693 to Conduct an Environmental Assessment for the Five (5) Year Airport Capital Improvement Plan. In 2018, the Washington State Department of Transportation, Aviation Division (WSDOT) issued grant #SHE-01-18 for \$15,785, which is a 5% matching grant to the 2018 FAA grant. In 2018, the Port incurred \$99,685 and \$5,538 of eligible grant expenditures on the FAA grant and the WSDOT grant, respectively. See Note 9, Contingencies and Litigation and Subsequent Events.

During 2018, the FAA and WSDOT notified the Port they were issuing grant awards in 2019 for the design, engineering and construction of a Sanderson Field airport runway pavement overlay. The entire project is estimated to be approximately \$3,925,000 of which portions of the project will be from 100% discretionary FAA funds without a match requirement and a portion of the project will be from AIP funding with 90% and 5% from FAA and WSDOT, respectively. See Note 9, Subsequent Events.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 9 - OTHER DISCLOSURES, CONTINUED:

Grants, Continued

In 2007, the Port was a recipient of a Washington State Parks and Recreation Commission grant, which was a federal flow-through grant from U.S. Fish and Wildlife under the Clean Vessel Act for a boat sewage disposal facility. The Port completed the capital portion of the grant in 2008 and is eligible to participate in the maintenance reimbursement portion of the grant for the life of the asset. The Port incurred \$2,610 of eligible reimbursable grant expenditures in 2018. See Note 9, Contingencies and Litigation, Subsequent Events and *Schedule of Expenditures of Federal Awards* (Schedule 16).

In 2016, CERB notified the Port that they had been approved for a Committed Private Partner Program grant/loan for a public facilities project consisting of a \$160,000 loan, \$160,000 grant and an \$80,000 Port match, for a total project cost of \$400,000 for infrastructure for a tenant at Johns Prairie. The Port executed a contract with CERB on May 18, 2017 and the Port has four (4) years to complete the work. The Port has completed the match, loan and grant portions in 2018 and received 90% of the loan and grant reimbursements of \$144,000 each and will receive the remaining 10% of \$18,000 each upon completion of the final paperwork in 2019. See Note 9, Contingencies and Litigation, Subsequent Events and *Schedule of State Financial Assistance* (Schedule 15).

In 2017, CERB notified the Port that they had been approved for a Committed Private Partner Program grant/loan for a public facilities project consisting of a \$300,000 loan, \$300,000 grant and a \$150,000 Port match, for a total project cost of \$750,000 for a tenant at Johns Prairie consisting of a roof and infrastructure improvements. The Port executed a contract with CERB on August 28, 2017 and the Port has four (4) years to complete the work. By December 31, 2017, the Port has completed the match and loan portion of the project and is working on the grant portion of the project. The Port incurred \$157,129 of eligible reimbursable grant expenditures in 2017 and \$11,665 of eligible reimbursable grant expenditures in 2018. See Note 9, Contingencies and Litigation, Subsequent Events, *Schedule of Liabilities* (Schedule 09) and *Schedule of State Financial Assistance* (Schedule 15).

In 2018, CERB notified the Port that they had been approved for a Committed Private Partner Program grant/loan for the construction of a 30,000 square foot building for an existing tenant, consisting of a \$1,000,000 loan, a \$1,000,000 grant and a \$500,000 Port match for a total project cost of \$2,500,000. See Note 9, Subsequent Events.

Grant expenditures include amounts owing to the Port for eligible expenditures incurred in 2018.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 9 - OTHER DISCLOSURES, CONTINUED:

Contingencies and Litigation

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

The Port acquired certain assets with funding provided by federal and state financial assistance programs. Depending upon the terms of the agreements involved, the funding governmental unit could retain an equity interest in these assets resulting in the assets reverting back to the agency if the assets are not used for their intended purposes. However, the Port has sufficient legal interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable account.

Contingencies and Litigation - FAA and WSDOT Recoverable Grants

The Port received a recoverable grant via the receipt of Sanderson Field Airport (SF) and its associated land when it had been decommissioned after World War II. Various usage requirements run with the airport. Any sale of any portion of SF would first have to obtain approval by the FAA and WSDOT, and then potentially from 90% to 100% of the sale proceeds may be required to be remitted back to the FAA and WSDOT. The Port continues to invest in SF. The FAA and WSDOT continue to provide grants for a portion of the SF improvements. The period of recoverability of the donated land to the Port is for the lifetime of SF. The minimum recoverability exposure is the entire SF, indefinitely. A current value of SF has not been determined.

The Port has received multiple recoverable grants from the FAA AIP for multiple years, which average 90% of \$150,000 a year. The grants have included the design, planning, engineering and construction of various airport assets. The FAA has also awarded 100% discretionary grants to the Port over the years for larger projects that do not have a Port or WSDOT match. The FAA grant assurances are as follows; "The terms, conditions and assurances of their grant agreements shall remain in full force and effect throughout the useful life of the facilities developed or equipment acquired for an airport development or noise compatibility program project, or throughout the useful life of the project items installed within a facility under a noise compatibility program project, but in any event not to exceed twenty (20) years from the date of acceptance of a grant offer of Federal funds for the project. However, there shall be no limit on the duration of the assurances regarding Exclusive Rights and Airport Revenue so long as the airport is used as an airport. There shall be no limit on the duration of the terms, conditions, and assurances with respect to real property acquired with federal funds. Furthermore, the duration of the Civil Rights assurance shall be specified in the assurances."

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 9 - OTHER DISCLOSURES, CONTINUED:

Contingencies and Litigation, Continued

Contingencies and Litigation - FAA and WSDOT Recoverable Grants, Continued

The Port has received FAA aviation grant funds through 2018. As such, the current period of recoverability extends through 2038 with the exception for the real property, which has no time limit. The FAA grants were included in Intergovernmental Revenues grant funds for each year received. A complete list of recoverable grants is maintained by the Port. See *Schedule of Expenditures of Federal Awards* (Schedule 16) for each year for the amounts of FAA grants incurred.

The Port has received multiple recoverable grants from the WSDOT Aviation Airport Aid Program over the years. The grants primarily have been structured to be a 5% match to the airport grants from the FAA's AIP. The WSDOT grants require that the airport remain open for the expected life of twenty (20) years; otherwise 100% of the grant funding must be returned within thirty (30) days of closure, sale, or discontinuance of service. The Port has received WSDOT aviation grant funds through 2018. As such, the current period of recoverability extends through 2038. The WSDOT grants were included in Intergovernmental Revenues grant funds for each year received. The majority of the grants from WSDOT have been 5% of the FAA \$150,000 a year AIP grants. A complete list of recoverable grants is maintained by the Port. See *Schedule of Financial Assistance* (Schedule 15) for each year for the amounts of WSDOT grants incurred.

Contingencies and Litigation - U.S. Fish and Wildlife Service, Department of the Interior Recoverable Grants

In 2007, the Port received a \$150,000 recoverable grant for the design, construction and maintenance of a floating restroom for OBM and in 2012 a \$25,100 recoverable grant for the restroom relocation from the U.S. Fish and Wildlife Service, Department of the Interior, federal pass through grants via Washington State Parks and Recreation Commission. These grants are contingent on the floating restroom remaining in operation, over water, for twenty (20) years. The grants provide for a repayment of the grant proceeds should the asset be utilized in a non-authorized manner. The Port continues to receive annually a 75% reimbursement for the maintenance of the floating restroom from the 2007 grant and the total reimbursements to-date have exceeded the original \$150,000 award. The floating restroom portion of this grant and the annual maintenance portion of the 2007 grant and the 2012 relocation grant are included in Intergovernmental Revenues grant funds for each year received. In 2018, the original grant was re-written under the new grant program director, maintaining the same 75% reimbursement provision as the initial grant. See Note 9, Grants, Subsequent Events and *Schedule of Expenditures of Federal Awards* (Schedule 16) for each year for the amounts of the grants incurred.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 9 - OTHER DISCLOSURES, CONTINUED:

Contingencies and Litigation, Continued

Contingencies and Litigation - CERB Committed Private Partner Program Recoverable Grants

In 2017, the Port received a \$300,000 loan and a \$300,000 recoverable grant from CERB for a Committed Private Partner Program grant/loan for a public facilities project for a tenant at Johns Prairie. The CERB terms state that in the event that the Port fails to perform the work or otherwise carry out its duties under this contract in accordance with state laws, federal laws, and/or the provisions of this contract, the Board reserves the right to recapture funds in an amount to compensate the Board for the noncompliance in addition to any other remedies available at law or in equity. The minimum recoverability exposure of this CERB grant/loan is \$600,000, once all of the loan and grant reimbursements have been received plus additional amounts, including interest through 2044, six (6) years after the last payment date of July 31, 2038.

Repayment by the Port of funds under this recapture provision shall occur within the time period specified by the Board. In the alternative, the Board may recapture such funds from payments due under this contract, if any. The Port shall retain the books and records pertaining to this grant for a period of six (6) years following the date of final payment. If any litigation, claim or audit is started before the expiration of the six (6) year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been finally resolved.

The Port received \$300,000 of the loan portion and \$157,129 of the grant portion in 2017 from CERB. The Port has incurred an additional \$11,665 in 2018 that is eligible for reimbursement in 2019. See Note 9, Subsequent Events, *Schedule of Liabilities* (Schedule 09) and *Schedule of State Financial Assistance* (Schedule 15).

In 2017, the Port received a \$160,000 loan and a \$160,000 recoverable grant from CERB for a Committed Private Partner Program grant/loan for a public facilities project for a tenant at Johns Prairie. The CERB terms state that in the event that the Port fails to perform the work or otherwise carry out its duties under this contract in accordance with state laws, federal laws, and/or the provisions of this contract, the Board reserves the right to recapture funds in an amount to compensate the Board for the noncompliance in addition to any other remedies available at law or in equity. The minimum recoverability exposure of this CERB grant/loan is \$320,000, once all of the loan and grant reimbursement have been received plus additional amounts, including interest through 2044, six (6) years after the last payment date of July 31, 2038.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 9 - OTHER DISCLOSURES, CONTINUED:

Contingencies and Litigation, Continued

Contingencies and Litigation - CERB Committed Private Partner Program Recoverable Grants, Continued

Repayment by the Port of funds under this recapture provision shall occur within the time period specified by the Board. In the alternative, the Board may recapture such funds from payments due under this contract, if any. The Port shall retain the books and records pertaining to this grant for a period of six (6) years following the date of final payment. If any litigation, claim or audit is started before the expiration of the six (6) year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been finally resolved.

The Port received 90% of the \$160,000 loan portion of the grant/loan in 2018 and received 90% of the \$160,000 grant portion in 2018 from CERB. The remaining 10% of the loan and grant portions will be remitted to the Port upon completion of the program's requirements in 2019. See Note 9, Subsequent Events, *Schedule of Liabilities* (Schedule 09) and *Schedule of State Financial Assistance* (Schedule 15).

Contingencies and Litigation - United States Department of Agriculture Recoverable Grant (USDA)

In 2012, the Port received a recoverable \$32,119 grant from the USDA for Johns Prairie Waterline Engineering, which was a 50% grant up to \$40,000 that was completed in 2013. The grant is included in Intergovernmental Revenues grant funds for each year received. See *Schedule of Expenditures of Federal Awards* (Schedule 16) for the applicable years.

See Note 9, Grants and Subsequent Events.

Stewardship, Compliance and Accountability

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

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 9 - OTHER DISCLOSURES, CONTINUED:

Significant Commitments or Obligations

Construction Commitments

The Port has active construction projects as of December 31, 2018. The projects include:

<u>Project</u>	<u>Spent To-Date</u>	<u>Remaining Commitment</u>
Oakland Bay Marina		
OBM emergency pile replacement *	\$ <u>98,832</u>	\$ <u>4,595</u>
Total Oakland Bay Marina	<u>98,832</u>	<u>4,595</u>
Sanderson Field		
SF property transactions - building purchase **	5,567	231,224
SF building demolition site	49,479	170,610
SF building remodel ***	25,164	169,615
SF fascia replacement	--	6,076
SF runway paving engineering ****	<u>127,460</u>	<u>287,386</u>
Total Sanderson Field	<u>207,670</u>	<u>864,911</u>
Johns Prairie		
JP infrastructure improvements *****	130,200	150,000
JP septic installation *****	108,043	4,915
JP planer building walls *****	285,222	62,395
JP buildings 1, 2, 3 and planer building sprinkler systems	1,369	66,015
JP new building *****	<u>3,206</u>	<u>2,503,044</u>
Total Johns Prairie	<u>528,040</u>	<u>2,786,369</u>
Total Construction Commitments	\$ <u>834,542</u>	\$ <u>3,655,875</u>

* OBM emergency pile replacement partially reimbursed by the Port's risk pool, Enduris

** Building purchase funded by the sale of a Port building - See Note 1D, Capital Assets and Note 9, Capital Assets

*** Partially reimbursable by tenant for damages incurred

**** 95% reimbursable on AIP portion (excluding staff time) by FAA/WSDOT and 100% reimbursable on discretionary portion (excluding staff time) by FAA

***** Partially reimbursable by CERB grants/loans

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 9 - OTHER DISCLOSURES, CONTINUED:

Significant Commitments or Obligations, Continued

Construction Commitments, Continued

The remaining construction commitments not designated above will be funded from Port funds. See Note 9, Subsequent Events. The project expenditures for the Port's pollution remediation are disclosed in Note 9, Grants, Pollution Remediation, Subsequent Events and *Schedule of Liabilities* (Schedule 09).

Pollution Remediation

On April 23, 2014, the Port received written notification dated April 17, 2014 from the Department of Ecology (DOE) that one of the Port's properties in Johns Prairie was subject to a clean-up process resulting from a former Port tenant. On August 24, 2014, the Port entered into a Voluntary Clean-up Program (VCP) with DOE for this site. The Port has had the site tested for potential contaminants in 2014, 2015 and 2018. The Port has been working with DOE and has provided the results of the tests to DOE. The Port has properly disposed of the materials in a settling pond. The Port requested a No Further Action (NFA) letter on the site. DOE asked for an additional investigation of this site prior to issuing a NFA letter. The Port worked with CDM Smith, Inc. (CDM Smith), an environmental firm, to assist in providing the additional information being requested by DOE. On October 16, 2018, the Port passed Resolution 18-09, Emergency Action for clean-up of the existing site at Johns Prairie to move forward with the proper disposal of contaminated soils. Previously, the Port incurred approximately \$10,000 of investigation costs for this site. In working with DOE in 2018, the Port incurred \$123,232 of clean-up costs and anticipates that the additional clean-up costs will be approximately \$137,000, for total clean-up costs incurred of approximately \$260,232, in addition to the earlier investigation costs of approximately \$10,000. The Port anticipates that the project will be completed in 2019. See Note 9, Subsequent Events and *Schedule of Liabilities* (Schedule 09).

The Port has identified two sites that will require pollution remediation in 2019. The Port continues to monitor various Port sites with prior or existing environmental concerns including sites with restrictive covenants. See Note 9, Subsequent Events.

Accounting and Reporting Changes

Effective January 1, 2018, the Port has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The major impact to the Port of this adoption was the presentation of a new prescribed OPEB disclosure in Note 6, which has been included in the Port's 2018 Notes to Financial Statements. Currently, cash basis special purpose districts are not required to calculate and present their OPEB liability on *Schedule of Liabilities* (Schedule 09). The Washington State Auditor's Office (SAO) is working on guidance to have cash basis special purpose districts calculate and report their respective OPEB liability in the future. See Note 6, Other Post-Employment Benefits (OPEB) - OPEB Plans.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 9 - OTHER DISCLOSURES, CONTINUED:

Restatement for the Reclassification of Reserved and Unreserved Cash and Equivalents - Beginning

Effective January 1, 2018, the Port restated its Reserved and Unreserved Cash and Investments for the reclassification of the one (1) year CERB debt service reserves into Reserved Cash and Investments from Unreserved Cash and Investments. Correspondingly, the Port has reclassified the G.O. bond reserves into Reserved Cash and Investments from Unreserved Cash and Investments.

Subsequent Events

The Port has evaluated events through May 29, 2019, which is the date the financial statements were available to be issued.

The Port is conducting additional field work in 2019 on a site in Johns Prairie. In early 2019, the Port completed the proper disposal of contaminated soils to an authorized disposal site in a prescribed manner. Based upon the completion of the final additional field work in 2019, the Port's environmental firm is in the process of preparing a final investigation and clean-up report to be submitted to DOE. See Note 9, Pollution Remediation and *Schedule of Liabilities* (Schedule 09).

In 2019, the Port is in the process of demolishing the remaining structures at the former SF building demolition site including the proper disposal of asbestos, lead paint and possible mercury in light bulbs at the site to prepare for a possible future tenant. See Note 9, Construction Commitments and Pollution Remediation.

In accordance with pollution remediation guidelines, the Port is working on various pollution remediation projects. The Port is properly disposing of various chemicals left by former tenants. See Note 9, Pollution Remediation.

The Port has various active construction projects at December 31, 2018 that are expected to be completed in 2019. See Note 9, Grants and Construction Commitments for a listing of remaining committed amounts totaling \$3,655,875.

In 2019, the Port completed the work associated with the CERB Committed Private Partner Program for a \$400,000 public facilities project at Johns Prairie. The Port is in the process of filing the final report and is submitting for the final reimbursements for the 10% portion of the \$160,000 loan and \$160,000 grant, respectively, in 2019. See Note 9, Grants, Contingencies and Litigation, Construction Commitments and *Schedule of Liabilities* (Schedule 09).

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 9 - OTHER DISCLOSURES, CONTINUED:

Subsequent Events, Continued

The Port continues to perform the work in 2019 associated with the CERB Committed Private Partner Program for a \$750,000 public facilities project at Johns Prairie for the \$300,000 grant portion of the project. The Port intends that the project will be completed and the final report filed by the end of 2019. The Port made its first loan repayment to CERB per the loan terms, in January of 2019. See Note 9, Grants, Contingencies and Litigation, Construction Commitments and *Schedule of Liabilities* (Schedule 09).

In 2019, the Port continues to perform the work associated with the CERB Committed Private Partner Program for the construction of a \$2,500,000 building for a tenant. In 2019, the Port selected a consultant through a Request for Proposal (RFP) process and is currently working with the tenant on building and site requirements. See Note 9, Grants.

On February 1, 2019, the Port entered into a month-to-month lease agreement with the SYC for all management, maintenance and operations of the OBM. On May 3, 2019, upon completion of the sale requirements to the grant, the sale of OBM was recorded and the ownership was transferred to SYC along with the Port's boat house, service boat and all associated onsite assets and supplies. The Port transferred the associated marina tenant deposits of \$27,088 to the SYC on May 7, 2019. As a part of the sale, the Port received approval from the Washington State Parks and Recreation Commission to transfer the boat sewage disposal facility acquired under the Clean Vessel Act and the corresponding ongoing maintenance grant to the SYC as of the sale date. In 2019, the Port is submitting for reimbursement for all eligible expenditures incurred up to the date of the sale. See Schedule 9, Grants, Contingencies and Litigation, Construction Commitments and *Schedule of State Financial Assistance* (Schedule 15).

In February, 2019, the Port completed the sale and purchase of two buildings with a tenant. See Note 9, Capital Assets.

On March 19, 2019, the Port Commission approved Resolution 19-01, which authorizes submission of an application to CERB for the Committed Private Partner Program. This is a required resolution to submit on the Tier 2 process for CERB. After the passage of this resolution, the private partner determined that they wanted to wait and reconsider that process. The Port spoke to CERB and took the project off the table at that time. CERB indicated that as long as funding was available, the project could come forward at a future meeting.

On March 31, 2019, the Port's long-term maintenance manager retired after nineteen (19) years. On April 1, 2019, the Port's long-term maintenance foreman was promoted to the maintenance manager position.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2018

NOTE 9 - OTHER DISCLOSURES, CONTINUED:

Subsequent Events, Continued

In 2019, the Port is continuing to work with the FAA and WSDOT on the 2018 AIP grants to Conduct an Environmental Assessment for the Five (5) Year Airport Capital Improvement Plan. The Port has submitted a second request for reimbursement to the FAA for \$56,040 and WSDOT for \$3,113, respectively. \$132,899 and \$7,134 remain available for future eligible grant reimbursements from the FAA and WSDOT, respectively. The Port intends for this project to be completed in 2019.

In 2019, the Port is continuing to work with the FAA and WSDOT on the upcoming 2019 AIP and discretionary projects, including the airport engineering, pavement overlay and taxiway lighting in anticipation of the new FAA and WSDOT grants being issued in 2019. The total project cost is currently expected to be approximately \$3,925,000. Per written assurances from the FAA, the Port anticipates that those respective grants will include a portion of eligible expenditures incurred in 2019 prior to the grants being awarded. The Port has engaged an engineering firm to assist the Port in these upcoming airport improvement projects. On April 16, 2019, the Port Commission approved Resolution 19-02, which guaranteed matching funds availability to the WSDOT Aviation Division for 5% of the total project cost. This resolution is required to be approved prior to the grant being awarded. See Note 9, Grants and Construction Commitments.

**Port of Shelton
Schedule of Liabilities
For the Year Ended December 31, 2018**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Tax Exempt Serial Bonds Series A for Buildings and Infrastructure, ISSUED 09/15/2003	3/1/2021	370,000	-	110,000	260,000
251.11	General Government Deferred Serial Bonds Series C for Buildings and Infrastructure, ISSUED 09/15/2003	3/1/2023	350,000	-	-	350,000
251.11	Tax Exempt Serial Bonds for Buildings and Infrastructure, ISSUED 08/15/2005	3/1/2025	580,000	-	60,000	520,000
263.85	WA State Department of Health, Replace AC Waterline, Transferred from DWSRF on 06/30/2018, ISSUED 09/14/2004	8/1/2024	50,172	-	7,222	42,950
263.85	WA State Department of Health, Replace AC Waterline, Transferred from DWSRF on 06/30/2018, ISSUED 09/14/2004	8/1/2024	313,849	-	45,177	268,672
263.85	CERB/Building - North Star, ISSUED 1996	7/1/2020	46,667	-	15,556	31,111
263.85	CERB/JP Roof and Infrastructure, ISSUED 08/28/2017	1/31/2038	300,000	-	-	300,000
263.85	CERB/JP Infrastructure, ISSUED 05/18/2017	1/31/2038	-	160,000	-	160,000
Total General Obligation Debt/Liabilities:			2,010,688	160,000	237,955	1,932,733
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		32,142	18,941	-	51,083
263.97	Environmental Pollution Remediation		-	260,232	123,232	137,000
264.30	Net Pension Liabilities		370,701	-	91,547	279,154
Total Revenue and Other (non G.O.) Debt/Liabilities:			402,843	279,173	214,779	467,237
Total Liabilities:			2,413,531	439,173	452,734	2,399,970

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.

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