



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Grant County Port District No. 1
(Port of Quincy)

For the period January 1, 2019 through December 31, 2019

Published May 29, 2020

Report No. 1026335





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

May 29, 2020

Board of Commissioners
Port of Quincy
Quincy, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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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 Quincy
January 1, 2019 through December 31, 2019**

Board of Commissioners
Port of Quincy
Quincy, 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 Port of Quincy, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated May 18, 2020. As discussed in Note 12 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Management's plans in response to this matter are also described in Note 12.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a

material misstatement of the Port's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this

report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy
State Auditor
Olympia, WA

May 18, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Quincy January 1, 2019 through December 31, 2019

Board of Commissioners
Port of Quincy
Quincy, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Port of Quincy, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Port's basic 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the Port's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Port of Quincy, as of December 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 12 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Management's plans in response to this matter are also described in Note 12. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express

an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 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

May 18, 2020

FINANCIAL SECTION

Port of Quincy January 1, 2019 through December 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019

Statement of Revenues, Expenses, and Changes in Net Position – 2019

Statement of Cash Flows – 2019

Notes to Financial Statements – 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2019

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2019

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Introduction

The following is Port District No. 1 of Grant County's (Port of Quincy) (the Port) Management's Discussion and Analysis (MD&A) of financial activities and performance for the calendar year ended December 31, 2019. The discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Port and to identify any significant changes in financial position. Information contained in the MD&A has been prepared by Port management and should be read in conjunction with the financial statements and the notes. The notes to financial statements are essential to a full understanding of the data contained in the financial statements.

Overview of the Financial Statements

The Port falls under the financial reporting requirements of Governmental Accounting Standards Board (GASB). Since the Port is comprised of a single enterprise fund, no fund level financial statements are shown or required.

The financial section of this Annual Report consists of three parts: MD&A, the basic financial statements, and the notes to financial statements. The basic financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

The statements of net position and revenues, expenses, and changes in net position provide the Port with an overall financial position and results of operations to help assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities. Over time, increases or decreases in net position may serve as an indicator of whether the Port is financially stable or if there is a going concern.

The statement of revenues, expenses, and changes in net position show how the Port's net position changed during the most recent year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows.

The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. A reconciliation of the cash provided by operating activities to the Port's operating income as reflected on the statements of revenues, expenses, and changes in net position is also included.

The notes to the financial statements provide the reader additional detailed information that may not be apparent from the actual financial statements. The notes to the financial statements can be found immediately following the financial statements.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Financial Report

Financial Position:

The statement of net position presents the financial position of the Port as of December 31, 2019. The statement includes all the Port's assets and liabilities. As described earlier, the net position serves as an indicator of the Port's financial position. A summarized comparison of the Port's assets, liabilities, and net position follows:

	December 31,	
	2019	2018
Current Assets	\$ 5,574,126	\$ 2,065,234
Noncurrent Assets:		
Capital Assets	8,943,213	9,076,511
Other	69,861	102,510
Total Assets	<u>14,587,200</u>	<u>11,244,255</u>
Deferred Outflows of Resources	92,132	104,541
Current Liabilities	1,513,028	874,869
Long-Term Liabilities	9,038,729	8,950,650
Total Liabilities	<u>10,551,757</u>	<u>9,825,519</u>
Deferred Inflows of Resources	121,006	109,065
Net Position:		
Net Investment in Capital Assets	(742,329)	9,375
Unrestricted	4,748,898	1,404,837
Total Net Position	<u>\$ 4,006,569</u>	<u>\$ 1,414,212</u>

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2019**

Financial Report (Continued)

Statements of Revenues, Expenses, and Changes in Net Position:

A summarized comparison of the Port's revenues, expenses and changes in net position follows:

	Years Ended December 31,	
	2019	2018
Operating Revenues:		
Property Lease/Rental Operation	\$ 221,387	\$ 304,575
Golf Course	419,869	375,550
Intermodal Park	51,411	28,433
Quincy Valley Business and Conference Center	58,914	57,640
Bishop Recreation Area	135	285
Total Operating Revenues	751,716	766,483
Nonoperating Revenues:		
Grant Funds	341,788	399,640
Ad Valorem Tax Levy and Leasehold Tax	795,346	775,534
Gain (Loss) on Disposition of Assets	3,838,031	907,452
Other	146,667	44,003
Total Nonoperating Revenue	5,121,832	2,126,629
Total Revenues	5,873,548	2,893,112
Expenses:		
Operating Expenses	2,156,429	2,130,313
Nonoperating Expenses	1,124,762	909,069
Total Expenses	3,281,191	3,039,382
Increase (Decrease) in Net Position	2,592,357	(146,270)
Net Position - Beginning of Year	1,414,212	1,560,482
Net Position - End of Year	\$ 4,006,569	\$ 1,414,212

Financial Highlights

- The assets and deferred outflows of the Port exceeded its liabilities and deferred inflows at the close of each calendar year by \$4,006,569 and \$1,414,212 for 2019 and 2018, respectively. The Port continues to invest in properties which it feels allows for long-term growth, even if this strategy has resulted in a decrease in net position over the years. While the Port did experience a decrease in net position during 2018, it was a significantly smaller decrease than in prior years, and 2019 shows a substantial increase in net position. 2019 and 2018 saw the completion of significant asset sales that had been in the make for several years.
- The Port's overall operating revenues decreased slightly for 2019 compared to a \$75,221 increase for 2018. Lease revenue has declined due to the sales of property that had been previously rented out, but the intermodal yard activity continues to increase, and plans are being discussed on how the yard might be expanded to generate additional revenue. The Quincy Valley Business and Conference Center, in its fifth year of operations remains consistent. Colockum

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2019**

Financial Highlights (Continued)

Ridge Golf Course had an outstanding year with an increase in gross revenue of \$44,319, after many years of little to no growth.

- The Port's operating expenses increased by \$26,116 for 2019, as compared to an decrease of \$174,585 for 2018. In 2019 the Port reviewed its capital assets and their useful lives, and adjustments were made resulting in a reduced depreciation expense for both years. Otherwise, most expenses remained consistent with the only marked increase in legal and professional fees. Those fees have increased due to the Port investigating the feasibility of two large projects. The Port monitors variations from actual to budget in its expenses and adjusts operations accordingly.
- Nonoperating revenue increased by \$2,995,203 for 2019, as compared to a \$1,178,816 increase in 2018, primarily due to an increase in asset sales and the second year of being awarded several grants. The Port's tax levy revenue continues to steadily increase due to the growing tax base resulting from the continued economic development within the Port.
- The Port's nonoperating expenses increased by \$215,693 after a slight decrease of \$55,176 for 2018. The Port completed electrical improvements in Industrial Park 5 along with an sewer project in Industrial Park 4. In addition, the Port was required to pay some deferred improvement charges to the City of Quincy due to the sales of property within the City. The upgrades to Park 4 and 5 allows for continued economic development in those areas of the district.
- The mission statement of the Port is: "The Port of Quincy is committed to facilitate and expand trade promotion, industrial development, and tourism and to maximize opportunities for area residents and businesses." A great deal of time and energy is spent on attracting growth within the Port's boundaries, which results in increased assessed values of the district as evidenced below:

Year Levy Assessed	Year Levy Collected	Assessed Valuation	Levy Rate	Levy Amount
2007	2008	1,213,763,729	0.000324020	393,284
2008	2009	1,671,595,311	0.000296060	494,892
2009	2010	2,022,982,702	0.000264770	535,625
2010	2011	2,044,526,983	0.000256280	523,971
2011	2012	2,107,228,153	0.000267485	563,652
2012	2013	2,241,505,202	0.000275958	618,561
2013	2014	2,339,479,122	0.000271300	634,701
2014	2015	2,906,241,025	0.000233064	677,340
2015	2016	3,351,322,014	0.000211546	708,960
2016	2017	3,541,287,027	0.000208733	739,184
2017	2018	4,176,765,224	0.000186191	777,677
2018	2019	4,606,631,953	0.000172631	795,249
2019	2020	5,251,469,679	0.000159675	838,529

Tax Levy: Over the years, the Port has worked to minimize the Port's tax levy. The legal limit for port districts to levy is 0.45000 per \$1,000. As noted above, the Port levy collected in 2019 was 0.172631 per \$1,000, and 0.159675 for collection in 2020.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2019**

Financial Highlights (Continued)

The Port's aggressive development has been intentional, and the Port has established financial goals to manage risk and be able to focus on continuing economic development. The Port's working capital is extremely strong, and the Port continues to be confident that their approach to economic development will improve the financial position of the Port and enable the Port to be a viable force in the long run.

The Port's tax revenue continues to increase each year due to the growth within the district. Part of that growth is due to the aggressive approach by the Port. The Port is the largest port (out of 10 total) in Grant County based upon assessed value and its new construction assessed value is also the highest, with even more construction being planned.

The Port continues to develop and expand its industrial parks to encourage creating economic development opportunities for the Quincy Valley. The Port completed electrical improvements in Park 5 and continues to investigate possibilities of new development in the George, Washington area. During 2019 a building was started to be constructed for a manufacturing company in Park 4.

The Port operates a local municipal airport with six individual hangers. These hangers are leased out and the Port continues to make efforts to expand and improve the airport by pursuing applicable grants.

Capital Assets: The most significant outlay for capital improvements during 2019 was for the construction in progress out at Park 4. See Note 3 to the financial statements – Capital Assets and Depreciation.

Long-Term Debt: The Port paid its scheduled payments of debt and had the additions of two SIP loans and a new general obligation bond to finance the new construction in Park 4. Currently the Port has a LTGO refunding bond held by Washington Trust Bank, notes payable to Washington State Community Economic Revitalization Board (CERB), the United States Department of Agriculture (USDA), David Manning, Ker & Ruppert LLC, Schwint and the new LTGO construction bond from Washington Trust Bank. See Note 5 to the financial statements – Long-Term Debt.

Commitments for Capital Outlays: In August of 2019 the Port issued a \$2.5 million-dollar bond that is being used to construct a new building in Industrial Park 4. This building will be built to specifications required by Raceways Technology, Inc., who will lease the building upon its completion in early 2020.

Intermodal Industrial Park: The private party who started utilizing the intermodal site in 2018 continued operations into 2019. They are now operating the site as a "hook and haul" program, where loaded refrigerated truck containers on chassis are staged on site.

Colockum Ridge Golf Course: The Port continues to own and operate the golf course. While the golf course has not been a profitable endeavor, the Port continues to strive to at least break even. The original and ongoing intent of the golf course is to provide the community and future industrial development with recreational opportunities. Just over 11,000 rounds of golf were played at the facility during 2019. The course is also being used by the Quincy School District's golf team for practices and matches. Several local tournaments are held each year. The Port is exploring the idea of raising fees in subsequent years to minimize the loss.

Data Centers: The Port fields multiple inquiries from data centers throughout the year.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2019**

Financial Highlights (Continued)

Bishop Recreation Area: In 2015 the Port entered into a lease and a separate purchase option agreement for land located in the Quincy Lakes area. The Port is looking into developing a trailhead for the surrounding public lands, along with a possible sporting shooting range and wedding destination venue. This is a project that will take several years to come to fruition and will be undertaken once the Port exercises it's option on the property. The Port is writing a business plan to guide its steps through this process.

Industrial Wastewater: The Port has a letter of understanding with the area's Industrial User Group (IUG) to design and construct a system of conveyance piping and holding lagoons to receive the IUG's food processing wastewater from the City of Quincy's Industrial Wastewater Treatment Plant for conveyance and disposal. Also, the Port has a Memorandum of Understanding with the City of Quincy whereby the Port can receive the food processing wastewater from the City's treatment plant. The Port is spearheading the project but the IUG shall bear all the financial costs. The Port has engaged the firm of Navix Engineering/Landau Associates for project design and is in discussion with Key Bank for a possible revenue bond issuance.

Economic Development: The Port responds to multiple requests in regard to available property within the district. Informal discussions were underway at year end with parties interested in Parks 2, 5 and 7.

The Port is active in several organizations: Washington Public Ports Association, Grant County Economic Development Council, Great Northern Rail Coalition, Washington State Rail and GWATA, among others. This allows the Port to remain on the cutting edge of economic development. Significant successes have occurred over the last few years, but the job remains to look to the future to enhance the opportunities of the Port's district and the public it serves.

The Port is well under its authorized debt capacity and is current on all debt. Risk, in regard to financial condition, is being managed accordingly.

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Port's finances and to show accountability of public funds. If you have any questions regarding this report, or need additional information, please visit our website at www.portofquincy.org or contact Port Comptroller Darci L. Kleyn, CPA at (509) 787-3715, 101 F Street SW, Quincy, WA 98848.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and Cash Equivalents	\$	36,682
Investment in Grant County Pool		5,223,324
Interest Receivable		532
Taxes Receivable		8,247
Accounts Receivable		85,489
Grants Receivable		85,788
Inventory		12,929
Prepaid Expenses		118,616
Other Current Assets		2,519
Total Current Assets		5,574,126

NONCURRENT ASSETS

Notes Receivable		69,861
Capital Assets Not Being Depreciated:		
Land		5,424,124
Construction in Progress		677,688
Capital Assets Being Depreciated:		
Property, Plant, and Equipment		12,611,572
Less: Accumulated Depreciation		(9,770,171)
Total Noncurrent Assets, Net		9,013,074

Total Assets		14,587,200
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions		92,132
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Total Assets and Deferred Outflows of Resources		\$ 14,679,332
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**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$	172,393
Accrued Expenses		91,839
Retirement Plan Payable		2,824
Interest Payable		262,701
Unearned Revenue		30,302
Lease Deposits		152,150
Current Maturities of Long-Term Debt		800,819
Total Current Liabilities		1,513,028

NONCURRENT LIABILITIES

Long-Term Debt (Net of Current Maturities)		8,884,723
Net Pension Liability		154,006
Total Noncurrent Liabilities		9,038,729

Total Liabilities		10,551,757
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions		121,006
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NET POSITION

Net Investment in Capital Assets		(742,329)
Unrestricted		4,748,898
Total Net Position		4,006,569

Total Liabilities, Deferred Inflows of Resources, and Net Position		\$ 14,679,332
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**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019**

OPERATING REVENUES

Property Lease/Rental Operation	\$ 221,387
Golf Course	419,869
Intermodal Park	51,411
Quincy Valley Business and Conference Center	58,914
Bishop Recreation Area	135
Total Operating Revenues	<u>751,716</u>

OPERATING EXPENSES

Depreciation	447,978
Wages	445,476
Professional Fees	351,545
Repairs and Maintenance	121,849
Employee Benefits	848
Insurance	87,544
Taxes	75,621
Janitorial Services	7,150
Utilities	69,952
Legal Fees	113,252
Inventory Costs	57,173
Dues and Subscriptions	26,233
Rent	153,919
Operating Supplies	31,450
Fertilizers and Chemicals	30,688
Fuel	26,794
Fees and Permits	19,209
Inspections	3,148
Custom Hire	9,577
Advertising and Promotion	10,544
Bank Charges	9,805
Telephone	8,216
Office Supplies	6,952
Security	9,647
Travel and meals	7,819
Irrigation Water	22,244
Meetings and Conferences	1,356
Education	440
Total Operating Expenses	<u>2,156,429</u>

LOSS FROM OPERATIONS (Balance Carried Forward) (1,404,713)

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019**

LOSS FROM OPERATIONS (Balance Brought Forward)	\$ (1,404,713)
 NONOPERATING REVENUES (EXPENSES)	
Ad Valorem Tax Levy and Leasehold Tax	795,346
Loan Fees	(15,000)
Donation Income	1,511
Gain on Sale of Capital Assets	3,838,031
Grant Funds	341,788
Interest Expense	(441,373)
Interest Income	34,021
Net increase (decrease) in the fair value of investments	41,469
Infrastructure Expense	(667,960)
Bad Debt Expense	-
Miscellaneous Expenses	(182)
Miscellaneous Income	69,666
Weed District Assessment	(247)
Total Nonoperating Expenses, Net	3,997,070
 INCREASE IN NET POSITION	 2,592,357
 NET POSITION - BEGINNING OF YEAR	 <u>1,414,212</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 4,006,569</u></u>

See accompanying Notes to Financial Statements.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers and Leases	\$ 873,493
Cash Paid to Employees	(555,943)
Cash Paid to Suppliers	(1,066,920)
Other Receipts (Payments)	(12,077)
Net Cash Used by Operating Activities	(761,447)

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Borrowings from Capital Debt	1,024,627
Purchases of Capital Assets	(725,714)
Principal Paid on Capital Debt	(406,221)
Interest Paid on Capital Debt	(428,487)
Payments Received on Notes Receivable	22,649
Proceeds from Disposition of Assets	4,259,065
Net Cash Provided by Capital and Related Financing Activities	3,745,919

CASH FLOWS FROM INVESTING ACTIVITIES

Interest, Dividends and Change in Fair Value of Investments	75,609
Investment in Grant County Pool	(3,492,279)
Net Cash Used by Investing Activities	(3,416,670)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Noncapital Taxes Received	798,882
Nonoperating Income	327,177
Nonoperating Expenses	(683,389)
Net Cash Provided by Noncapital Financing Activities	442,670

NET INCREASE IN CASH AND CASH EQUIVALENTS

10,472

Cash and Cash Equivalents - Beginning of Year

26,210

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 36,682

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

**RECONCILIATION OF LOSS FROM OPERATIONS
TO NET CASH USED BY OPERATING ACTIVITIES**

Loss from Operations	\$ (1,404,713)
Adjustments to Reconcile Loss from Operations to Net Cash Used by Operating Activities:	
Depreciation	447,978
Pension Expense	(108,746)
Effects of Changes in Operating Assets and Liabilities:	
Accounts and Taxes Receivable	(6,976)
Inventory	991
Prepaid Expenses and Other Assets	81,977
Accounts Payable	110,541
Accrued Expenses and Retirement Plan Payable	(11,252)
Unearned Lease Income	(1,097)
Lease Deposit	129,850
Net Cash Used by Operating Activities	\$ (761,447)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES

Net Increase in the Fair Value of Investments Reflected in Investing Activities	\$ 41,469
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**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Summary

Port District No. 1 of Grant County (Port of Quincy) (the Port), Grant County, Washington, was incorporated in March 1958, and operates under the laws of the state of Washington applicable to port districts. The financial statements of the Port have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governments.

Reporting Entity

The Port is a municipal corporation created through enabling legislation by the consent of the voters within the Port district. The Port is a special purpose government entity that provides rental property, an airport, and a golf course to the general public, and is supported primarily through user charges and real property taxes. In addition, the Port operates an intermodal facility. The Port has no stockholders, or equity holders. An elected three-member board governs the Port. As required by accounting principles generally accepted in the United States of America, management considered all potential component units in defining the reporting entity. The component unit discussed below is included in the Port's reporting entity because of the significance of its operational relationship with the Port.

On March 26, 1982, a resolution was adopted to approve and authorize the creation of the Industrial Development Corporation of Port District No. 1 of Grant County, Washington (IDC). That corporation was established to act on behalf of the Port to issue nonrecourse revenue bonds for the purpose of financing the costs of qualified industrial development facilities. The IDC is managed by a Board of Directors composed of the members from time to time of the Commission of the Port. There was no financial activity in the IDC for the year ended December 31, 2019. The asset of this corporation, which is a bank account with a balance of \$4,205, has been included in these financial statements.

Basis of Accounting and Reporting

The accounting records of the Port are maintained in accordance with methods prescribed by the state auditor under the authority of Chapter 43.09 RCW. The Port uses the Budgeting, Accounting, and Reporting System for GAAP Port Districts in the State of Washington.

Funds are accounted for on a cost of services or an "economic resources" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with the Port's activity are included on the statements of net position. The reported net total position is segregated into three components: restricted, unrestricted, and net investment in capital assets (the Port has no restricted net position).

Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. The Port discloses changes in cash flows by a separate statement that presents its operating, investing, and cash flows from capital, noncapital, and related financing activities.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Reporting (Continued)

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

The Port distinguishes between operating revenues and expenses and nonoperating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Port's principal ongoing operations. The principal operating revenues of the Port are charges to customers for rental of property owned by the Port. The Port also recognizes the income from Colockum Ridge Golf Course, Intermodal Park, Quincy Valley Business and Conference Center (QVBCC), and Bishop Recreation Area as operating revenue. Operating expenses for the Port include administrative expenses, depreciation on capital assets, repairs and maintenance of property, real estate taxes, and other property-related costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2019, the treasurer was holding \$5,234,841, valued at amortized cost, in short-term residual investments of surplus cash. The fair value of this amount, \$5,223,324, is classified on the statement of net position as investments. See Note 8 to the financial statements – Deposits and Investments.

The Port treats highly liquid short-term investments with a maturity of three months or less as cash equivalents.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables, based on a review of all outstanding amounts on a monthly basis. The Port determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Taxes Receivable

Taxes receivable are monitored and adjusted by Grant County. It consists of property taxes and related interest and penalties. See Note 2 to the financial statements – Property Taxes.

Capital Assets

The Port determines the capitalization of assets on a case-by-case basis. Capital assets are recorded at cost and are depreciated using the straight-line depreciation method over 5 to 49 years. See Note 3 to the financial statements – Capital Assets and Depreciation.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave/PTO. The Port records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay, which may be accumulated up to a two year accrual, is payable upon resignation, retirement, or death. Sick leave/PTO may accumulate up to 40 hours but is not payable to the employee upon resignation, retirement, or death.

Other Accrued Expenses

These accounts consist of accrued wages, accrued employee benefits and state taxes.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Revenues

All revenues or other receipts must be disbursed in accordance with provisions of various statutes and agreements with the bondholders.

Grants

The Port has, at various times, received grants-in-aid funds for construction of the airport, industrial sites, and certain recreational facilities.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

See Note 8 to the financial statements – Deposits and Investments.

Concentrations of Credit Risk

The Company performs credit evaluations of its customers and subcontractors and may require surety bonds. Liens are filed, when permissible, on construction contracts where collection problems are anticipated. As of December 31, 2019, accounts receivable are due from customers not concentrated in a particular industry.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory, which consists of items held for resale at the pro shop at Colockum Ridge Golf Course, are reported at lower-of-cost or market.

Deferred Inflows of Resources

The financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The Port will not recognize the related revenue until a future event occurs.

Deferred Outflows of Resources

The financial statements report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The Port will not recognize the related expense until a future event occurs.

New Accounting Principles

In 2019 the Port implemented the following GASB statements:

GASB Statement No. 88 Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

GASB Statement No. 89, Accounting for Interest Cost Incurred before the end of a Construction Period

NOTE 2 PROPERTY TAXES

The Grant County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

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

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow of resources and recognized as revenue of the period to which it applies. No allowance for uncollectible

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 PROPERTY TAXES (CONTINUED)

tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The Port is permitted by law to levy up to \$0.45000 per \$1,000 of assessed valuation for general governmental services. The Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. The Port may also levy taxes at a lower rate.

The Port's regular levy for 2019 was \$0.172631 per \$1,000 on an assessed valuation of \$4,606,631,953 for a total regular levy \$795,249.

NOTE 3 CAPITAL ASSETS AND DEPRECIATION

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

All purchased capital assets are recorded at historical cost. Donations of capital assets are recorded at acquisition value at the time received. In the case of the sale of capital assets, the original cost is removed from the capital asset account and the related depreciation is removed from the accumulated depreciation account. The net gain or loss is credited or charged to income.

According to accounting principles generally accepted in the United States of America, operating expenses include depreciation on all depreciable capital assets including contributed capital assets.

Preliminary costs incurred for proposed projects are recorded as project costs pending construction of the facility. Costs relating to projects ultimately constructed are transferred to capital assets. Costs that relate to abandoned projects are charged to expense.

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

At times, the Port may expend funds to improve the infrastructure on its land where, when the project is complete, that improvement does not remain an asset of the Port. Examples of this are water and sewer systems and road improvements that once complete are maintained by the City of Quincy. It is the Port's policy to expense these types of improvements.

The Port records property, plant, and equipment at cost. Depreciation is computed by the straight-line method based upon estimated useful lives of 5 to 49 years.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Capital assets activity for the year ended December 31, 2019 was as follows:

	Beginning Balance 1/1/2019	Increases	Decreases	Ending Balance 12/31/2019
Capital Assets Not Being Depreciated:				
Land	\$ 5,835,158		\$ (411,034)	\$ 5,424,124
Construction in Progress	3,055	674,633		677,688
Total Capital Assets, Not Being Depreciated	5,838,213	674,633	(411,034)	6,101,812
Capital Assets Being Depreciated:				
Buildings	1,857,540			1,857,540
Improvements Other than Buildings	8,942,953	51,081		8,994,034
Machinery and Equipment	1,759,998			1,759,998
Total Capital Assets Being Depreciated	12,560,491	51,081	-	12,611,572
Less Accumulated Depreciation for:				
Buildings	(440,888)	(49,893)		(490,781)
Improvements Other than Buildings	(7,479,949)	(293,118)		(7,773,067)
Machinery and Equipment	(1,401,356)	(104,967)		(1,506,323)
Total Accumulated Depreciation	(9,322,193)	(447,978)	-	(9,770,171)
Total Capital Assets Being Depreciated, Net of Depreciation	3,238,298	(396,897)	-	2,841,401
Capital Assets, Net	<u>\$ 9,076,511</u>	<u>\$ 277,736</u>	<u>\$ (411,034)</u>	<u>\$ 8,943,213</u>

NOTE 4 PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2019:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	\$ (154,006)
Pension Assets	-
Deferred Outflows of Resources	92,132
Deferred Inflows of Resources	(121,006)
Pension Expense/Expenditures	(59,890)

State Sponsored Pension Plans

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

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

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

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS Plan 1			
Actual Contribution Rates:		Employer	Employee*
January-June 2019			
PERS Plan 1		7.52%	6.00%
PERS Plan 1 UAAL		5.13%	
Administrative Fee		0.18%	
	Total	12.83%	6.00%
July-December 2019			
PERS Plan 1		7.92%	6.00%
PERS Plan 1 UAAL		4.76%	
Administrative Fee		0.18%	
	Total	12.86%	6.00%

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

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

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

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

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 2/3 Actual Contribution Rates:		Employer 2/3	Employee 2*
January-June 2019			
PERS Plan 2/3		7.52%	7.41%
PERS Plan 1 UAAL		5.13%	
Administrative Fee		0.18%	
Employee PERS Plan 3			Varies
	Total	12.83%	7.41%
July-December 2019			
PERS Plan 2/3		7.92%	7.90%
PERS Plan 1 UAAL		4.76%	
Administrative Fee		0.18%	
Employee PERS Plan 3			Varies
	Total	12.86%	7.90%

* For employees participating in JBM, the contribution rate was 18.53% to 19.75%

The Port's actual PERS plan contributions were \$22,951 to PERS Plan 1 and \$25,905 to PERS Plan 2/3 for the year ended December 31, 2019.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.50% salary inflation
- Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.4%

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

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

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vest members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2019 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.2%
Tangible Assets	7%	5.1%
Real Estate	18%	5.8%
Global Equity	32%	6.3%
Private Equity	23%	9.3%
Total Allocation	<u>100%</u>	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what The Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 155,496	\$ 124,167	\$ 96,984
PERS 2/3	228,858	29,840	(133,468)

Pension Plan Fiduciary Net Position

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

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

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

At June 30, 2019, the Port reported a total pension liability of \$154,006 for its proportionate share of the net pension liabilities as follows:

Plan	Liability
PERS 1	\$ 124,166
PERS 2/3	29,840
Total	\$ 154,006

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

Plan	Proportionate Share 6/30/2018	Proportionate Share 6/30/2019	Change in Proportion
PERS 1	0.004608%	0.003229%	-0.001379%
PERS 2/3	0.004762%	0.003072%	-0.001690%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LOEFF 1.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the Port recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$ (58,355)
PERS 2/3	(1,535)
Total	\$ (59,890)

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(8,295)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	11,911	-
Total	<u>\$ 11,911</u>	<u>\$ (8,295)</u>
PERS 2/3		
Differences between expected and actual experience	\$ 8,549	\$ (6,415)
Net difference between projected and actual investment earnings on pension plan investments	-	(43,434)
Changes of assumptions	764	(12,520)
Changes in proportion and differences between contributions and proportionate share of contributions	56,664	(50,341)
Contributions subsequent to the measurement date	14,243	-
Total	<u>\$ 80,220</u>	<u>\$ (112,710)</u>

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

<u>All Plans</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,549	\$ (6,415)
Net difference between projected and actual investment earnings on pension plan investments	-	(51,730)
Changes of assumptions	764	(12,520)
Changes in proportion and differences between contributions and proportionate share of contributions	56,664	(50,341)
Contributions subsequent to the measurement date	26,155	-
Total	<u>\$ 92,132</u>	<u>\$ (121,006)</u>

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	PERS 1
2020	\$ (1,831)
2021	(4,338)
2022	(1,548)
2023	(578)
Total	<u>\$ (8,295)</u>

Year Ended December 31:	PERS 2/3
2020	\$ (12,117)
2021	(18,818)
2022	(6,412)
2023	(1,817)
2024	(842)
Thereafter	(6,727)
Total	<u>\$ (46,733)</u>

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM DEBT

Long-term debt, which is all direct borrowing and direct placements, consisted of the following at December 31, 2019:

Description	Security	
Ker & Ruppert LLC, Annual Payments of \$243,200, Including Interest at 6% (7% effective 2019), Maturing February 2038; Original Amount of \$2,647,000 was Obtained to Purchase Land	Land	\$ 2,320,429
United States Department of Agriculture (USDA), Semiannual Payments of \$100,206, Including Interest at 4.25%, Maturing July 2045; Original Amount of \$3,800,000 was Obtained to Consolidate Interim Loans to Improve Industrial Park 4	General Obligation Bond	3,099,348
Community Economic Revitalization Board (CERB), Annual Payments of \$36,109, Including Interest at 1.6%, Maturing July 2026; Original Amount of \$564,200 was Obtained to Construct a Rail Spur and Extend Sewer Lines	None	264,538
Strategic Infrastructure Program (SIP), Annual Payments of \$7,000, non-interest bearing, Maturing July 2024; Original Amount of \$35,000 was Obtained for Infrastructure Improvements in Industrial Park No. 5	None	35,000
Jeff Schwint et al., Monthly Payments of \$3,182 Including Interest at 5%, Maturing July 2021; Original Amount of \$300,000 Obtained to Purchase Storage Buildings	Buildings	215,383
Washington Trust Bank, Semiannual Payments of \$125,125, Including Interest at 4.05%, Maturing July 2031; Original Amount of \$3,000,000 was Obtained For The Purpose of Refunding Outstanding Obligations	General Obligation Bond	2,367,621
Strategic Infrastructure Program (SIP), Annual Payments of \$17,500, non-interest bearing, Maturing May 2024; Original Amount of \$87,500 was Obtained for Infrastructure Improvements in Industrial Park No. 4	None	87,500

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Washington Trust Bank, Interest Only
Payments Until August 2020, then Equal
Monthly Payments Until Maturity, Including
Interest at 4.11%, Maturing August 2039;
Balance Not to Exceed \$2,500,000 was
Obtained For The Purpose of Building
Construction

General Obligation Bond	902,127
-------------------------------	---------

R. David Manning, Annual Payments of
\$50,000, Including Interest at 5%, Maturing
August 2020; Original Amount of \$500,000
was Obtained to Purchase Building and Land
Total

Real Estate	393,596
	9,685,542
	(800,819)
	\$ 8,884,723

Less: Current Maturities
Total Long-Term Debt

It is anticipated that the full authorized amount of \$2,500,000 of the general obligation bond from Washington Trust Bank will be drawn down by August of 2020. The balance at 12/31/19 taken was \$902,127.

During the year ended December 31, 2019, the following changes occurred in directly borrowed and directly placed long-term debt:

	Beginning Balance 1/1/2019	Additions	Reductions	Ending Balance 12/31/2019	Due Within One Year
Bonds Payable:					
USDA	\$3,165,892	\$ -	\$ 66,544	\$ 3,099,348	\$ 69,044
WTB/Raceway	-	902,127	-	902,127	17,537
WTB	2,516,043	-	148,422	2,367,621	154,322
Other:					
CERB	299,986	-	35,448	264,538	36,016
Ker	2,418,267	-	97,838	2,320,429	80,770
Schwint	244,749	-	29,366	215,383	25,034
SIP-sewer	-	87,500	-	87,500	17,500
SIP-electrical	-	35,000	-	35,000	7,000
R. David Manning	422,197	-	28,601	393,596	393,596
Total Long-Term Debt	\$9,067,134	\$1,024,627	\$ 406,219	\$ 9,685,542	\$ 800,819

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Following is a schedule by years of principal maturities and interest payments for directly borrowed and directly placed debt:

<u>Year Ending December 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 800,819	\$ 472,933	\$ 1,273,752
2021	614,884	432,505	1,047,389
2022	442,813	408,910	851,723
2023	462,012	389,711	851,723
2024	481,554	370,169	851,723
2025-2029	2,505,612	1,509,759	4,015,371
2030-2034	2,334,103	875,836	3,209,939
2035-2039	1,073,158	357,494	1,430,652
2040-2044	970,584	125,913	1,096,497
2045-2049	-	-	-
Total	<u>\$ 9,685,539</u>	<u>\$ 4,943,230</u>	<u>\$ 14,628,769</u>

NOTE 6 LEASE COMMITMENTS

Operating Leases

The Port leases land from the City of Quincy. The Port exercised its option to renew the lease, which was set to expire on December 31, 2019, for an additional 25-year period. The City of Quincy approved the option to extend. Future minimum lease payments are expected to be \$1 annually.

The Port entered into an indefinite land lease with BNSF Railway Company effective January 15, 2013. Rent is to be made in advance, beginning at \$1,800 for 2013 and increasing annually by 3 percent (\$2,213 for 2019). This amount is being reimbursed back to the Port from Custom Apple Packers, Inc., the lessee of the property.

The Port entered into an indefinite land lease with BNSF Railway Company effective September 15, 2015. Rent is to be made in advance, beginning at \$2,333 for 2013 and increasing annually by 3 percent (\$2,625 for 2019). This amount is being reimbursed back to the Port from Double Diamond, Inc., the lessee of the property.

The Port leases land from David R. Bishop and Jeanne M. Range. An initial payment of \$236,125 was made in June, 2015 with semi-annual payments of \$50,000 due starting January 1, 2016 for the term of the lease, which terminates on June 30, 2020.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 LEASE COMMITMENTS (CONTINUED)

Future minimum lease payments of all lease commitments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 4,920
2021	5,067
2022	5,219
2023	5,375
2024	5,537
Thereafter	5,703
Total	<u>\$ 31,821</u>

Capital Leases

As of December 31, 2019, The Port has no capital lease obligations.

NOTE 7 LEASE INCOME

The Port leases out certain facilities and real property under operating lease agreements. Such leases are renewable at their expiration at the lessees' option. Following is a summary of rental and lease income received by the Port:

Capstone Structures LLC	\$ 53,064
NCW Logistics LLC	44,660
Central Bean Company, Inc.	33,396
Zoomhash LLC	15,694
Ryan Patrick Vineyards	11,039
CPM Development Corporation	10,801
Steven Bierlink	10,634
City of Quincy	8,400
Skagit Transportation	7,976
Corsair LLC	7,696
Airport Hangers	6,840
Custom Apple	4,531
Double Diamond Fruit	3,556
Quincy Valley Chamber of Commerce	3,000
Double JJ Farms	100
Total	<u>\$ 221,387</u>

Leased assets as of December 31, 2019 were as follows:

	<u>Improvements</u>	<u>Buildings</u>	<u>Land</u>
Cost	\$ 1,068,820	\$ 398,210	\$ 278,845
Accumulated Depreciation	(842,453)	(99,880)	-
Net Book Value of Leased Assets	<u>\$ 226,367</u>	<u>\$ 298,330</u>	<u>\$ 278,845</u>

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

NOTE 7 LEASE INCOME (CONTINUED)

Following is a schedule by years of future lease income revenue:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 158,019
2021	143,515
2022	140,145
2023	96,080
2024	39,455
Total	<u>\$ 577,214</u>

NOTE 8 DEPOSITS AND INVESTMENTS

Deposits

The Port's deposits are entirely covered by federal depository insurance or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

The Port is a participant in the Grant County Investment Pool, an external investment pool. The Port reports its investment in the Pool at the fair value amount, which is the same as the value of the Pool per share. The responsibility for managing the pool resides with the County Treasurer. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The Grant County investment policy is established by the Finance Committee. The county external investment pool does not have a credit rating and had a weighted average maturity of 2.59 years as of December 31, 2019.

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

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

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 DEPOSITS AND INVESTMENTS (CONTINUED)

At December 31, 2019, the Port had the following investments measured at fair value:

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Grant County Investment Pool	<u>\$ 5,223,324</u>	<u>\$ 5,223,324</u>	<u>\$ -</u>	<u>\$ -</u>
Total Investments by Fair Value Level	<u>\$ 5,223,324</u>	<u>\$ 5,223,324</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction the Port would not be able to recover the value of the investment or collateral securities. Of the Port's total position of \$5,223,324 in Grant County Investment Pool, the total amount is exposed to custodial credit risk because the investments are held by the Port's treasurer, which is also the counterparty in those particular securities.

NOTE 9 RISK MANAGEMENT

The Port is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1998, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2019, there are 191 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property; including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection and Liability; including General, Automobile, and Wrongful Acts, which are included to fit members' various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,901,871.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 RISK MANAGEMENT (CONTINUED)

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention in addition to the deductible.

Privacy and Network Liability coverage is offered with a \$10,000 member deductible and \$40,000 self-insured retention for systems using encryption and \$50,000 member deductible and \$50,000 self-insured retention for those without encryption.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1, to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2019, were \$2,687,104.78.

The amounts of settlements have not exceeded insurance coverage over the past three years.

NOTE 10 COMMITMENTS AND CONTINGENCIES

The Port has recorded in its financial statements all material liabilities; there are no material contingent liabilities to record. In the opinion of management, the Port's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

The Port participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in request for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants.

In 2014, the Port received a recoverable grant for improvements to the Quincy municipal airport in the amount of \$56,905. It was included in nonoperating revenue grant funds as of year ended December 31, 2015. This grant is contingent on the airport remaining open for

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

20 years after the grant was received or the funds are required to be returned within 30 days of closure, sale, or discontinued use. There is no liability recorded for the contingency.

The Port entered into a non-binding engagement with Key Bank Capital Markets in August of 2019 to be the possible underwriter of revenue bonds to finance the industrial wastewater project.

In July of 2019 the Port entered into an agreement with Collins Woerman to provide the programming and conceptual design of a new/updated Quincy Valley Hospital in the amount of \$174,500. As of December 31, 2019, \$77,854.72 had been billed to the Port. The Port received a Department of Commerce grant through their Local and Community Projects Program in the amount of \$294,000 on July 1, 2019. That grant will be used for reimbursement of these expenditures.

In November of 2019 the Port entered into an agreement with Navix Engineering, Inc./Landau Associates, Inc. for services regarding the Industrial Wastewater Treatment Project. The initial phases of 100, 110, 200, 310, 320, 330, 340, 400, 500 and 600 were approved for \$447,700. The Port has a Letter of Understanding with an Industrial Users Group (IUG) which states that the IUG shall bear all the financial costs.

On December 20, 2019 the Port approved the sale of 4 acres in its Industrial Park 5 for \$135,000. The sale closed in February of 2020 and the Port received a down payment of \$27,000 and the remainder is being carried on a contract over 5 years at 5%.

On November 26, 2019 the Port approved the sale of Industrial Park 7 to the City of Quincy for \$1,054,550. The sale closed in 2020.

NOTE 11 DIRECTORY OF OFFICIALS

Elected

Commissioners

		<u>Length of Term</u>	<u>Expiration</u>
District #1	Curt A. Morris	6 Years	December 2025
District #2	Patric F. Connelly	6 Years	December 2023
District #3	Brian Kuest	6 Years	December 2021

Appointed

Executive Assistant	Dahlia Del La Rosa
Comptroller	Darci L. Kleyn, CPA

Mailing Address

Port District	101 F Street SW Quincy, Washington 98848
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**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 12 SUBSEQUENT EVENTS

In February of 2020 the Port closed on a Purchase and Sale Agreement, that had been approved in December of 2019, with Tyler Bosko for 4 acres in Industrial Park 5. Of the \$135,000 sales price, the Port received a down payment of \$27,000, and the balance is being carried on a contract with monthly payments, including 5% interest, over 5 years.

In January of 2020 the Port accepted a bid from North Central Construction, Inc. for \$160,447.30 to improve the intermodal yard with grading and additional gravel.

Change orders for the contract awarded to Black Rock Construction & Development LLC for the construction of the Industrial Park No. 4 Pre-Engineered Building, were approved in the amount of \$186,017.

In January of 2020 the office lease with NCW Logistics, LLC was amended to include the wash out bay in the intermodal yard.

In January of 2020 the Port approved paying in full the two SIP loans: the electrical projects loan of \$35,000 and the sewer projects loan of \$85,000.

In March of 2020 the Port was notified that it had be awarded a Capital Budget Grant in the amount of \$100,000, which will be used to complete improvements in the intermodal yard.

In March of 2020 the Port was notified that a party is interested in possibly buying the remaining acres available in Industrial Park 5, which is approximately 26 acres. Appraisals have been ordered so that a sales price can be set.

In January of 2020 the Port exercised its option to purchase the property known as the Bishop property. The purchase price was \$990,000 of which the sum of \$561,087 has been paid from allocation of rent credits, leaving a balance of \$428,913. The unpaid balance will be due in semi-annual installments of \$50,000, including interest at 4%, until paid in full.

In January of 2020 the Port completed the sale of Industrial Park 5 to the City of Quincy. The sale was a cash sale for \$1,054,550.

In January of 2020 the Port entered into a \$10,000 option to purchase with Rodgers George Farm Partnership for 137 acres. The option expires on December 31, 2021. If the Port exercises the option, it will pay \$30,000 an acre (\$31,000 if exercised within the last six months of the option period).

The Port has been working with Intermountain Infrastructure Group to grant easements across two of its parcels for buried fiber optics lines and other infrastructure. The Port has set the price for the easement at \$51,312. The sale is set to close in May of 2020.

In February of 2020 the Port purchased a new mower for the golf course with a cost of \$70,128.

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 12 SUBSEQUENT EVENTS (CONTINUED)

include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. The Port was required to close its administrative office to the public along with ceasing operations at Colockum Ridge Golf Course and the Quincy Valley Business and Conference Center. The length of time these measures will be in place, and the full extent of the financial impact on the Port is unknown at this time.

NOTE 13 CONSTRUCTION COMMITMENTS

At year end the Port's commitment with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Pre-Engineered Building	<u>\$ 545,980</u>	<u>\$ 1,566,844</u>

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 PENSION PLANS PERS 1 AND PERS 2/3
 AS OF JUNE 30, 2019
 LAST FIVE FISCAL YEARS**

	2019	2018	2017	2016	2015
PERS Plan 1					
Employer's proportion of the net pension liability (asset)	0.0032229%	0.004608%	0.003363%	0.003059%	0.003987%
Employer's proportionate share of the net pension liability	\$ 124,167	\$ 205,795	\$ 159,577	\$ 164,283	\$ 208,557
Employer's covered employee payroll	\$ 381,497	\$ 616,432	\$ 364,089	\$ 308,714	\$ 406,486
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	32.55%	33.38%	43.83%	53.22%	51.31%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	57.03%	59.10%
PERS Plan 2/3					
Employer's proportion of the net pension liability (asset)	0.003072%	0.004762%	0.003244%	0.002789%	0.394000%
Employer's proportionate share of the net pension liability	\$ 29,840	\$ 81,307	\$ 112,713	\$ 140,424	\$ 140,779
Employer's covered employee payroll	\$ 332,904	\$ 564,424	\$ 318,089	\$ 262,713	\$ 360,486
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	8.96%	14.41%	35.43%	53.45%	39.05%
Plan fiduciary net position as a percentage of the total pension liability	97.77%	95.77%	90.97%	82.85%	59.20%

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENSION PLANS PERS 1 AND PERS 2/3
AS OF DECEMBER 31, 2019
LAST FIVE FISCAL YEARS**

	2019	2018	2017	2016	2015
PERS Plan 1					
Statutorily or contractually required contributions	\$ 22,951	\$ 31,152	\$ 23,652	\$ 17,014	\$ 17,426
Contributions in relation to the statutorily or contractually required contributions	<u>(22,951)</u>	<u>(31,152)</u>	<u>(23,652)</u>	<u>(17,014)</u>	<u>(17,426)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 387,161	617,834	420,888	296,612	360,239
Contributions as a percentage of covered employee payroll	5.93%	5.04%	5.62%	5.74%	4.84%
PERS Plan 2/3					
Statutorily or contractually required contributions	\$ 25,905	\$ 37,249	\$ 25,151	\$ 15,613	\$ 16,667
Contributions in relation to the statutorily or contractually required contributions	<u>(25,905)</u>	<u>(37,249)</u>	<u>(25,151)</u>	<u>(15,613)</u>	<u>(16,667)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 337,752	565,257	374,358	250,612	314,239
Contributions as a percentage of covered employee payroll	7.67%	6.59%	6.72%	6.23%	5.30%

Notes:

During 2018 covered payroll and contributions were significantly increased due to an audit conducted by the Department of Retirement Services in 2017. Additional employees were determined to be eligible for retirement and back-up contributions were made.

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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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
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