Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements and Federal Single Audit Report

Grant County Port District No. 10 (Port of Moses Lake)

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

Published September 29, 2014

Report No. 1012696

Washington State Auditor
Troy Kelley

September 29, 2014

Board of Commissioners
Port of Moses Lake
Moses Lake, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Port of Moses Lake'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,

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

Insurance Building, P.O. Box 40021 ☐Olympia, Washington 98504-0021 ☐(360) 902-0370 ☐TDD Relay (800) 833-6388

TABLE OF CONTENTS

Federal Summary

Port of Moses Lake
Grant County
January 1, 2013 through December 31, 2013

The results of our audit of the Port of Moses Lake 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 of the business-type activities and the aggregate remaining fund information.

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:

CFDA No.	Program Title
20.106	Airport Improvement Program

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 Moses Lake
Grant County
January 1, 2013 through December 31, 2013

Board of Commissioners
Port of Moses Lake
Moses Lake, 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 business-type activities and the aggregate remaining fund information of the Port of Moses Lake, Grant County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated September 19, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 19, 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 Moses Lake
Grant County
January 1, 2013 through December 31, 2013

Board of Commissioners
Port of Moses Lake
Moses Lake, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Port of Moses Lake, Grant 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 19, 2014

Independent Auditor's Report on Financial Statements

Port of Moses Lake
Grant County
January 1, 2013 through December 31, 2013

Board of Commissioners
Port of Moses Lake
Moses Lake, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Port of Moses Lake, Grant County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Port's basic 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 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Port of Moses Lake, as of December 31, 2013 and 2012, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 17 and schedule of funding progress – other postemployment health care benefits on page 42 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.

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port's basic financial statements. 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*. This schedule is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 September 19, 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 19, 2014

Financial Section

Port of Moses Lake
Grant County
January 1, 2013 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013 and 2012

BASIC FINANCIAL STATEMENTS

Statements of Net Position – 2013 and 2012
Statements of Revenues, Expenses and Changes in Fund Net Position – 2013 and 2012
Statements of Cash Flows – 2013 and 2012
Statement of Fiduciary Net Position – 2013 and 2012
Notes to Financial Statements – 2013 and 2012

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Health Care Benefits – 2013

SUPPLEMENTARY AND OTHER INFORMATION

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

Introduction

Our discussion and analysis of the Port of Moses Lake's (the Port) financial performance provides an overview of the Port's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the Port's financial statements which follow.

The Port of Moses Lake is a Special Purpose Municipal Government. Ports exist to build infrastructure and promote economic development within their districts. Ports are often, though not always, involved in transportation activities. The Port of Moses Lake operates an International Airport for general, military and commercial aviation, and an industrial park to support private business activities.

The Port of Moses Lake was created in November 1965 to receive the assets of Larson Air Force Base when the base was closed in 1967. The District is located within Grant County, Washington. The Port is a special purpose government entity that owns land, industrial and commercial property, and an airport. The Port's primary mission is economic development for the citizens of the district.

Three elected Port commissioners administer the Port. In accordance with the laws of Washington, the Commissioners have appointed an Executive Director to manage Port operations and finances.

The Port owns and operates Grant County International Airport. The airport has five runways, with a 13500' X 200' main runway and 100 acres of ramp space. The spacious terminal building was completed in 1998. The adjacent industrial park has over 1 million sq. ft. of building space and an industrial wastewater land application system. There is a designated foreign-trade zone and U.S. Customs at the airport.

Ports do their accounting and financial reporting for their activities very much like a business. However, ports are municipal governments. As such, ports collect property tax revenues from the property owners within the port district. These tax revenues go to support the capital investments made by the Port. Often, ports will use tax revenues to pay for debt incurred to construct facilities that are used to support port functions. Sometimes, ports will also use a portion of their tax revenue to pay for operating expenses.

Issues Facing the Port

There are major issues facing the Port that could result in material changes in its financial position in the long term. Among those issues are:

1. Maintaining industrial park facilities that are older and need repairs and upgrades and construction of new facilities.
2. Intensive investment in infrastructure is required to meet air safety initiatives at the Port's airport. While federal government bears the majority of the costs, the Port will bear a share of the cost and will have to manage the disruptions in operations that they will cause.
3. Competition with obtaining new users to the Industrial Park.
4. Rail service construction and operation.

Financial Highlights

- In 2013, the Port's revenues increased $3,679,333 (45.5% of 2012 levels). Operating revenues increased $271,183 (6.5% of 2012 levels). 2013 federal, state and local grants totaled $5,686,162.

- The Port's overall expenses increased in 2013 by $280,879 (4.5% of 2012 levels). Operating expenses increased $370,319 (6.1% of 2012 levels).

- The Port overall had a change in net position of $5,204,516 in 2013.

- In 2013, purchased assets and completed projects totaled $4,748,242 and uncompleted contracts increased by $3,250,197 to $5,924,114 during 2013, with $4,586,162 being funded by the Airport Improvement Project Grant.

Using the Annual Report

This Report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position provide information about the activities of the Port as a whole, and present a longer-term view of the Port's finances.

The Port maintains separate funds of cash as required by certain resolutions or bond covenants. The "one proprietary fund" model is used in this report in compliance with the rules of GASB 34 which provide that separately issued debt and separately classified assets are needed in order for a separate fund to exist. None of the Port's separate cash funds meet this definition. Therefore, for purposes of this report, all of the Port's transactions are reported in one fund.

The Port maintains a separate corporation, called the Port of Moses Lake Public Corporation, established pursuant to state law for the purpose of issuing Industrial Development Revenue Bonds. The financial information for this separate corporation is not consolidated with other Port financial information in this report.

The Port maintains accounts with the Grant County Treasurer for the POML Grain Car revolving fund. The Port receives a fee for administering the fund. The fee is the only attribute of the fund included in the Port financial information.

Reporting the Port as a Whole

Our analysis of the Port as a whole begins with the Statement of Net Position. Understanding the financial trend of the Port begins with understanding the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. Looking at these two reports, you should be able to determine if the Port is better off financially this year than it was in the past.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position include all the assets and liabilities of the Port using the accrual basis of accounting, which is the method used by most private sector businesses. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid by the Port.

These two reports show the Port's net position and the changes in them during 2013. The Port's net position is its assets and deferred outflows minus its liabilities and deferred inflows. This is one measure of financial position of the Port. Over time, increases or decreases in the Port's net position are a good indicator of whether its financial strength is improving or deteriorating. You need to consider other factors not shown on these two financial reports in order to assess the Port's true financial condition. Factors such as changes in the Port's tax base and the condition of the Port's asset base are also important when assessing the overall financial condition of the Port.

Fund Financial Statements

When the Port charges someone to use property or Port services, the revenue earned is like a business revenue. The Statement of Revenues, Expenses, and Changes in Fund Net Position is the Port's fund-based financial statement.

Since the Port accounts for all of its transactions in one proprietary fund, the Port's fund-based financial statement is also its entity-wide governmental financial statement as required by GASB 34-38.

The Port as a Whole

The discussion below explains the Port's overall financial situation for the year ended December 31, 2013.

The Port's net position increased $5,204,516 in 2013. The net increase equals the 2013 net income of the Port.

Table 1
Statement of Net Position

	2013	2012	2011
Current and Other Assets	$ 9,543,209	$ 10,412,954	$ 13,186,303
Capital Assets	40,057,287	34,563,834	31,021,338
Total Assets	$ 49,600,496	$ 44,976,788	$ 44,207,641
Current Liabilities	$ 1,499,769	$ 1,500,266	$ 1,469,582
Long-Term Liabilities	3,459,323	4,039,634	4,305,387
Total Liabilities	4,959,092	5,539,900	5,774,969
Net Position:			
Net Investment in Capital Assets	36,003,978	29,797,833	25,997,397
Restricted for Debt Service	122,451	122,239	421,204
Unrestricted Net Position	8,514,975	9,516,816	11,212,225
Total Net Position	44,641,404	39,436,888	37,630,826
Total Liabilities and Net Position	$ 49,600,496	$ 44,976,788	$ 43,405,795

The Port's current assets at December 31, 2013 are available to be utilized by the Port during 2014. The current and other assets decreased by $869,745 in 2013. Current cash and cash equivalents decreased by $912,740.

Restricted funds increased slightly in 2013 from $122,239 in 2012 to $122,451at December 31, 2013.

The Port's current liabilities at December 31, 2013 are debts the Port will pay in 2014. Total current liabilities decreased $497 in 2013.

The Port maintained a capital asset base of $40,057,287 as of December 31, 2013, compared to $34,563,834 at December 31, 2012. The book value of the Port's asset base increased by $7,998,440 in 2013, which was offset by depreciation and amortization expense of $2,506,094. The Port received $5,686,162 in project grants during 2013.

Table 2
Capital Assets

	2013	2012	2011
Land	$ 348,604	$ 348,604	$ 348,604
Buildings	44,320,024	42,393,452	37,867,459
Improvements Other than Equipment	45,742,233	43,043,863	43,041,845
Machinery and Equipment	5,910,407	5,787,107	5,600,370
Accumulated Depreciation	(62,188,095)	(59,683,109)	(57,593,126)
Construction in Progress	5,924,114	2,673,917	1,756,186
Total Capital Assets	$ 40,057,287	$ 34,563,834	$ 31,021,338

The Port invests unused bond proceeds in short-term investments. The Port anticipates capital projects in 2014 will total about $5,800,000, of which around $1,000,000 is expected to be eligible for project grants.

As expected, the Port's long-term liabilities decreased in 2013 as all scheduled payments on bonds and loans were made. Limited tax general obligation and refunding bonds outstanding at December 31, 2013 amounted to $2,624,914, a decrease of $411,279 year over year. Revenue bonds outstanding amounted to $746,082, a decrease of $68,254 year over year. The CERB loans outstanding decreased $77,302 to $657,359 at December 31, 2013.

The Port has recorded the acquisition of all assets at historical cost in its Statement of Net Position. The Port has received certain grants in aid of construction or acquisition of certain of its assets, including the airport. The contributions received from other governments for these assets are shown as "Investment in Capital Assets, Net of Related Debt" on the Port's Statement of Net Position.

Operating revenues increased by 6.5% or $271,183 from 2012 to 2013. Nonoperating revenues were up 87.1% or $3,408,150 from 2012 to 2013 due to increased grants for capital projects.

Operating expenses increased slightly from 2012 to 2013 by $370,319 or 6.1%.

Overall, the change in net position increased by 188.2% or $3,398,454 for 2013 compared with 2012.

Table 3
Statement of Revenues, Expenses, and Changes in Fund Net Position

	2013	2012	2011
Revenues:			
Operating Revenues	$ 4,453,150	$ 4,181,967	$ 6,478,513
Nonoperating Revenues	7,320,311	3,912,161	3,322,387
Total Revenues	11,773,461	8,094,128	9,800,900
Expenses:			
Operating Expenses	6,396,661	6,026,342	5,620,213
Nonoperating Expenses	172,284	261,724	270,630
Total Expenses	6,568,945	6,288,066	5,890,843
Changes in Net Position	$ 5,204,516	$ 1,806,062	$ 3,910,057

Contacting the Port's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Port's finances and to show the Port's accountability for the money it receives. If you have questions about this report, or if you need additional financial information, please contact Patrick Jones, Executive Manager, at 7810 Andrews St., Moses Lake, WA 98837 or by phone at (509) 762-5363.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012

	2013		2012
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 9,135,325		$10,048,065
Taxes Receivable	96,229		98,607
Accounts Receivable	274,514		135,539
Prepaid Expenses	22,190		26,002
Reimbursement Receivable, Current Portion	-		23,719
Total Current Assets	9,528,258		10,331,932
NONCURRENT ASSETS			
Capital Assets:			
Property, Plant, and Equipment	96,321,268		91,573,026
Construction In Progress	5,924,114		2,673,917
Less: Accumulated Depreciation	(62,188,095)		(59,683,109)
Total Net Capital Assets	40,057,287		34,563,834
OTHER NONCURRENT ASSETS			
Reimbursement Receivable, Less Current Portion	-		64,964
Foreign Trade Zone Costs	33,224		33,224
Less: Accumulated Amortization	(18,273)		(17,166)
Total Other Noncurrent Assets	14,951		81,022
Total Assets	$49,600,496		$44,976,788

See accompanying Notes to Financial Statements.

	2013	2012
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Warrants Payable	$ 42,446	$ 84,015
Accounts Payable	380,041	355,455
Accrued Interest Payable	44,117	49,140
Customer Deposits	159,309	234,665
Payroll and Business Taxes Payable	107,244	83,108
Accrued Vacation and Sick Pay	85,032	77,163
Accrued Post-Employment Employee Benefits	112,548	71,164
Current Portion of Long-Term Debt	569,032	545,556
Total Current Liabilities	1,499,769	1,500,266
LONG-TERM DEBT, Net of Current Maturities	3,459,323	4,039,634
Total Liabilities	4,959,092	5,539,900
NET POSITION		
Net Investment in Capital Assets	36,003,978	29,797,833
Restricted for Debt Service	122,451	122,239
Unrestricted	8,514,975	9,516,816
Total Net Position	44,641,404	39,436,888
Total Liabilities and Net Position	$49,600,496	$44,976,788

See accompanying Notes to Financial Statements.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Airport Operations	$ 1,072,829	$ 969,641
Property Lease/Rental Operations	3,302,354	3,132,044
Commissions	1,262	1,723
Other: Expense Reimbursement	76,705	78,559
Total Operating Revenues	4,453,150	4,181,967
OPERATING EXPENSES		
General Operations	1,314,664	1,221,464
Maintenance	1,569,665	1,652,146
General and Administrative	1,006,238	1,061,641
Depreciation and Amortization	2,506,094	2,091,091
Total Operating Expenses	6,396,661	6,026,342
Loss from Operations	(1,943,511)	(1,844,375)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	203,838	237,392
Tax Levied for General Purposes	1,430,311	1,863,099
Capital Grant Funds	5,686,162	1,811,670
Interest Expense	(172,284)	(261,724)
Total Nonoperating Revenues, Net	7,148,027	3,650,437
CHANGES IN NET POSITION	5,204,516	1,806,062
Net Position - Beginning of Year As Restated	39,436,888	37,630,826
NET POSITION - END OF YEAR	$44,641,404	$39,436,888

See accompanying Notes to Financial Statements.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013		2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt from Customers	$ 4,314,175		$ 4,211,390
Payments to Suppliers	(3,087,358)		(3,186,204)
Payments to Employees	(818,347)		(838,455)
Net Cash Provided by Operating Activities	408,470		186,731
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	5,686,162		1,811,670
Purchases of Capital Assets	(7,998,440)		(5,632,479)
Principal Paid on Capital Debt	(545,556)		(2,017,560)
Proceeds from Capital Debt	-		1,916,192
Interest Paid on Capital Debt	(188,586)		(266,642)
Net Cash Used by Capital and Related Financing Activit	(3,046,420)		(4,188,819)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Noncapital Taxes Received	1,432,689		1,872,206
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Change in Reimbursement Receivable	88,683		22,535
Interest and Dividends	203,838		237,392
Net Cash Provided by Investing Activities	292,521		259,927
NET DECREASE IN CASH AND CASH EQUIVALENTS	(912,740)		(1,869,955)
Cash and Cash Equivalents - Beginning of Year	10,048,065		11,918,020
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 9,135,325		$10,048,065

See accompanying Notes to Financial Statements.

	2013		2012
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Loss	$ (1,943,511)		$ (1,844,375)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	2,506,094		2,091,091
(Increase) Decrease in Assets:			
Accounts Receivable	(138,975)		29,423
Prepaid Expenses	3,812		89,180
Increase (Decrease) in Liabilities:			
Warrants Payable	(41,569)		(1,824)
Accounts Payable	24,586		(146,706)
Customer Deposits	(75,356)		(42,665)
Payroll and Business Taxes Payable	24,136		(16,538)
Accrued Vacation and Sick Pay	7,869		10,714
Accrued Post-Employment Employee Benefits	41,384		18,431
Net Cash Provided by Operating Activities	$ 408,470		$ 186,731

See accompanying Notes to the Financial Statements.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUND
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and Cash Equivalents	$ 914,998	$ 847,612
Total Assets	$ 914,998	$ 847,612
LIABILITIES		
Payable to WSDOT	$ 914,998	$ 847,612
Total Liabilities	$ 914,998	$ 847,612

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Grant County Port District #10 (the Port) was incorporated on November 15, 1965, and operates under the laws of the state of Washington applicable to a Port District. The accounting and reporting policies of the Port conform to generally accepted accounting principles as applied to governments. Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The Port is a special purpose government and provides an airport, industrial park, and rental land and buildings to the general public and is supported primarily through user charges (or where the governing body has decided that periodic determination of net income is needed).

The Port is governed by an elected three-member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Port has no component units.

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 all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position. Their reported fund position is segregated into net investment in capital assets, restricted, and unrestricted components of 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 their operating, noncapital financing, and capital and related financing and investing activities.

The Port uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund(s).

The Port distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses result from providing services in connection with the Port's principal ongoing operations. The principal operating revenues of the Port are charges to customers for rentals, landing fees, and airport services. The Port also recognizes the operation of the wastewater facility as operating revenue. Operating expenses for the Port include costs related to the maintenance of the Port's property, public safety services, administration of the Port, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2013 and 2012, the Port was holding $9,135,325 and $10,048,065, respectively, in short-term residual investments of surplus cash. These amounts are classified on the statements of net position as a cash equivalent.

For purposes of the statements of net position, the Port considered all highly liquid debt instruments purchased with a maturity of three months or less to be 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.

Restricted Assets and Net Position

Restricted assets contain resources for debt service which are composed of the following as of December 31:

	2013	2012
Cash and Cash Equivalents - Debt Service	$ 122,451	$ 122,239

Compensated Absences

The Port records all accumulated unused vacation and vested sick leave. The expenses are accrued when incurred and the liability is recorded in the fund. Total accrued vacation and sick leave expense at December 31, 2013 and 2012 was $85,032 and $77,163, respectively.

Vacation pay, which may be accumulated up to the amount earned in two years of service is payable upon resignation, retirement, or death. Sick leave may be accumulated up to 720 hours (940 public safety). Twenty-five percent of outstanding sick leave is payable upon termination, 50 percent upon retirement, or 100 percent upon death.

Prepaid Expenses

Prepaid expenses consist of amounts paid for insurance and will be expensed in the period the expense is incurred.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

The Port's deposits and certificates of deposit are entirely covered by Federal Depository Insurance Corporation or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

Investments

As of December 31, 2013 and 2012, the Port had $9,135,325 and $10,048,065, respectively, invested in the Grant County Treasurer's Investment Pool.

NOTE 3 PROPERTY TAXES

The 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 taxes are recorded as a receivable and revenue when levied. No allowance for uncollectible taxes 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 may levy up to $0.45 per $1,000 of assessed valuation for general governmental services. 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 2013 and 2012 was $0.45 per $1,000 on an assessed valuation of $3,471,665,229 and $4,127,527,321, respectively, for a total regular levy of $1,562,249 and $1,857,387, respectively.

NOTE 4 CAPITAL ASSETS AND DEPRECIATION

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

All capital assets are valued at historical cost or estimated market value for donated assets.

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

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of 10 to 40 years.

Capital assets activity for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Increases	Decreases	Balance December 31, 2013
Capital Assets not Being Depreciated:				
Land	$ 348,604	$ -	$ -	$ 348,604
Construction in Progress	2,673,917	7,885,811	(4,635,614)	5,924,114
Total Capital Assets not Being Depreciated	$ 3,022,521	$ 7,885,811	$ (4,635,614)	$ 6,272,718
Capital Assets Being Depreciated:				
Buildings	$ 42,393,452	$ 1,926,572	$ -	$ 44,320,024
Improvements Other than Buildings	43,043,863	2,698,370	-	45,742,233
Machinery and Equipment	5,787,107	123,300	-	5,910,407
Total Capital Assets Being Depreciated	91,224,422	4,748,242	-	95,972,664
Less: Accumulated Depreciation for:				
Buildings	27,020,064	1,708,320	-	28,728,384
Improvements Other than Buildings	28,396,895	528,049	-	28,924,944
Machinery and Equipment	4,266,150	268,617	-	4,534,767
Total Accumulated Depreciation	59,683,109	2,504,986	-	62,188,095
Total Capital Assets Being Depreciated, Net	$ 31,541,313	$ 2,243,256	$ -	$ 33,784,569

Capital assets activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Increases	Decreases	Balance December 31, 2012
Capital Assets Not Being Depreciated:				
Land	$ 348,604	$ -	$ -	$ 348,604
Construction in Progress	1,756,186	5,590,067	(4,672,336)	2,673,917
Total Capital Assets Not Being Depreciated	$ 2,104,790	$ 5,590,067	$ (4,672,336)	$ 3,022,521
Capital Assets Being Depreciated:				
Buildings	$ 37,867,459	$ 4,525,993	$ -	$ 42,393,452
Improvements Other than Buildings	43,041,845	2,018	-	43,043,863
Machinery and Equipment	5,600,370	186,737	-	5,787,107
Total Capital Assets Being Depreciated	86,509,674	4,714,748	-	91,224,422
Less Accumulated Depreciation For:				
Buildings	25,571,884	1,448,180	-	27,020,064
Improvements Other than Buildings	28,008,767	388,128	-	28,396,895
Machinery and Equipment	4,012,475	253,675	-	4,266,150
Total Accumulated Depreciation	57,593,126	2,089,983	-	59,683,109
Total Capital Assets Being Depreciated, Net	$ 28,916,548	$ 2,624,765	$ -	$ 31,541,313

Construction Commitments

The Port has active construction projects as of December 31, 2013. The projects include reroofing, warehouse construction, a fire suppression system, and airport improvements.

At December 31, 2013, the Port's commitments with contractors were as follows:

	Spent to Date	Remaining Commitments
Project:		
Rate of Rise Valve Replacements	$ 196,914	$ 10,229
Building 2114 Entry Renovations	80,404	2,985
2013 Genie Roof Project	483,720	68,734
Under-wing Foam Fire Suppression System	10,466	554,067
Asphalt Repair	40,404	1,963
Building 2113 Door Replacement	-	26,574
East Terminal Apron - Phase II	4,518,909	394,877
Master Plan Study	115,107	221,404
Total	$ 5,445,924	$ 1,280,833

The East Terminal Apron and Master Plan Study projects are both eligible for and will be financed in part by Federal Aviation Administration grants. For the East Terminal Apron project, the Port is required to raise $39,000 of the remaining commitment and $22,000 of the remaining commitment for the Master Plan Study project. For the other projects, the Port was required to raise the entire remaining commitment.

NOTE 5 REIMBURSEMENT RECEIVABLE

In conjunction with the preparation of a warehouse building for a new tenant, a drive-through cooler and other improvements were installed in the building. The lease was renegotiated to account for the Port's cost of the additions; however, the tenant will assume ownership of the cooler. The cooler portion of the reimbursement is $2,312 per month for 120 months including interest at 5.166 percent. The balance due was paid in full during August 2013. At December 31, 2012, $64,964 was due, of which $23,719 was considered to be current.

NOTE 6 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 Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures*, an Amendment of GASB Statements No. 25 and No. 27.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

The legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the supreme, appeals, and superior courts (other than judges currently in the judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of port and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the state legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

The Port no longer has any Plan 1 members.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 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 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member’s accumulated contributions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least 10 service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2. PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

There are 2,304 participating employers in PERS. Membership in PERS consisted of the following as of June 30, 2013, the latest actuarial valuation date for the plans:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to, But not Yet Receiving Benefits	30,515
Active Plan Members	106,317
Active Plan Members, Nonvested	44,273
Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 percent to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.21%**	7.21%**	7.21%***
Employee	6.00%****	4.64%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16 percent.

** The employer rate for state elected officials is 10.74 percent for Plan 1 and 7.21 percent for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50 percent for Plan 1 and 4.64 percent for Plan 2.

***** Variable from 5 percent minimum to 15 percent maximum based on rate selected by the PERS Plan 3 member.

Both the Port and the employees made the required contributions. The Port's required contributions for the years ending December 31 were as follows:

Year Ended December 31,	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	$ -	$ 55,415	$ 16,189
2012	-	44,405	14,437
2011	-	34,858	8,792

NOTE 7 RISK MANAGEMENT

The Port maintains insurance against most normal hazards except for unemployment insurance and property damage on Port buildings except the terminal and certain other buildings where it has elected to become self insured.

Based on management's estimates, there is no estimated liability for probable losses at December 31, 2013 and 2012 for unemployment or building loss/damage.

There were no changes in insurance coverage from the prior year and the amount of settlements did not exceed insurance coverage for the last three years.

NOTE 8 LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	2013	2012
Limited Tax General Obligation Bonds (LTGO):		
LTGO Refunding Bonds, 2007 Series A (AMT) (REF 96A) - Graduated Annual Principal Payments and Semiannual Interest Payments at 4.25% through December 2013; Original Amount of $1,665,000 was Obtained to Construct a New Terminal Building.	$ -	$ 185,000
LTGO Refunding Bonds, 2007 Series B (BQ) (REF 96B) - Semiannual Interest Only Payments of $22,632 through June 2013, then Graduated Annual Principal Payments and Semiannual Interest Payments at 4.25% through December 2016; Original Amount of $1,065,000 was Obtained to Construct a New Terminal Building.	960,000	1,065,000
LTGO Bonds, 2012 Series A (Taxable) - Graduated Semiannual Payments through December 2017 Including Interest at 2%; Original Amount of $705,000 was Obtained to Finance Improvements to Port Facilities.	465,000	575,000
LTGO Refunding Bonds, 2012 Series B (Tax-Exempt) - Semi-Annual Interest Only Payments of $17,025 through June 2017 then Graduated Annual Principal Payments and Semiannual Interest Payments at 3% through December 2023; Original Amount of $1,135,000 Obtained to Lower Debt Service Payments.	1,135,000	1,135,000
Revenue Bonds:		
2009 Series, Semiannual Payments of $61,204 including Interest at 6.79% through August 2021. Original Amount of $1,003,100 Obtained to Reduce Debt Service Payments.	746,082	814,336
Community Economic Revitalization Board (CERB) Loans:		
CERB Loan, Annual Payments of $78,955 Including Interest at 4.81% through July 2020; Original Amount of $1,000,000 was Obtained to Finance a Portion of a Wastewater Facility.	460,025	514,245

	2013	2012
Community Economic Revitalization Board (CERB) Loans (Continued):		
CERB Loan, Annual Payments of $34,103 Including Interest at 5.00% through July 2020; Original Amount of $425,000 was Obtained to Finance Improvements to an Industrial Building.	$ 197,334	$ 220,416
Total	3,963,441	4,508,997
Add: Unamortized Bond Premium	64,914	76,193
Less: Current Maturities	(569,032)	(545,556)
Total Long-Term Debt	$ 3,459,323	$ 4,039,634

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	$ 569,032	$ 165,585	$ 734,617
2015	593,015	141,439	734,454
2016	617,539	116,115	733,654
2017	517,636	89,580	607,216
2018	538,343	70,174	608,517
Thereafter	1,127,876	90,716	1,218,592
Total	$ 3,963,441	$ 673,609	$ 4,637,050

During 2012, the Port refunded the 1999 series C revenue bonds to reduce total debt service payments over 10 years by $635,733, resulting in an economic gain of $273,115.

<u>Changes in Long-Term Liabilities</u>

During the year ended December 31, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2013	Additions	Reductions	Ending Balance 12/31/2013	Due Within One Year
Bonds Payable:					
GO Bonds	$ 2,960,000	$ -	$ 400,000	$ 2,560,000	$ 415,000
Revenue Bonds	814,336	-	68,254	746,082	72,967
Bond Premium	76,193		11,279	64,914	-
Total	3,850,529	-	479,533	3,370,996	487,967
CERB Loans	734,661	-	77,302	657,359	81,065
Total Long-Term Liabilities	$ 4,585,190	$ -	$ 556,835	$ 4,028,355	$ 569,032

During the year ended December 31, 2012, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2012	Additions	Reductions	Ending Balance 12/31/2012	Due Within One Year
Bonds Payable:					
GO Bonds	$ 1,525,000	$ 1,840,000	$ 405,000	$ 2,960,000	$ 400,000
Revenue Bonds	2,353,182	-	1,538,846	814,336	68,254
Bond Premium	-	83,409	7,216	76,193	-
Total	3,878,182	1,923,409	1,951,062	3,850,529	468,254
CERB Loans	808,375	-	73,714	734,661	77,302
Total Long-Term Liabilities	$ 4,686,557	$ 1,923,409	$ 2,024,776	$ 4,585,190	$ 545,556

NOTE 9 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT

In addition to the pension benefits described in Note 6, the Port provides post-retirement health care benefits, in accordance with LEOFF 1.

The Port reimburses 100 percent of the amount of validated claims for medical and hospitalization costs incurred by pre-Medicare retirees and their dependents. The Port also reimburses a fixed amount of $458 per month for Medicare B and Medicare supplements for each retiree eligible for Medicare. One prior employee, not eligible for Medicare, is reimbursed for his medical insurance premiums totaling $1,543 per month.

Total long-term care insurance premiums for the retirees averaged $552 per month.

Employer contributions are financed on the pay-as-you-go basis. Expenses for post-retirement health care benefits are recognized as retirees report claims.

Public safety officers retired under LEOFF plan 1 receive health insurance benefits paid for by the Port. These benefits are provided by the Port in order to meet state statutory requirements under the LEOFF 1 system whereby the Port will pay for their medical premiums for life. Under the LEOFF 1 health care reimbursements, the plan member has no required contributions. Amendments to the plan may be made through State statute.

We have used the alternative measurement for the purpose of determining the actuarial accrued liability. Termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in the June 30, 2009 actuarial valuation report issued by the Office of the State Actuary (OSA). Health care costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2009. The results were based on grouped data with four active groupings and four inactive groupings.

The actuarial cost method used to determine the actuarial accrued liability was projected unit credit. These assumptions are individually and collectively reasonable for the purposes of this valuation.

There are no LEOFF 1 employees currently working at the Port. In the years ended December 31, 2013 and 2012, three retired officers received medical insurance at a cost to the Port of $44,320 and $42,702, respectively. The payment for insurance is made from a combination of current budget funding authority. The $44,320 and $42,702 differs from the annual required contribution (ARC) because the plan is financed on a pay-as-you-go basis. The ARC is the amount that, if contributed yearly, would fully fund the health subsidies by the end of the 15 year amortization. The ARC is made up of the normal yearly cost plus the amortization of the current unfunded actuarial accrued liability.

The following table shows the components of the Port's annual Other Post-Employment Benefits (OPEB) cost for the years ended December 31, 2013 and 2012, the amount actually contributed to the plan, and changes in the Port's net OPEB obligation:

	2013	2012
Annual Required Contribution	$ 89,259	$ 63,670
Interest on Net OPEB Obligation	2,847	2,373
Adjustments to the Annual Required Contribution	(6,402)	(4,910)
Annual OPEB Cost	85,704	61,133
Contributions	(44,320)	(42,702)
Increase in Net OPEB Obligation	41,384	18,431
Net OPEB Obligation, Beginning of Year	71,164	52,733
Net OPEB Obligation, End of Year	$ 112,548	$ 71,164

The Port's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year Ended December 31,	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$ 89,259	$ 44,320	49.7%	$ 112,548
2012	61,133	42,702	69.9%	71,164
2011	63,670	46,183	72.5%	52,733

As of December 31, 2013 and 2012, the actuarial liability for benefits, calculated using the alternative measurement method, was $992,415 and $683,787, respectively, which is unfunded.

NOTE 10 CONTINGENCIES AND LITIGATION

The Port has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the Port will have to make payment. In the opinion of management, the Port's insurance policies and/or self-insurance are adequate to pay all known or pending claims.

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

NOTE 11 PORT OF MOSES LAKE PUBLIC CORPORATION

In February 1982, the Port formed a public corporation for the purpose of issuing Industrial Development Bonds. Since the public corporation is a separate entity, no data pertaining to it is in these statements.

NOTE 12 BEGINNING OF YEAR NET POSITION RESTATEMENT

During 2012, the Port reclassified certain financial statement amounts that changed previously reported net position as follows:

- To better reflect the liabilities of the Port, the Port accrued amounts related to post-retirement employee benefits which had been considered immaterial in previous years.

- Given the facts and circumstances of cash amounts held for the WSDOT, the Port decided it was best to present these amounts as an Agency Fund rather than part of the Port's net position.

The following table details the changes made to the previously reported net position amount:

2012 Beginning Net Position as Previously Reported			$38,432,672
Accrued Post-Employment Retirement Benefits			(52,733)
Reclassify Cash Held for WSDOT to Agency Fund			(749,113)
Total			$37,630,826

During 2013, the Port adopted GASB 63 and 65, which reclassified amounts as deferred outflows of resources or deferred inflows of resources that were previously reported as assets or liabilities. Also, debt issuance costs are no longer reported as an asset and expensed over time, but rather expensed in the period incurred and not shown as an asset. The following table details the change made to the previously reported net position amount:

2013 Beginning Net Position as Previously Reported			$39,472,245
Expense Bond Issuance Costs			(35,357)
Total			$39,436,888

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
DECEMBER 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	$ -	$ 992,415	$ 992,415	-%	$ -	-%
12/31/2012	-	683,787	683,787	-%	-	-%

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013

1	2	3	4	5			6
				Expenditures			
Federal Agency Name/Pass-Through Agency Name	**Federal Program Name**	**CFDA Number**	**Other I.D. Number**	**From Pass-Through Awards**	**From Direct Awards**	**Total**	**Footnote Ref**
Federal Aviation Administration	Airport Improvement Program	20-106	3-53-0039-37	$ -	$ 463,421	$ 463,421	1,2
Federal Aviation Administration	Airport Improvement Program	20-106	3-53-0039-38	$ -	$ 4,036,598	$ 4,036,598	1,2
Federal Aviation Administration	Airport Improvement Program	20-106	3-53-0039-039	$ -	$ 86,143	$ 86,143	1,2
Total Federal Awards Expended				$ -	$ 4,586,162	$ 4,586,162	

See accompanying notes to the schedule.

NOTE 1 BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Port's financial statements. The Port uses the accrual basis of accounting.

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's portion, may be more than shown.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov