



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Clarkston

For the period January 1, 2017 through December 31, 2018

Published February 20, 2020

Report No. 1025625





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

February 20, 2020

Board of Commissioners
Port of Clarkston
Clarkston, Washington

Report on Financial Statements

Please find attached our report on the Port of Clarkston'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 Clarkston
January 1, 2017 through December 31, 2018**

Board of Commissioners
Port of Clarkston
Clarkston, 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 Clarkston, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Port's financial statements, and have issued our report thereon dated January 16, 2020.

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 audits 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, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

January 16, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Clarkston January 1, 2017 through December 31, 2018

Board of Commissioners
Port of Clarkston
Clarkston, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Clarkston, for the years ended December 31, 2018 and 2017, 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 audits. We conducted our audits 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 Clarkston 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 Clarkston, and its changes in cash and investments, for the years ended December 31, 2018 and 2017, 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 Clarkston, as of December 31, 2018 and 2017, or the changes in financial position or cash flows for the years 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 audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are 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 January 16, 2020 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

January 16, 2020

FINANCIAL SECTION

Port of Clarkston January 1, 2017 through December 31, 2018

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018
Fund Resources and Uses Arising from Cash Transactions – 2017
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018
Schedule of Liabilities – 2017

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

Beginning Cash and Investments

30810	Reserved	156,557
30880	Unreserved	781,260
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	358,646
320	Licenses and Permits	-
330	Intergovernmental Revenues	18,785
340	Charges for Goods and Services	696,634
350	Fines and Penalties	-
360	Miscellaneous Revenues	26,072
Total Revenues:		1,100,137

Expenditures

540	Transportation	675,067
Total Expenditures:		675,067
Excess (Deficiency) Revenues over Expenditures:		425,070

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	66,548
381, 395, 398	Other Resources	529,360
Total Other Increases in Fund Resources:		595,908

Other Decreases in Fund Resources

594-595	Capital Expenditures	194,341
591-593, 599	Debt Service	125,797
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	50,501
Total Other Decreases in Fund Resources:		370,639

Increase (Decrease) in Cash and Investments:	650,339
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Ending Cash and Investments

5081000	Reserved	118,557
5088000	Unreserved	1,469,599
Total Ending Cash and Investments		1,588,156

The accompanying notes are an integral part of this statement.

Port of Clarkston
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

Beginning Cash and Investments

30810	Reserved	156,557
30880	Unreserved	761,742
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	353,115
320	Licenses and Permits	-
330	Intergovernmental Revenues	28,427
340	Charges for Goods and Services	650,280
350	Fines and Penalties	-
360	Miscellaneous Revenues	11,788
Total Revenues:		1,043,610

Expenditures

540	Transportation	677,704
Total Expenditures:		677,704
Excess (Deficiency) Revenues over Expenditures:		365,906

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
385	Special or Extraordinary Items	779
386 / 389	Custodial Activities	65,606
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		66,385

Other Decreases in Fund Resources

594-595	Capital Expenditures	215,329
591-593, 599	Debt Service	130,257
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	67,187
Total Other Decreases in Fund Resources:		412,773

Increase (Decrease) in Cash and Investments: 19,518

Ending Cash and Investments

5081000	Reserved	156,557
5088000	Unreserved	781,260
Total Ending Cash and Investments		937,817

The accompanying notes are an integral part of this statement.

PORT OF CLARKSTON
Notes to Financial Statements
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING

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

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

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

A. Fund Accounting

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

B. Basis of Accounting and Measurement Focus

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

C. Cash and Investments – See Note 3, *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

Vacation pay may be accumulated up to 240 hours or thirty days and is payable upon separation or retirement. Sick leave is earned one day per month and may accumulate up to 720 hours or ninety days. Upon separation or

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2018

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

retirement, employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

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

G. Other Financing Sources or Uses

No other financing sources or uses beyond general fund revenue flow (which includes lease revenue), long-term debt (see Note 5) and private, state and federal grants addressed in Schedules 15 and 16 exist for the Port of Clarkston.

H. 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 Port of Clarkston Board of Commissioners. When expenditures that meet restrictions are incurred, the port district intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments in 2018 consist of a reserve for unemployment claims in the amount of \$5,000, plus the Twin River Bank Certificate of Deposit to be drawn against by Avista Utilities, in the amount of \$113,557.

NOTE 2 – BUDGET COMPLIANCE:

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

The final appropriated amount for the general fund budget was \$1,672,845. Actual expenditures for 2018 were \$1,045,706. The budget had planned for building the reserve. Factoring in the intended savings, the variance for 2018 was \$57,007, meaning expenses were approximately 5% lower than anticipated.

NOTE 3 – DEPOSITS AND INVESTMENTS:

It is the Port of Clarkston's policy to invest all temporary cash surpluses. As the Port has only one fund, no proration of interest earned is necessary. All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Port or its agent in the government's name. Investments are reported at original cost. Investments by type at December 31, 2018 are as follows:

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED):

The Port's total reserved and unreserved cash as of December 31, 2018 is as follows:

	<u>Total 2018</u>	<u>2018--Unreserved</u>
General Warrant Acct – Asotin County Treas.	\$ 464,549	\$ 464,549
Incidental Checking – Twin River Bank	5,000	5,000
L.G.I.P.	1,000,000	1,000,000
Petty Cash	50	50
Reserve for future unemployment claims	5,000	0
CD for Irrevocable Standby Letter of Credit	<u>113,557</u>	<u>0</u>
Totals	\$ 1,588,156	\$1,469,599

Unrestricted Cash - The Port's main cash account (titled "General Warrant Acct" above) is held by the Asotin County Treasurer and the expenditures are processed by Twin River National Bank. The Port has an incidental checking at Twin River National Bank through which it receives electronic funds transfers and makes initial deposits. The Port's petty cash is held at the Port office, in a locked safe.

Investments - In 2018, the Port's investments held by the Asotin County Treasurer began to once again be deposited into the Local Government Investment Pool (LGIP). At the end of 2018, the Port had \$1,000,000 in the Local Government Investment Pool (L.G.I.P.). Interest from this investment goes into the Warrant Account for general fund use. The Port's deposits and investments are insured, registered or held by the Port or its agent in the Port's name.

Reserved Cash/Reserve Fund Balance/Restricted Cash

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

Irrevocable Standby Letter of Credit: On June 9, 2014, the Port of Clarkston established an Irrevocable Standby Letter of Credit in the amount of \$189,557 through Twin River National Bank naming Avista Corporation as Beneficiary. The Port did this in lieu of prepaying for connections for electrical service for Turning Pointe Business Park. In 2016 and again in 2018, \$38,000 was paid to Avista Utilities leaving a remaining balance of \$113,557. This Letter of Credit is secured by a Certificate of Deposit at Twin River National Bank. The certificate of deposit is included in cash balances reported by the Port of Clarkston in this Annual Report as reserved cash.

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

NOTE 4 – PROPERTY TAXES:

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

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2018

NOTE 4 – PROPERTY TAXES (CONTINUED):

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

The Washington State Constitution and RCW 84.55.010 limits the rate Ports may levy. The Port of Clarkston's regular levy for 2018 was .21087 per \$1,000 on an assessed valuation of \$1,717,038,720 for a total regular levy of \$362,067.

NOTE 5 – DEBT SERVICE REQUIREMENTS:

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt and liabilities of the Port of Clarkston and summarizes the Port's debt transactions for the year ended December 31, 2018. The debt service requirements for the Port's only debt, general obligation bonds, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	93,968	12,991	106,959
2020	68,780	11,701	80,481
2021	67,448	10,939	78,388
2022	68,006	10,177	78,183
2023	68,586	9,391	77,977
2024-2028	352,473	34,334	386,806
2029-2033	242,271	11,320	253,591
2034-2038	13,684	616	14,300
Totals	975,216	101,469	1,076,685

As of December 31, 2018, the Port of Clarkston is holding unrestricted cash of \$1,469,599 which is sufficient to cover the total debt obligation, if no other investments are made.

- (1) *Tuntland Building (1390 Fair St)*: On December 31, 2008, the Port purchased a 12,880 square foot building at 1390 Fair Street for \$425,000. The Port paid half down and the sellers, Donald & Sandra Tuntland, are holding the paper on the remaining balance. The Port is paying 5% interest and making monthly payments of \$2,254 for 10 years. Payments began February 2009 and will conclude with the payment in January 2019.
- (2) *Land for Business Park*: In 2012, the Port of Clarkston made three separate purchases of land from the Asotin County Board of Commissioners. Two were covered by general fund resources. The third incurred debt: Tract C: 70 acres at \$4,360 per acre; Total cost: \$305,200; Debt incurred to Asotin County: \$296,264. The terms of the payment agreement call for the Port of Clarkston to make a single payment every year for each of 20 years. Interest accrues at 4% per year. Annual payments are \$21,800 (which includes principal plus interest). However, the Port made an additional payment to be eligible for and acquired a partial deed release from the county in 2016. The additional payment assured that the balance was below \$261,600 for the deed release. A partial payment in 2032 will conclude the obligation.

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2018

NOTE 5 – DEBT SERVICE REQUIREMENTS (CONTINUED):

- (3) *Business Park*: In May 2010, the Port of Clarkston executed a contract with the Washington State Department of Commerce - Community Economic Revitalization Board for a loan at -0-% interest. Annual payments began on January 1, 2017, in the amount of \$46,667 each and will continue until 2031.
- (4) *Telecommunications Infrastructure*: In 2014, the Port of Clarkston executed a contract with the Washington State Department of Commerce - Community Economic Revitalization Board for a loan of \$130,000 at 3.0% interest. Annual payments began with an interest only payment on January 1, 2016. Regular principal payments of \$6,842 plus interest will follow every year thereafter until the last payment in January 2035.
- (5) *Building at 1335 Port Drive (Brooks Building)*: In 2016, the Port of Clarkston purchased a building located at 1335 Port Drive from Kerry Brooks for \$155,000. The Port made a \$75,000 downpayment and will pay the rest over time on an installment sale, at 4% interest. Final payment will be due February 1, 2020.

NOTE 6 – PENSION PLANS:

The Port of Clarkston's pension plans are all state sponsored pension plans. Substantially all Port of Clarkston's full time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employees' Retirement System (PERS) Plans 2 and 3 and PERS 1 UAAL.

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P. O. Box 48380, Olympia WA 98504-8380. Also the DRF CAFR may be downloaded from the DRS website at www.drs.wa.gov.

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

	Allocation Percentage	Liability
PERS 1 UAAL	0.001829%	\$ 81,684
PERS 2 and 3	0.002360%	40,295
	Total	\$121,979

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2018

NOTE 7 – RISK MANAGEMENT:

Port of Clarkston is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 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.

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.

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2018

NOTE 7 – RISK MANAGEMENT (CONTINUED):

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.

NOTE 8 – OTHER DISCLOSURES:

A. Contingencies and Litigation:

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

Litigation -- The Port is not a defendant in any legal action nor is it aware of any legal claims which could arise during the normal course of business. However, as a member of the Inland Ports and Navigation Group (IPNG), the Port of Clarkston is an intervener on the Biological Opinion (BiOp) released by NOAA Fisheries May 5, 2009. In August 2011, U.S. District Court Judge James A. Redden remanded the BiOp back to the federal agencies, seeking more certainty in estuary and tributary habitat restoration actions. IPNG, along with other partners, filed a protective notice of appeal, which was decided by Judge Michael Simon on May 4, 2016.

In 2016, motions for injunctive relief relating to river operations were filed by plaintiffs and on March 27, 2017, Judge Simon ruled on these requests. Judge Simon's decision, appealed to the Ninth Circuit Court of Appeals, was withheld in 2018.

Issues related to the navigation channel continue to be sensitive. Litigation is likely to continue on these and related issues; if so, the Port anticipates continuing to participate through IPNG. The need for channel maintenance was identified first in 2017 with a Port request to raise the water levels, and again in 2018 (and 2019). The National Environmental Policy Act permitting for channel maintenance was initiated by the U.S. Army Corps of Engineers in 2018.

B. Construction in Progress:

Construction projects--including an equipment shelter for one of the Port's tenants, and a shop building for the Port maintenance crew--begun in 2017, were complete by December 31, 2018. Last mile connections of telecommunications infrastructure are typically considered on-going rather than major construction projects.

C. Bad Debts: No accounts were identified for collection in 2018.

D. Grants: (listed below)

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2018

NOTE 8 – OTHER DISCLOSURES (CONTINUED):

Homeland Security Port Security Grant (EMW-2018-PU-00447): In September 2019, the Port was awarded a Port Security grant for upgrades on its surveillance equipment, including software and server, in the amount of \$24,988. The Port was not required to provide match to the project. No funds were expended in 2018. However, a) environmental planning & historic preservation and b) procurement requirements were addressed in 2018. This award is carried forward into 2019.

PORT OF CLARKSTON
Notes to Financial Statements
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING

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

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

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

A. Fund Accounting

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

B. Basis of Accounting and Measurement Focus

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

C. Budgets

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

The final appropriated amount for the general fund budget was \$1,149,355. Actual expenditures for 2017 were \$1,090,477. Variance for 2017 was \$58,208, meaning expenses were 5% lower than anticipated. A good part of the reason for the difference is that Avista Utilities did not bill against the CD for the Irrevocable Standby Letter of Credit until 2018. It is possible that the Port will receive two bills from Avista in 2018.

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

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

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

E. Capital Assets

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

F. Compensated Absences

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

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

H. Other Financing Sources or Uses

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

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

J. Reserved Fund Balance

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Port of Clarkston Board of Commissioners. When expenditures that meet restrictions are incurred, the port district intends to use reserved resources first before using unreserved amounts. The reserve balance on December 31, 2017 was \$156,557.

NOTE 2 – DEPOSITS AND INVESTMENTS:

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

Investments

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED):

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

	<u>Total 2017</u>	<u>2017--Unreserved</u>
General Fund – Maintenance Fund	\$ 776,210	\$ 776,210
General Fund - Incidental Expense	5,000	5,000
Petty Cash	50	50
Reserve for future unemployment claims	5,000	0
CD for Irrevocable Standby Letter of Credit	<u>151,557</u>	<u>0</u>
Total Unrestricted Cash	\$ 937,817	\$ 781,260

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

Reserved Cash/Reserve Fund Balance/Restricted Cash

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

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

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

NOTE 3 – PROPERTY TAXES:

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

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

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

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

NOTE 4 – DEBT SERVICE REQUIREMENTS:

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	110,570	15,499	126,069
2019	93,968	12,991	106,959
2020	68,780	11,701	80,481
2021	67,448	10,939	78,388
2022	68,006	10,177	78,183
2023-2027	349,206	38,627	387,833
2028-2032	307,281	15,803	323,084
2033-2037	20,526	1,232	21,758
Totals	\$ 1,085,786	\$116,968	\$1,202,754

As of December 31, 2017, the Port of Clarkston is holding unrestricted cash of \$ 781,260 which is sufficient to cover the debt obligation for the next nine years.

- (1) *Tuntland Building:* On December 31, 2008, the Port purchased a 12,880 square foot building at 1390 Fair Street for \$425,000. The Port paid half down and the sellers, Donald & Sandra Tuntland, are holding the paper on the remaining balance. The Port is paying 5% interest and making monthly payments of \$2,253.89 for 10 years. Payments began February 2009 and will conclude with the payment in January 2019.
- (2) *Land for Business Park:* In 2012, the Port of Clarkston made three separate purchases of land from the Asotin County Board of Commissioners. Two were covered by general fund resources. The third incurred debt: Tract C: 70 acres at \$4,360 per acre; Total cost: \$305,200; Debt incurred to Asotin County: \$296,264. The terms of the payment agreement call for the Port of Clarkston to make a single payment every year for each of 20 years. Interest accrues at 4% per year. Annual payments are \$21,800. Partial deed releases by the county occurred in 2016 after the balance was below \$261,600.
- (3) *Business Park:* In May 2010, the Port of Clarkston executed a contract with the Washington State Department of Commerce - Community Economic Revitalization Board for a loan at -0-% interest. Annual payments began on January 1, 2017, in the amount of \$46,667 each and will continue for 14 more years. The Port began drawing against this resource in 2011.
- (4) *Telecommunications Infrastructure:* In 2014, the Port of Clarkston executed a contract with the Washington State Department of Commerce - Community Economic Revitalization Board for a loan of \$130,000 at 3.0% interest. Annual payments began with an interest only payment on January 1, 2016. Regular principal payments of \$6,842 plus interest will follow every year thereafter until the last payment in January 2035.

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

NOTE 4 – DEBT SERVICE REQUIREMENTS (CONTINUED):

(5) *Building at 1335 Port Drive:* In 2016, the Port of Clarkston purchased a building located at 1335 Port Drive from Kerry Brooks for \$155,000. The Port made a \$75,000 downpayment and will pay the rest over time on an installment sale, at 4% interest. Final payment will be January 2020.

NOTE 5 – PENSION PLANS:

The Port of Clarkston's pension plans are all state sponsored pension plans. Substantially all Port of Clarkston's full time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employees' Retirement System (PERS) Plans 2 and 3 and PERS 1 UAAL.

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P. O. Box 48380, Olympia WA 98504-8380. Also the DRF CAFR may be downloaded from the DRS website at www.drs.wa.gov.

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

	Allocation Percentage	Liability
PERS 1 UAAL	0.002004%	\$ 95,091
PERS 2 and 3	0.002578%	89,573
	Total	\$184,664

NOTE 6 – RISK MANAGEMENT:

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

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

NOTE 6 – 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 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

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

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

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

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

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

NOTE 7 – OTHER DISCLOSURES:

A. Contingencies and Litigation:

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

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

NOTE 7 – OTHER DISCLOSURES (CONTINUED):

Litigation

The Port is not a defendant in any legal action nor is it aware of any legal claims which could arise during the normal course of business. However, as a member of the Inland Ports and Navigation Group (IPNG), the Port of Clarkston is an intervener on the Biological Opinion (BiOp) released by NOAA Fisheries May 5, 2009. In August 2011, U.S. District Court Judge James A. Redden remanded the BiOp back to the federal agencies, seeking more certainty in estuary and tributary habitat restoration actions. IPNG, along with other partners, filed a protective notice of appeal, which was decided by Judge Michael Simon on May 4, 2016.

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

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

B. Construction in Progress:

At the end of 2017, the equipment shelter being constructed for Washington Fish and Wildlife at 1049 Port Way was not complete and the project was carried over to 2018. Last mile connections of telecommunications infrastructure are typically considered on-going rather than major construction projects.

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

D. Grants: (listed below)

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

**Port of Clarkston
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						
263.61	Tuntland Building (1390 Fair St)	1/10/2019	26,328	-	24,084	2,244
263.61	Brooks Property (1335 Port Dr)	2/15/2020	47,778	-	20,585	27,193
263.83	CERB Loan Turning Pointe	12/31/2031	653,333	-	46,667	606,666
263.83	CERB Loan - Telecom	1/31/2035	123,158	-	6,842	116,316
251.11	Land Purchased from County for Turning Pointe	12/31/2032	235,189	-	12,392	222,797
Total General Obligation Debt/Liabilities:			1,085,786	-	110,570	975,216
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		10,296	16,850	18,821	8,325
264.30	Pension Liability		184,664	-	62,685	121,979
Total Revenue and Other (non G.O.) Debt/Liabilities:			194,960	16,850	81,506	130,304
Total Liabilities:			1,280,746	16,850	192,076	1,105,520

**Port of Clarkston
Schedule of Liabilities
For the Year Ended December 31, 2017**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.61	Tuntland Building (1390 Fair St)	1/10/2019	51,375	-	25,047	26,328
263.61	Brooks Property (1335 Port Dr)	2/15/2020	69,513	-	21,735	47,778
263.83	CERB Loan - Turning Pointe Business Park	12/31/2031	700,000	-	46,667	653,333
263.83	CERB Loan - Telecommunications Infrastructure	1/31/2035	130,000	-	6,842	123,158
251.11	Land purchased for business development	12/31/2032	248,512	-	13,323	235,189
Total General Obligation Debt/Liabilities:			1,199,400	-	113,614	1,085,786
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		11,263	18,568	19,535	10,296
264.30	Pension Liability		236,760	-	52,096	184,664
Total Revenue and Other (non G.O.) Debt/Liabilities:			248,023	18,568	71,631	194,960
Total Liabilities:			1,447,423	18,568	185,245	1,280,746

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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