



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

Port of Whitman County

For the period January 1, 2015 through December 31, 2015

Published July 18, 2016

Report No. 1017005





Washington State Auditor's Office

July 18, 2016

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,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Port of Whitman County January 1, 2015 through December 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Port of Whitman County are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the Port’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of all funds with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

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 in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.106	Airport Improvement Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Port did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**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, 2015 through December 31, 2015**

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, 2015, and the related notes to the financial statements, which collectively comprise the Port's financial statements, and have issued our report thereon dated June 20, 2016.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

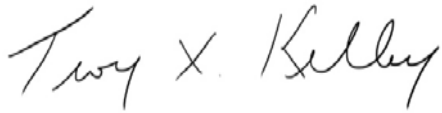
As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of the Port's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

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

PURPOSE OF THIS REPORT

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

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

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

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 20, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**Port of Whitman County
January 1, 2015 through December 31, 2015**

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, Whitman County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended December 31, 2015. The Port's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

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 the Uniform Guidance, 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.

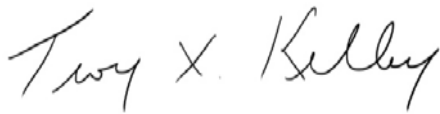
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 the Uniform Guidance. 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 black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 20, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Whitman County January 1, 2015 through December 31, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the Port's financial statements, as listed on page 15.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Port of Whitman County, for the year ended December 31, 2015, 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, 2015, 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.

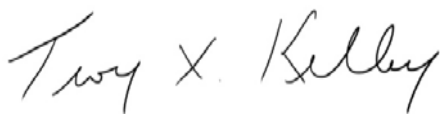
Other Matters

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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 June 20, 2016 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 KELLEY
STATE AUDITOR
OLYMPIA, WA

June 20, 2016

FINANCIAL SECTION

Port of Whitman County January 1, 2015 through December 31, 2015

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015
Notes to the Financial Statements – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015
Schedule of Expenditures of Federal Awards – 2015
Notes to the Schedule of Expenditures of Federal Awards – 2015

Port of Whitman County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	1,684,320
388 & 588	Prior Period Adjustments, Net	(164,568)

Operating Revenues

310	Taxes	1,228,031
330	Intergovernmental Revenues	2,111,411
340	Charges for Goods and Services	1,976,025
350	Fines and Penalties	-
360	Miscellaneous Revenues	21,666
Total Operating Revenues:		<u>5,337,133</u>

Operating Expenditures

540	Transportation	1,467,788
598	Miscellaneous Expenses	-
Total Operating Expenditures:		<u>1,467,788</u>
Net Operating Increase (Decrease):		<u>3,869,345</u>

Nonoperating Revenues

370-380, 395 & 398	Other Financing Sources	234,149
391-393	Debt Proceeds	-
Total Nonoperating Revenues:		<u>234,149</u>

Nonoperating Expenditures

580, 596 & 599	Other Financing Uses	214,527
591-593	Debt Service	241,811
594-595	Capital Expenditures	3,385,596
Total Nonoperating Expenditures:		<u>3,841,934</u>

Net Increase (Decrease) in Cash and Investments:	<u>261,560</u>
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Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	1,781,312
Total Ending Cash and Investments		<u>1,781,312</u>

The accompanying notes are an integral part of this statement.

Port of Whitman County
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	601 Grain Train
308	Beginning Cash and Investments	-	-
388 & 588	Prior Period Adjustments, Net	164,568	164,568
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	34,398	34,398
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	2,707	2,707
Net Increase (Decrease) in Cash and Investments:		31,691	31,691
508	Ending Cash and Investments	196,259	196,259

The accompanying notes are an integral part of this statement.

Port of Whitman County
Notes to the Financial Statements
For the year ended December 31, 2015

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 local government and provides industrial and economic development to the general public and is supported primarily through user charges.

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity. It accounts for the grain train funds that are listed in Note 6 – Other Disclosures.

B. Basis of Accounting and Measurement Focus

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

C. Budgets

The Port of Whitman County adopts an annual appropriated budget for the general fund. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for this fund lapse at the fiscal year end.

An annual appropriated budget is adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budget were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Operating Expense	\$ 744,000	\$ 725,218	\$ (18,782)
Administrative Expense	\$ 760,000	\$ 742,570	\$ (17,430)
Non Operating Expense	\$ 51,000	\$ 214,527	\$ 163,527
Capital Expense	\$ 4,298,000	\$ 3,385,596	\$ (912,404)
GO Debt Service	\$ 123,500	\$ 123,170	\$ (330)
Other Debt Service	\$ 115,000	\$ 118,641	\$ 3,641
Operating Reserve	\$ 350,000	\$ -0-	(350,000)
	\$	\$	\$
Total General Fund	\$ 6,441,500	\$ 5,309,722	\$ (1,131,778)

Budgeted amounts are authorized to be transferred between departments within any fund; 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. The large variance of \$(912,404) in capital expenses resulted in the freight rail rehabilitation project not starting until 2016. The non operating expense variance of \$163,527 was the result of a fiscal year end reporting change of the leasehold excise tax collected and paid to the State of Washington. The payment is recorded in its entirety under non operating expense for the year ended December 31, 2015 instead of a net against the collections in non operating revenue as in prior years.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. 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. Capital assets and inventory are recorded as capital expenditures when purchased.

F. 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 do receive payment for unused sick leave according to employment policies of the Port of Whitman County. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's *Other Financing Sources or Uses* consist of the collection and payment to the State of Washington for leasehold excise taxes in an agency fund type capacity. In the past this had been reported as a net non-operating revenue amount. Other financing sources also include proceeds from the sale of capital assets in the amount of \$17,006.

I. Risk Management

The Port of Whitman County is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2015, there are 507 Enduris members representing a broad range of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

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

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

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Liability coverage limit is \$10 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

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

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

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house. A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris. 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 replacement cabins started in 2015 and are being finished in 2016. Fiber was damaged on two separate occasions and claims were made through Enduris. There are no other pending claims.

Note 2 – Deposits and Investments

It is the Port of Whitman County's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Whitman County Treasurer as the Port of Whitman County's agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2015 are as follows:

<u>Type of Investment</u>	Port of Whitman own investments	Investments held by Port of Whitman Co as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	\$ <u>712,706.00</u>	\$ _____	\$ <u>712,706.00</u>
Total	\$ <u>712,706.00</u>	\$ _____	\$ <u>712,706.00</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 2015 was \$0.34548 per \$1,000 on an assessed valuation of \$3,527,432,108 for a total regular levy of \$1,218,664.

Note 4 – Debt Service Requirements

Debt Service

The accompanying Schedule of 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, 2015.

The debt service requirements for general obligation bonds, intergovernmental loan obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 170,739	\$ 91,595	\$ 262,334
2017	\$ 176,585	\$ 77,734	\$ 254,319
2018	\$ 182,466	\$ 71,868	\$ 254,334
2019	\$ 188,386	\$ 65,661	\$ 254,047
2020	\$ 194,346	\$ 59,110	\$ 253,456
2021 – 2025	\$1,072,748	\$ 182,883	\$1,255,631
2026 – 2030	\$ 386,262	\$ 36,337	\$ 422,599
2031 – 2035	\$ 160,415	\$ 11,250	\$ 171,665
TOTALS	<u>\$2,531,947</u>	<u>\$ 596,438</u>	<u>\$3,128,385</u>

This does not include a Washington State Department of Transportation Freight Rail Assistance Program loan that will be used to rehabilitate the rail spur at the Port of Wilma. The debt proceeds will be received in 2016 and the loan repayment will start in 2017. The amount is up to \$500,000 for an obligation of 10 years. It is anticipated that approximately \$300,000 of the maximum \$500,000 will be incurred as debt.

Note 5 – Pension Plans

A. State Sponsored Pension Plans

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

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

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

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

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

At June 30, 2015 (the measurement date of the plans), the Port of Whitman County's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	<u>Allocation %</u>	<u>Liability (Asset)</u>
PERS 1UAAL	0.003252%	\$ 170,110
PERS 2/3	0.004201%	\$ 150,104

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-operating revenue on the financial statements. The principal balance at December 31, 2015 is \$1,858.

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 fund revenues for 2015 are \$34,398.50 and expenditures are \$2,707.62. This activity leaves a balance at December 31, 2015 of \$196,258.92. The activity from collections and payments and the fund balance are recorded on schedule C-5 as a fiduciary fund. In filing the 2014 financial statements both the grain train funds and the general funds were recorded together in the ending balance of \$1,684,320. The 2015 financial statement was able to create a C-5 fiduciary fund schedule to report the grain train funds separately. A prior period adjustment of \$164,568 was created to reduce the beginning general fund balance to \$1,519,752 and to set up the beginning grain train fund balance of \$164,568.

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. The Port of Whitman County will not reapply for this designation.

4. Contingencies and litigations

A forbearance agreement was signed in January 2015 with Carlson's Plumbing LLC. This was a result of an overpayment of services in the amount of \$12,328.51 in 2014 by the Port of Whitman County that was never reimbursed by the vendor. In the forbearance agreement this amount was offset by \$391.22 of services provided by Carlson's Plumbing in September 2014 and the unpaid balance of \$11,937.29 has been agreed upon by both parties. There has been one payment of \$3,000.00 in 2015 which is recorded as miscellaneous revenue. The rest of the installment payments provided for in the agreement have not happened and litigation is still pending on the full amount.

5. 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 began the runway construction phase with the Federal Aviation Administration in 2014. The project will finish in 2016.

**Port of Whitman County
Schedule of Liabilities
For the Year Ended December 31, 2015**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.11	2005 GO Bond	12/1/2025	950,000	-	65,000	885,000
263.81	2005 CERB C2005-170	7/1/2026	487,056	-	38,404	448,652
263.81	City of Pullman airport	1/31/2028	137,769	-	6,109	131,660
263.81	2010 CERB B2010-004	9/28/2031	626,251	-	59,616	566,635
263.81	2013 CERB C2013-226	1/31/2035	500,000	-	-	500,000
Total General Obligations:			2,701,076	-	169,129	2,531,947
Revenue Obligations						
259.12	Compensated absence	12/31/2015	60,968	6,205	-	67,173
264.30	Pension liabilities		-	320,214	-	320,214
Total Revenue Obligations:			60,968	326,419	-	387,387
Total Liabilities:			2,762,044	326,419	169,129	2,919,334

**Port of Whitman County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				Pass- Through Awards	From Direct Awards	Total	
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	3-53-0015-007	-	145,248	145,248	2
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	3-53-0015-008	-	1,648,246	1,648,246	2
Total CFDA 20.106:				-	1,793,494	1,793,494	
Total Federal Awards Expended:				-	1,793,494	1,793,494	

The accompanying notes are an integral part of this schedule.

PORT OF WHITMAN COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS

For the Year Ended December 31, 2015

NOTE 1 - BASIS OF ACCOUNTING

This schedule 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 expenditures 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.

NOTE 3 - INDIRECT COST RATE

The Port of Whitman County has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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