



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

## **Financial Statements and Federal Single Audit Report**

# **Port of Whitman County**

**For the period January 1, 2013 through December 31, 2013**

**Published September 18, 2014**

**Report No. 1012569**





## **Washington State Auditor Troy Kelley**

September 18, 2014

Board of Commissioners  
Port of Whitman County  
Colfax, Washington

### **Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Port of Whitman County's financial statements and compliance with federal laws and regulations.

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 "Troy X. Kelley".

TROY KELLEY  
STATE AUDITOR

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# Federal Summary

## Port of Whitman County January 1, 2013 through December 31, 2013

The results of our audit of the Port of Whitman County are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the financial statements.

#### ***Internal Control Over Financial Reporting:***

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Port.

### ***FEDERAL AWARDS***

#### ***Internal Control Over Major Programs:***

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Port's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
11.557	ARRA - Broadband Technology Opportunities Program (Recovery Act)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The Port qualified as a low-risk auditee under OMB Circular A-133.

# **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 Whitman County  
January 1, 2013 through December 31, 2013**

Board of Commissioners  
Port of Whitman County  
Colfax, 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 Whitman County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Port's financial statements, and have issued our report thereon dated August 28, 2014.

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 or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

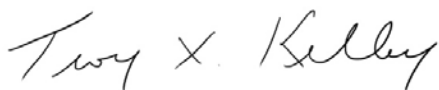
## ***COMPLIANCE AND OTHER MATTERS***

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.



**TROY KELLEY**  
STATE AUDITOR

August 28, 2014

# **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**Port of Whitman County  
January 1, 2013 through December 31, 2013**

Board of Commissioners  
Port of Whitman County  
Colfax, Washington

## ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited the compliance of the Port of Whitman County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The Port's major federal programs are identified in the accompanying Federal Summary.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Port's compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***PURPOSE OF THIS REPORT***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report 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 cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

August 28, 2014

# **Independent Auditor's Report on Financial Statements**

## **Port of Whitman County January 1, 2013 through December 31, 2013**

Board of Commissioners  
Port of Whitman County  
Colfax, Washington

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the Port of Whitman County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Port's financial statements, as listed on page 14.

#### ***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 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 opinions.

### ***Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)***

As described in Note 1, the Port of Whitman County has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and 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 financial position and results of operations of the Port of Whitman County, for the year ended December 31, 2013, 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 Whitman County, as of December 31, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

### ***Other Matters***

#### ***Supplementary and Other Information***

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also 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 August 28, 2014 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

**TROY KELLEY**  
STATE AUDITOR

August 28, 2014

# **Financial Section**

**Port of Whitman County  
January 1, 2013 through December 31, 2013**

## ***FINANCIAL STATEMENTS***

Statement of Activities Arising from Cash Transactions – 2013  
Notes to the Financial Statements – 2013

## ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Liabilities – 2013  
Schedule of Expenditures of Federal Awards – 2013  
Notes to the Schedule of Expenditures of Federal Awards – 2013

<b>MCAG No. 1766</b>	Statement C-1
PORT OF WHITMAN COUNTY	
<b>Statement of Activities Arising</b>	
<b>From Cash Transactions</b>	
<b>For the Year Ended December 31, 2013</b>	
<b>OPERATING RECEIPTS</b>	
Marina Operations	5,000.00
Marine Terminal Operations	680,359.00
Industrial Park/Rental Operations	779,890.00
General and Administrative	300.00
<b>Total Operating Receipts</b>	<b>1,465,549.00</b>
<b>OPERATING DISBURSEMENTS</b>	
General Operations	459,942.00
Maintenance	81,779.00
General and Administrative (781 + 783)	662,574.00
<b>Total Operating Expenses</b>	<b>1,204,295.00</b>
<b>Operating Income (Loss)</b>	<b>261,254.00</b>
<b>NON-OPERATING RECEIPTS</b>	
Investment Income	12,393.00
Taxes Levied for General Purposes	1,108,792.00
Miscellaneous Taxes	16,589.00
Disposal of capital assets	286,020.00
Capital Contributions/Grants	2,078,195.00
Other Non-Revenues	194,715.00
Other Non-Operating Receipts	227,866.00
Loan Proceeds	
<b>Total Nonoperating Receipts</b>	<b>3,924,570.00</b>
<b>NON-OPERATING DISBURSEMENTS</b>	
Long-Term Debt Payments - Principal	97,983.00
Long-Term Debt Payments - Interest	97,469.00
Purchase of capital assets	3,970,446.00
Other Non-Expenses	42,900.00
Other Non-Operating Disbursements	995.00
<b>Total Nonoperating Disbursements</b>	<b>4,209,793.00</b>
<b>Net increase (decrease) in net cash and investments</b>	<b>-23,969.00</b>
<b>Beginning balance of cash and investments</b>	<b>1,802,369.00</b>
<b>Ending balance of cash and investments</b>	<b>1,778,400.00</b>

See accompanying notes to the financial statements

## **Port of Whitman County**

### **Notes to the Financial Statements**

#### **Note 1 - Summary of Significant Accounting Policies**

The Port of Whitman County was incorporated on November 20, 1958 and operates under the laws of the state of Washington applicable to a port district. The Port of Whitman County is a special purpose government and provides industrial and economic development to the general public and is supported primarily through user charges. The Port of Whitman County uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

The Port of Whitman County reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual for Port Districts. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

#### **A. Fund Accounting**

The accounts of the Port of Whitman County are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The Port of Whitman County resources are allocated to and accounted for in the general fund which represents all the activities of the Port of Whitman County:

##### **GOVERNMENTAL FUND TYPES:**

#### **General (Current Expense) Fund**

This fund is the primary operating fund of the Port of Whitman County. It accounts for all financial resources except those required or elected to be accounted for in another fund.

##### **FIDUCIARY FUND TYPES:**

#### **Agency Fund**

This fund is used to account for assets that the Port of Whitman County holds for others in an agency capacity. It accounts for the grain train funds that are listed in Note 6 – Other Disclosures.

#### **B. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by state law.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.



C. Budgets

The Port of Whitman County adopts annual appropriated budgets for general, debt service, and capital projects funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Operating	\$ 532,000	\$ 541,721	\$ 9,721
Administrative & General	\$ 688,000	\$ 662,574	\$ (25,426)
Non operating	\$ 54,000	\$ 43,895	\$ (10,105)
Capital Projects	\$ 1,600,000	\$ 3,970,446	\$ 2,370,446
GO Debt Service	\$ 120,000	\$ 119,553	\$ (447)
Other Debt Service	\$ 826,000	\$ 75,899	\$ (750,101)
Operating Expense Reserve	\$ 225,000	\$ 0	\$ (225,000)
Total General Fund	\$ 4,045,000	\$ 5,414,088	\$ 1,369,088

Budgeted amounts are authorized to be transferred between object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Port of Whitman County's legislative body.

D. Cash

It is the Port of Whitman County's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statement of activities arising from cash transactions. The interest on these investments is not prorated and is used in the general fund.

E. Deposits

The Port of Whitman County deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

F. Investments See Note 2, Investments

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000.00 and an estimated useful life in excess of three years. The capital assets of the Port of Whitman County are recorded as expenditures when purchased.

#### H. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement according to employment policies of the Port of Whitman County.

Sick leave may be accumulated up to 120 days. Upon separation or retirement employees with at least six years of service will receive payment for unused sick leave according to employment policies of the Port of Whitman County

#### I. Long-Term Debt See Note 4, *Debt Service Requirements*.

#### J. Risk Management

The Port of Whitman County is a member of Enduris. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entity to form together into or join a pool 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. Enduris was formed July 10, 1987, when two counties and two 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. There are over 460 Enduris members representing a broad range of special purpose districts.

Enduris allows members to jointly purchase excess insurance coverage, share in the self-insured retention, establish a plan for total self-insurance, and provide excellent risk management services and other related services. Enduris provides “occurrence” policies for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk” basis blanket form using current Statement of Values. Enduris offers employee dishonesty coverage up to a liability limit of \$1,000,000.

Members make an annual contribution to fund Enduris. Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members. Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house. Policies for coverage include airport, automobile, underground storage tank, public officials errors and omissions, employee dishonesty, general liability and property loss and public official bonds. All risk management activities are funded from the general fund and in the opinion of the Port of Whitman County insurance coverage is adequate for all known claims.

A property damage claim was made in 2011 for wind damage to a mobile home trailer that resulted in a capital asset loss. The proceeds were recorded as non-operating revenue in 2011 and a replacement structure is still expected to be built in 2014. There are no other pending claims.

## **Note 2 - Investments**

The Port of Whitman County's investments are held by the Whitman County Treasurer in the Port of Whitman County's name.

Investments by type at December 31, 2013 are as follows:

<u>Type of Investment</u>	① Port of Whitman County own investments	② Investments held by Port of Whitman Co as an agent for other local governments, individuals or private organizations.	③ Total
L.G.I.P.	\$ <u>811,163</u>	\$ _____	\$ <u>811,163</u>
U.S. Government Securities	_____	_____	_____
Other: _____	_____	_____	_____
Total	\$ <u>811,163</u>	\$ _____	\$ <u>811,163</u>

## **Note 3 - Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at the end of each month.

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

The Port of Whitman County's regular levy for the year 2013 was \$0.37178 per \$1,000 on an assessed valuation of \$2,980,256,323 for a total regular levy of \$1,107,988.

## **Note 4 – Debt Service Requirements**

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the Port of Whitman County and summarizes the Port of Whitman County's debt transactions for year ended December 31, 2013.

The debt service requirements for general obligation bonds and intergovernmental loan obligations including both principle and interest, are as follows:

	<u>General Obligation Bonds</u>	<u>CERB Obligation Debt</u>	<u>Other Debt</u>	<u>Total Debt</u>
2014	\$ 121,500	\$ 43,274	\$778,187	\$ 942,961
2015	123,170	126,882	15,750	265,802
2016	119,562	126,882	15,750	262,194
2017	120,630	126,882	15,750	263,262
2018	121,395	126,882	15,750	264,027
2019 - 2023	607,314	634,410	78,750	1,320,474
2024 – 2028	246,250	547,864	78,750	872,864
2029 – 2033	0	418,039	0	418,039
2034 – 2038	0	83,608	0	83,608
TOTALS	<u>\$1,459,821</u>	<u>\$ 2,234,723</u>	<u>\$998,687</u>	<u>\$4,693,231</u>

The CERB obligation debt column includes a \$1,000,000 loan for the utility extension project at the Pullman West Industrial Park site. The loan was approved in 2011 and proceeds of \$2,999 were received in 2012. This \$2,999 obligation is shown on the schedule of liabilities (schedule 09) for the year ended December 31, 2013. A contract amendment was made in 2012 which deferred the project until 2014 when construction will start. In 2014, the remaining debt proceeds of \$997,001 will be received.

#### **Note 5 - Pension Plans**

Substantially all of the Port of Whitman County's full-time and qualifying part-time employees participate in Public Employee's Retirement System (PERS) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the Port of Whitman County's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
PO Box 48380  
Olympia, WA 98504-8380

#### **Note 6 - Other Disclosures**

##### **1. Interlocal Agreements**

In 1970 the Port of Whitman County joined the Cities of Pullman and Moscow in their efforts to support the Pullman-Moscow Airport. The Pullman-Moscow Regional Airport Cooperation Agreement consisted of the City of Pullman, the City of Moscow, the Port of Whitman County, and Latah County. The duration of the agreement continues indefinitely subject to termination at any time upon the unanimous agreement of the parties except that the Port of Whitman County and Latah County may withdraw at the end of any calendar year with ninety days written notice prior to the end of the year. At the end of 2007, the Port of Whitman County gave notice to withdraw participation from the governing board of the Pullman-Moscow Airport effective January 1, 2008. The Port of Whitman County approved continued support of the airport operations with its annual \$20,750 contribution.

In 2009 a cooperation agreement was made to fund the Airport Fire Flow Project for the Pullman-Moscow airport. The participants were the City of Pullman, the City of Moscow, the Port of Whitman County, Latah County, and Washington State University. The funding for this project was arranged by the City of Pullman and the Port of Whitman County will have a 20-year commitment at \$15,750 per year toward retiring the debt.

A mutual cooperation agreement between the Port of Whitman County and the Town of Rosalia was made December 3, 2009. The Rosalia airport was in need of a new fueling terminal and the Port of Whitman County provided \$7,600 in funding for this project. Resolution 09-10 was made for the reimbursement agreement for the Town of Rosalia to

pay back the \$7,600 at 5.0% interest over a seven year period. The \$1,300 annual payment from the Town of Rosalia is reflected as a non revenue on the financial statements. The principal balance at December 31, 2013 is \$4,128.

## 2. Grain Car Operating Agreement

In March 2003 the Port of Whitman County entered into an agreement with the Washington State Department of Transportation, the Palouse River and Coulee City Railroad, and the Palouse Rail Shippers Association. This is a 5-year agreement between the parties and has renewal options. The State of Washington owns the 29 grain cars that the railroad operates and maintains and the shippers utilize these cars for grain transportation. The Port agrees to manage the revolving agency fund to develop a reserve to replace the cars in the future. This fund collects the revenues from the use of the cars and pays the expenses incurred in operating them. The beginning fund balance for the fiscal year ended December 31, 2013 is \$166,861.66. The fund revenues for 2013 are \$26,553.78 and expenditures are \$4,936.00. A decrease in the fund was made October 2013 to transfer funds in the amount of \$37,964.04 to the Washington State Department of Transportation to sustain the grain train program. This activity leaves a balance at December 31, 2013 of \$150,515.40. The activity from collections and payments and the fund balance are recorded as nonrevenues and nonexpenses in these financial statements.

## 3. Innovation Partnership Zone

The Governor's office designated 11 Innovation Partnership Zones (IPZ) in 2007. The Port of Whitman County applied and was granted one of those zones to promote economic growth in the region. The Zone consists of the Pullman Industrial Park and its expansion area and the Washington State University Research Park. Community, Trade and Economic Development approved \$1,000,000 in grant money to administer, purchase equipment, and construct projects for researching energy efficient technologies for economic growth. A contract for administrative services was made between the Port of Whitman County and Don Tilton of Green IT Alliance to administer the Pullman IPZ. The Port of Whitman County spent \$1,278,815 of which \$1,000,000 was reimbursed through the CTED grant and completed the project as of December 31, 2010. The State contract ended June 30, 2009, but was extended to June 30, 2011. Ongoing administration of the Innovation Partnership Zone continues through 2016.

## 4. Broadband Technology Opportunities Program (BTOP)

The Port of Whitman County was assigned \$9.8 million in federal stimulus funds to expand rural broadband infrastructure in Whitman County. The lead applicant of this grant is Northwest Open Access Network (NoaNet). The grant which totals \$84 million will be under the Broadband Technology Opportunities Program through the federal government under the authority of the American Recovery and Reinvestment Act (ARRA) of 2009. The project started February 1, 2010. Major construction started in October 2010. A resolution (No. 11-04) was made in 2011 to commit reserves of \$2,460,847 as the cash match for this project. Additional construction costs caused the grant amount assigned to the Port of Whitman County to be \$15,342,818 as a final total

project cost. At December 31, 2013 the Port of Whitman County has spent \$12,232,281 in federal grant funds and \$3,110,537 in matching funds on the total fiber project.

#### 5. Infrastructure Improvements

Rail infrastructure was constructed at the Port of Wilma site for an existing tenant's use. The Port of Whitman County and the tenant agreed to an amount not to exceed \$372,000.00. Actual construction costs were \$558,557.62 and the tenant agreed to cover the \$186,557.62 amount over the agreed \$372,000. This is reported as non-operating revenue on the financial statements.

#### 6. Subsequent Events

The Port of Whitman County finished the apron construction project at the Business Air Center in 2013. As a continuing part of the Airport Improvement Plan, it will begin the taxiway rehabilitation phase with the Federal Aviation Administration in the fiscal year 2015.

In May 2012, the Board of Whitman County Commissioners approved an interfund loan for \$750,000.00 to the Port of Whitman County from the Public Facilities Improvement Fund (.09 Fund) at an interest rate of 2.25% for one year. This provided assistance with the Port of Whitman County's cash flow during the ARRA BTOP 1 fiber optic construction project. On March 18, 2013 the loan was extended for an additional year with the same terms. The loan was paid in full February 7, 2014.

**Port of Whitman County**

Schedule of Liabilities  
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
<b>General Obligations</b>							
	251.11	2005 GO Bond	12/1/2025	1,065,000	0	55,000	1,010,000
	263.81	2005 CERB C2005-170	7/1/2026	562,726	0	37,647	525,079
	263.81	City of Pullman airport	1/31/2028	148,815	0	5,336	143,479
	263.81	2010 CERB B2010-004	9/28/2031	2,999	0	0	2,999
	263.81	Whitman Co Public Facilities Improvement	5/14/2014	750,000	0	0	750,000
	259.11	Compensated absence		48,978	3,514	0	52,492
<b>Total General Obligations:</b>				<b>2,578,518</b>	<b>3,514</b>	<b>97,983</b>	<b>2,484,049</b>
<b>Total Liabilities:</b>				<b>2,578,518</b>	<b>3,514</b>	<b>97,983</b>	<b>2,484,049</b>

**PORT OF WHITMAN COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended December 31, 2013**

CURRENT YEAR EXPENDITURES							Foot-note Ref.
FEDERAL AGENCY NAME	FEDERAL PROGRAM NAME	CFDA NUMBER	OTHER IDENTIFICATION NUMBER	From Pass-Through Awards	From Direct Awards	Total	
U.S. Department of Transportation - Federal Aviation Administration	Airport Improvement Program	20.106	AIP 3-53-0015-006		47,033	47,033	2
U.S. Department of Commerce - National Telecommunications & Information Administration	ARRA - Broadband Technology Opportunities Program (BTOP) - Northwest Open Access Network project	11.557	NT10BIX5570047	740,772	0	740,772	2,3,4
TOTAL FEDERAL AWARDS EXPENDED				\$740,772	\$47,033	\$787,805	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.



PORT OF WHITMAN COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS

January 1, 2013 through December 31, 2013

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Port of Whitman County's financial statements. The Port of Whitman County uses the cash basis of accounting where revenues are recognized when received and expenses are recognized when paid. Fixed assets are recorded as expenses when purchased.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Port of Whitman County's portion, are more than shown. The Port's original portion of the total grant award was \$12,304,236 which is split between the federal grant of \$9,843,389 and the Port of Whitman County's match of \$2,460,847. Construction and engineering costs went over their original estimates and NoaNet made a budget amendment for \$1,352,700 in additional grant funds toward the Port of Whitman's portion of the project. After the amendment, additional construction costs were incurred and NoaNet and the Port of Whitman agreed to fund the remaining costs with the Port continuing its 20% match. The totals for the project are \$12,232,281.11 federal award and \$3,110,537.14 Port of Whitman match. Total costs at December 31, 2013 are \$15,342,818.25.

NOTE 3 - PARTICIPATION AGREEMENT

The Port of Whitman County is a participant with the lead agency Northwest Open Access Network (NoaNet) for the Broadband Technology Opportunities Program (BTOP) Grant 1 project. Other participants include Public Utility District No. 1 of Clallam County, Public Utility District No. 1 of Franklin County, Public Utility District No. 2 of Pacific County, Yakima County, Sawtooth Technologies, L.L.C., and Black Rock Cable dba Black Rock Cable, Inc.

NOTE 4 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Expenditures for this program were funded by ARRA.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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