



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Grant County Port District No. 10
(Port of Moses Lake)

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

Published September 20, 2018

Report No. 1022196





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

September 20, 2018

Board of Commissioners
Port of Moses Lake
Moses Lake, Washington

Report on Financial Statements

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

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

Sincerely,

A handwritten signature in dark ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy
State Auditor
Olympia, WA

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Port of Moses Lake January 1, 2017 through December 31, 2017

This schedule presents the status of findings reported in prior audit periods.

| Audit Period: | Report Ref. No.: | Finding Ref. No.: |
|--|------------------|-------------------|
| January 1, 2015 through December 31, 2015 | 1018648 | 2015-001 |
| Finding Caption: The Port did not have adequate internal controls in place to ensure it accurately reported its financial statements. | | |
| Background: We identified the following deficiencies in the Port's internal controls that, when taken together, represent a significant deficiency: <ul style="list-style-type: none">• The Port's review of the financial statements, supporting schedules and worksheets were insufficient to identify certain errors made by their contracted accounting firm. In addition, the Port did not require its firm to correct known errors before they submitted the financial statements to the State Auditor's Office.• The Port did not reclassify construction in progress and beginning depreciation balances based on the date an asset was put in service.• Further, the Port did not analyze the construction in progress accounts to determine if completed projects truly belong to the Port. Port management did not dedicate the necessary time and resources to ensure a thorough review of the financial statements and supporting schedules, or recalculate the balances presented by the contracted accounting firm. As a result, the Port incorrectly classified two completed projects as construction in progress, understated the depreciation expense and accumulated depreciation, reported incorrect financial | | |

information related to pension and other post-employment benefit obligations, and misclassified certain expenses.

Status of Corrective Action:

☒ Fully
Corrected

☐ Partially
Corrected

☐ Not Corrected

☐ Finding is considered no longer
valid

Corrective Action Taken:

Processes have been put in place to ensure the appropriate reviews are completed in a timely manner.

**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
January 1, 2017 through December 31, 2017**

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 Port of Moses Lake, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated August 27, 2018.

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 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.



Pat McCarthy

State Auditor

Olympia, WA

August 27, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Moses Lake January 1, 2017 through December 31, 2017

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 Port of Moses Lake, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 11.

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 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.

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 Port of Moses Lake, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 and required supplementary information listed on page 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2018 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.



Pat McCarthy
State Auditor
Olympia, WA

August 27, 2018

FINANCIAL SECTION

Port of Moses Lake January 1, 2017 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017

Statement of Revenues, Expenses, and Changes in Fund Net Position – 2017

Statement of Cash Flows – 2017

Statement of Fiduciary Net Position – 2017

Notes to Financial Statements – 2017

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Health Care Benefits – 2017

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3,
LEOFF 1 – 2017

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 1 – 2017

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017

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, 2017. 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 and Airfield.
4. Assessment of undeveloped properties for potential growth opportunities.
5. Rail service construction and operation.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017

Financial Highlights

In 2017, the Port's revenues increased \$1,943,901 (21.3% of 2016 levels). Operating revenues increased \$342,961 (5.1% of 2016 levels). 2017 federal, state, and local grants totaled \$2,268,095.

The Port's overall expenses increased in 2017 by \$794,340 (9.8% of 2016 levels). Operating expenses increased \$819,998 (10.2% of 2016 levels).

The Port overall had a change in net position of \$2,171,659 in 2017.

The Port enjoys a mutually beneficial relationship with the U.S. Military, giving the Port significant opportunities to host large- and small-scale military exercises. This year's opportunity, 2017 Mobility Guardian, brought several nations to our airfield and generated income of \$98,407.

In 2017, purchased assets and completed projects totaled \$1,153,097 and uncompleted contracts increased by \$2,162,878 to \$2,630,257 during 2017. The Port and its associated engineers conducted a review of the assets associated with Runway 14/32 and as a result, wrote off \$8,850,370 of fully depreciated items. Long-term debt financing funding the Airport Terminal LTGO Refdg Bonds, 2007 Series B was retired, and no new debt was incurred – see Note 7. The Port did re-secure a Line of Credit to cover cash flow of the Northern Columbia Basin Rail and other Projects.

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 (herein referred to as the Public Corp). The Public Corp was established pursuant to state law for the purpose of issuing Industrial Development Revenue Bonds. The financial information for this separate corporation is treated as a blended component unit and is 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.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017

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, liabilities, deferred inflows, deferred outflows, revenues and expenses of the Port using the accrual basis of accounting, which is the method used by most private sector businesses. All 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 2017. 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.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017

The Port as a Whole

The discussion below explains the Port's overall financial situation for the year ended December 31, 2017.

The Port's net position increased \$2,171,659 in 2017. Currently the Port is in the engineering/design phase of a multiyear Railroad project with spending of \$1,689,900 in 2017. The State of Washington through a Department of Transportation grant contributed 100% reimbursement of the cost. The Port completed capital projects in the amount of \$1,153,097 and in addition to the rail project had, \$473,000 in construction in progress. The 2016-2017 winter brought extreme weather conditions with a large amount of snow. The Port experienced a large amount of hard surface damage and worked with Federal Emergency Management Agency to receive grant monies of \$71,945 to help with repairs.

Table 1
Statement of Net Position

| | 2017 | 2016 |
|--|-----------------------------|-----------------------------|
| Current and Other Assets | \$ 7,913,892 | \$ 7,000,995 |
| Capital Assets, Net | 43,405,673 | 42,768,836 |
| Total Assets | <u>\$ 51,319,565</u> | <u>\$ 49,769,831</u> |
| Deferred Outflows of Resources | \$ 125,955 | \$ 187,217 |
| Current Liabilities | \$ 1,845,969 | \$ 1,948,053 |
| Long-Term Liabilities | 2,278,306 | 2,978,214 |
| Total Liabilities | <u>\$ 4,124,275</u> | <u>\$ 4,926,267</u> |
| Deferred Inflows of Resources | \$ 149,026 | \$ 34,261 |
| Net Position: | | |
| Net Investment in Capital Assets | \$ 41,438,544 | \$ 40,227,698 |
| Restricted for Debt Service | 122,451 | 122,451 |
| Restricted for Net Pension Asset - LEOFF | 48,490 | 32,464 |
| Unrestricted Net Position | 5,562,734 | 4,613,907 |
| Total Net Position | <u>\$ 47,172,219</u> | <u>\$ 44,996,520</u> |

The Port's current assets at December 31, 2017 are available to be utilized by the Port during 2018. The current and other assets increased by \$912,897 in 2017. Current cash and cash equivalents increased by \$1,200,576 in 2017.

Restricted funds did not change in 2017. They remained at \$122,451 as of December 31, 2017.

The Port's current liabilities at December 31, 2017 are debts the Port will pay in 2018. Total current liabilities decreased \$102,084 in 2017.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017

The Port maintained a capital asset base of \$43,405,673 as of December 31, 2017, compared to \$42,768,836 at December 31, 2016. The book value of the Port's asset base increased by \$636,837 in 2017, which was offset by depreciation and amortization expense of \$2,679,139. The Port completed the Utility Extension Project, providing fire suppression service to the east side of the airfield, and received 50% reimbursed by a grant award from the US Department of Commerce Economic Development Administration and received reimbursement of \$470,611 in 2016 and \$142,920 in 2017. The Federal Aviation Administration provided a 90% grant reimbursement for two engineering projects in 2017: Taxiway G Pavement Repair and Runway 14L/32R Line of Sight. Taxiway G repair project will complete in 2018. The Runway 14L/32R Line of Sight project is a multiyear project with construction to begin in the spring of 2020. While working on engineering for this project, the Port and its engineer conducted an asset review of items and past projects associated with Runway 14L/32R and determined that \$8,850,370 of fully depreciated value needed to be removed from inventory. The Port has accepted a \$20,000,000 grant from the Washington State Department of Transportation to bring rail service out to the Port properties. This grant is portioned out over 3 biennium with the project completion projected for fall of 2021. The project is currently in the engineering/design phase. The Port has currently been reimbursed for \$2,148,960 of spending project to-date. Other projects: A manufactured building was installed to meet contractual requirements of our military agreement; Roof sealant was applied to our 3 general aviation T-hangars; and Four vehicles were added to the Port Fleet: 1998 OshKosh Broom, 2001 Oshkosh H Series Plow Truck, 2010 E-One 6X6 Titan Fire Truck and 1998 Rogator Sprayer.

Table 2
Capital Assets, Net

| | 2017 | 2016 |
|-----------------------------------|----------------------|----------------------|
| Land | \$ 841,598 | \$ 841,598 |
| Buildings | 52,765,011 | 51,841,788 |
| Improvements Other than Equipment | 42,545,692 | 51,396,062 |
| Machinery and Equipment | 5,706,224 | 5,476,349 |
| Foreign Trade Zone Costs | 33,224 | 33,224 |
| Accumulated Depreciation | (61,116,334) | (67,287,565) |
| Construction in Progress | 2,630,258 | 467,380 |
| Total Capital Assets | <u>\$ 43,405,673</u> | <u>\$ 42,768,836</u> |

Through the Grant County Treasurer, the Port invests unused bond proceeds in short-term investments. Excluding the rail project, the Port anticipates other capital projects in 2018 will total about \$2,275,000, of which approximately \$270,000 is expected to be eligible for project grants.

As expected, the Port's long-term liabilities decreased in 2017 as all scheduled payments on bonds and loans were made. Limited tax general obligation and refunding bonds outstanding at December 31, 2017 amounted to \$954,797, a decrease of \$323,720 year over year. Revenue bonds outstanding amounted to \$422,565, a decrease of \$89,151 year over year. The CERB loans outstanding decreased \$98,036 to \$308,653 at December 31, 2017. The Port incurred an SIP loan during the year ended December 31, 2017 in the amount of \$47,270.

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.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017

Operating revenues increased by 5.1% or \$342,961 from 2016 to 2017. Nonoperating revenues increased 64.9% or \$1,600,940 from 2016 to 2017. This was due to the large amount of grant monies received.

Operating expenses increased from 2016 to 2017 by \$819,998 or 10.2%. Increases in spending were due to the following: an increase in health insurance cost because of a 2016 Healthcare Audit (\$98,000); an intense marketing campaign in Asia and Europe sparking cost increases for consultants (\$257,200), travel (\$95,400), marketing (\$16,600) and dues & subscriptions (\$11,600); increasing the maintenance crew from 3 employees to 5 (\$187,800); and an internal focus on updating our safety program (\$65,900) and security procedures (\$16,100). The US Customs and Border Patrol office at the Grant County International Airport is paid for by the Port of Moses Lake, cost increase due to computer upgrades and invoice timing (\$72,000).

Overall, the change in net position increased by 112.5% or \$1,149,561 for 2017 compared with 2016.

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

| | 2017 | 2016 |
|-------------------------|---------------------|---------------------|
| Revenues: | | |
| Operating Revenues | \$ 7,017,411 | \$ 6,674,450 |
| Nonoperating Revenues | 4,066,495 | 2,465,555 |
| Total Revenues | <u>11,083,906</u> | <u>9,140,005</u> |
| Expenses: | | |
| Operating Expenses | 8,834,928 | 8,018,970 |
| Nonoperating Expenses | 73,279 | 98,937 |
| Total Expenses | <u>8,908,207</u> | <u>8,117,907</u> |
| Changes in Net Position | <u>\$ 2,175,699</u> | <u>\$ 1,022,098</u> |

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 Jeffrey Bishop, 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
STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

| | |
|---------------------------|---------------|
| Cash and Cash Equivalents | \$ 7,158,219 |
| Taxes Receivable | 220,846 |
| Accounts Receivable | 402,482 |
| Prepaid Expenses | <u>83,855</u> |
| Total Current Assets | 7,865,402 |

NONCURRENT ASSETS

| | |
|---------------------------------------|---------------------|
| Capital Assets not being Depreciated: | |
| Land | 841,598 |
| Construction In Progress | 2,630,258 |
| Capital Assets being Depreciated: | |
| Property, Plant, and Equipment | 101,016,927 |
| Intangible Asset | 33,224 |
| Accumulated Depreciation | <u>(61,116,334)</u> |
| Total Noncurrent Assets | 43,405,673 |

OTHER NONCURRENT ASSETS

| | |
|-------------------------------|---------------|
| Net Pension Assets - LEOFF | <u>48,490</u> |
| Total Other Noncurrent Assets | <u>48,490</u> |

| | |
|--------------|----------------------|
| Total Assets | <u>\$ 51,319,565</u> |
|--------------|----------------------|

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|-------------------|
| Deferred Outflow of Resources Related to Pensions | <u>\$ 125,955</u> |
|---|-------------------|

See accompanying Notes to Financial Statements.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2017

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

| | |
|--------------------------------------|------------------|
| Warrants Payable | \$ 150,204 |
| Accounts Payable | 483,205 |
| Accrued Interest Payable | 21,804 |
| Customer Deposits | 408,796 |
| Payroll and Business Taxes Payable | 134,453 |
| Accrued Vacation and Sick Pay | 99,710 |
| Current Maturities of Long-Term Debt | <u>547,797</u> |
| Total Current Liabilities | <u>1,845,969</u> |

NONCURRENT LIABILITIES

| | |
|---|------------------|
| Long-Term Debt, Net of Current Maturities | 1,185,488 |
| Net Pension Liability | 812,783 |
| Postemployment Employee Benefits | <u>280,035</u> |
| Total Noncurrent Liabilities | <u>2,278,306</u> |

| | |
|-------------------|---------------------|
| Total Liabilities | <u>\$ 4,124,275</u> |
|-------------------|---------------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|--|-------------------|
| Deferred Inflow of Resources Related to Pensions | <u>\$ 149,026</u> |
|--|-------------------|

NET POSITION

| | |
|--|----------------------|
| Net Investment in Capital Assets | \$ 41,438,544 |
| Restricted for Debt Service | 122,451 |
| Restricted for Net Pension Asset - LEOFF | 48,490 |
| Unrestricted | <u>5,562,734</u> |
| Total Net Position | <u>\$ 47,172,219</u> |

See accompanying Notes to Financial Statements.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUES

| | |
|----------------------------------|----------------|
| Airport Operations | \$ 1,967,716 |
| Property Lease/Rental Operations | 4,449,458 |
| Commissions | 922 |
| Other: Expense Reimbursement | <u>599,315</u> |
| Total Operating Revenues | 7,017,411 |

OPERATING EXPENSES

| | |
|-------------------------------|------------------|
| General Operations | 2,328,021 |
| Maintenance | 1,756,034 |
| General and Administrative | 2,071,734 |
| Depreciation and Amortization | <u>2,679,139</u> |
| Total Operating Expenses | <u>8,834,928</u> |

OPERATING LOSS (1,817,517)

NONOPERATING REVENUES (EXPENSES)

| | |
|----------------------------------|------------------|
| Interest Income | 96,188 |
| Tax Levied for General Purposes | 1,702,212 |
| Capital Grant Funds | 2,268,095 |
| Interest Expense | <u>(73,279)</u> |
| Total Nonoperation Revenues, Net | <u>3,993,216</u> |

CHANGE IN NET POSITION 2,175,699

Net Position - Beginning of Year 44,996,520

NET POSITION - END OF YEAR \$ 47,172,219

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------------|
| Receipt from Customers | \$ 7,384,221 |
| Payments to Suppliers | (7,801,760) |
| Payments to Employees | <u>1,179,906</u> |
| Net Cash Provided by Operating Activities | 762,367 |

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

| | |
|---|-----------------|
| Capital Contributions | 2,268,095 |
| Purchases of Capital Assets | (3,072,888) |
| Principal Paid on Capital Debt | (517,636) |
| Proceeds from Long-Term Debt | 47,270 |
| Interest Paid on Capital Debt | <u>(90,081)</u> |
| Net Cash Used by Capital and Related Financing Activities | (1,365,240) |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|---------------------------|-----------|
| Noncapital Taxes Received | 1,707,261 |
|---------------------------|-----------|

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|------------------------|---------------|
| Interest and Dividends | <u>96,188</u> |
|------------------------|---------------|

NET INCREASE IN CASH AND CASH EQUIVALENTS

1,200,576

Cash and Cash Equivalents - Beginning of Year

5,957,643

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 7,158,219

See accompanying Notes to Financial Statements.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

**RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

| | |
|--|-------------------|
| Operating Loss | \$ (1,817,517) |
| Adjustments to Reconcile Operating Loss to Net Cash | |
| Provided by Operating Activities: | |
| Depreciation and Amortization | 2,679,139 |
| (Increase) Decrease in Assets and Deferred Outflows: | |
| Accounts Receivable | 366,810 |
| Prepaid Expenses | (68,154) |
| Net Pension Assets - LEOFF | (16,026) |
| Deferred Outflow of Resources Related to Pension | 61,262 |
| Increase (Decrease) in Liabilities and Deferred Inflows: | |
| Warrants Payable | 6,649 |
| Accounts Payable | (227,121) |
| Customer Deposits | (184,323) |
| Payroll and Business Taxes Payable | 18,327 |
| Accrued Vacation and Sick Pay | 16,657 |
| Accrued Post-Employment Employee Benefits | 24,562 |
| Net Pension Liability | (212,663) |
| Deferred Inflow of Resources Related to Pensions | 114,765 |
| Net Cash Provided by Operating Activities | <u>\$ 762,367</u> |

See accompanying Notes to Financial Statements.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2017

ASSETS

| | |
|---------------------------|-------------------|
| Cash and Cash Equivalents | <u>\$ 810,941</u> |
| Total Assets | <u>\$ 810,941</u> |

LIABILITIES

| | |
|-------------------|-------------------|
| Payable to WSDOT | <u>\$ 810,941</u> |
| Total Liabilities | <u>\$ 810,941</u> |

See accompanying Notes to Financial Statements.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 accounting principles generally accepted in the United States of America as applied to governments. Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

In February 1982, the Port formed a public corporation for the purpose of issuing Industrial Development Bonds. This public corporation is considered to be a component unit of the Port and is presented as a blended component unit in the General Fund.

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 accounting principles generally accepted in the United States of America, management has considered all potential component units in defining the reporting entity. At December 31, 2017, the Port had one component unit, the public corporation, which has the same governing board and is operated by the Port's management.

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 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, deferred outflows, liabilities, and deferred inflows (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).

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Reporting (Continued)

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, 2017, the Port was holding \$7,656,196 in short-term residual investments of surplus cash. At December 31, 2017, \$6,836,501 is included as cash and cash equivalents in the statements of net position and \$810,941 is included as cash and cash equivalents in the statements of fiduciary net position. Cash and equivalents also consist of \$117,841 of cash held in accounts with financial institutions. Total cash and equivalents was \$7,158,219 at December 31, 2017. Components of cash and equivalents at December 31, 2017 are as follows:

| | |
|-------------------------------------|-------------------------|
| Cash Held with the County Treasurer | \$ 202,877 |
| Short-Term Residual Investments | 6,836,501 |
| Cash Held in Financial Institutions | 117,841 |
| Petty Cash | <u>1,000</u> |
| Total | <u><u>7,158,219</u></u> |

At December 31, 2017, the public corporation had cash and net position balances of \$10,413.

Fiduciary funds consist of the WSDOT Grain Car Agency Fund.

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.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Net Position

The Port's net position is classified as follows:

Net Investment in Capital Assets – This represents the Ports' total investment in capital assets net of outstanding debt obligations related to those capital assets.

Restricted for Debt Service – This represents funds in which the Port is legally or contractually obligated to spend in accordance with restriction imposed by external third parties for debt service.

Unrestricted – These represent resources derived from operations and investing activities which are available for use as management requires.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of contributions to pension plans subsequent to the June 30 measurement date and the Port's proportionate share of deferred outflows related to those plans. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the Port's proportionate share of deferred inflows related to pension plans. Deferred inflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 was \$99,710.

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). 25% of outstanding sick leave is payable upon termination, 50% upon retirement, or 100% upon death.

Pensions

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

Prepaid Expenses

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

Capital Assets

See Note 4, Capital Assets

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. These are classified as cash and cash equivalents in the statement of net position. As of December 31, 2017, cash and cash equivalents was \$7,158,219.

Investments

The Port is a participant in the Grant County Treasurer's Investment Pool an external investment pool. The Port reports its investment in the Pool at amortized cost. See investments measured at fair value below. The Port reports its investment in the Pool at the fair value amount, which is the same as the value of the Pool per share. The responsibility for managing the pool resides with the County Treasurer. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

of participants. The county external investment pool does not have a credit rating and had a weighted average maturity of 4.4 years as of December 31, 2017.

Investments (Continued)

As of December 31, 2017, the Port had \$7,656,196 invested in the Grant County Treasurer's Investment Pool. As of December 31, 2017, \$6,845,255 is included as cash and cash equivalents in the statements of net position, and \$810,941 is included as cash and cash equivalents in the statements of fiduciary net position.

Investments are subject to the following risks:

Investments Measured at Fair Value

GASB Statement No.79 *Certain External Investment Pools and Pool Participants*, allows the District to report investments with the WA State Investment Pool (LGIP) at amortized cost. The District also reports its investment in Grant County Investment Pool (GCIP) at amortized cost rather than fair value because the difference between amortized cost and fair value is insignificant. Currently the District utilizes the GCIP and there are no limitations or restrictions on withdrawals from the pool.

The District's investments by amortized cost are shown in the table below:

| | | | Level 2 | Level 3 |
|------------------------------|--------------|---------------|------------|--------------|
| | Amortized | Level 1 | observable | unobservable |
| | cost | Quoted Prices | inputs | inputs |
| Grant County Investment Pool | 7,656,196 | - | - | - |
| Total investments | \$ 7,656,196 | - | - | - |

Investments are subject to the following risks:

Interest Rate Risk

Interest rate risk for investments is the risk that changes in interest rates will adversely affect the fair value of an instrument. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District mitigates interest rate risk by investing in fixed income investments comprised of U.S. treasury notes, with maturities of generally less than six months.

Credit Risk

Credit Risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. The District does not have a formal policy that addresses credit risk, rather it follows state guidelines, and it is restricted by state law in the types of investment that can be made. The state investment pool is not rated.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 2017 was \$0.45 per \$1,000 on an assessed valuation of \$3,747,671,778, for a total regular levy of \$1,686,452. Of the 2017 regular tax levy \$46,943 is still outstanding, and 97.2% has been collected.

NOTE 4 CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the Port as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of more than a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Port during the current fiscal year is \$73,279. Of this amount, \$0 was included as part of the cost of capital assets under construction.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

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 the assets. The useful lives are as follows:

| | |
|-----------------------------------|-------------|
| Buildings | 20-40 Years |
| Improvements Other than Buildings | 10-40 Years |
| Machinery and Equipment | 5-20 Years |
| Intangible Asset | 30 Years |

Capital assets activity for the year ended December 31, 2017 was as follows:

| | Balance January 1, 2017 | Increases | Decreases | Balance December 31, 2017 |
|--|-------------------------------|-----------------------|-----------------------|---------------------------------|
| Capital Assets not Being Depreciated: | | | | |
| Land | \$ 841,598 | \$ - | \$ - | \$ 841,598 |
| Construction in Progress | <u>467,380</u> | <u>3,204,199</u> | <u>(1,041,321)</u> | <u>2,630,258</u> |
| Total Capital Assets not Being Depreciated | <u>\$ 1,308,978</u> | <u>\$ 3,204,199</u> | <u>\$ (1,041,321)</u> | <u>\$ 3,471,856</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings | \$ 51,841,788 | \$ 923,223 | \$ - | \$ 52,765,011 |
| Improvements Other than Buildings | 51,396,062 | - | (8,850,370) | 42,545,692 |
| Machinery and Equipment | 5,476,349 | 229,875 | - | 5,706,224 |
| Foreign Trade Zone Costs | <u>33,224</u> | <u>-</u> | <u>-</u> | <u>33,224</u> |
| Total Capital Assets Being Depreciated | 108,747,423 | 1,153,098 | (8,850,370) | 101,050,151 |
| Less: Accumulated Depreciation for: | | | | |
| Buildings | 24,738,530 | 1,611,919 | - | 26,350,449 |
| Improvements Other than Buildings | 37,763,331 | 910,678 | (8,850,370) | 29,823,639 |
| Machinery and Equipment | 4,764,137 | 155,435 | - | 4,919,572 |
| Foreign Trade Zone Costs | <u>21,567</u> | <u>1,107</u> | <u>-</u> | <u>22,674</u> |
| Total Accumulated Depreciation | <u>67,287,565</u> | <u>2,679,139</u> | <u>(8,850,370)</u> | <u>61,116,334</u> |
| Total Capital Assets Being Depreciated, Net | <u>\$ 41,459,858</u> | <u>\$ (1,526,041)</u> | <u>\$ -</u> | <u>\$ 39,933,817</u> |

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Construction Commitments

The Port has active construction projects as of December 31, 2017. The projects include reroofing, building improvements/expansions, road and sidewalk rehab, a fire suppression system, and airport improvements. At December 31, 2017, the Port capitalized \$2,148,960 in costs related to the railroad project and this amount is included in construction in progress.

At December 31, 2017, the Port's commitments with contractors were as follows:

| | <u>Spent to</u> <u>Date</u> | <u>Remaining</u> <u>Commitments</u> |
|--|--------------------------------|--|
| Project: | | |
| McConihe Intersection | \$ 33,086 | \$ 4,197 |
| Utility Extension Fuel Ramp | 1,369 | 11,401 |
| 2016 Utility Extension EDA Grant Project | 227,722 | 6,500 |
| Runway 14L/32R LOS Rehab. 2017 | 321,089 | 49,504 |
| Taxiway G Pavement Repairs | 102,567 | 1,879 |
| Iron Cross | 326,258 | 14,234 |
| US Airforce Mess Hall/Showers | 14,134 | 15,992 |
| Rate of Rise Valve Replacements | 218,714 | 41,691 |
| Pavement 20th Ave | 43,969 | 2,038 |
| T-Hangar Roof Coatings | 125,038 | 6,419 |
| NCBR Railroad Engineering | 1,700,322 | 2,142,321 |
| Reconstruct Runway 14L/32R Phase 1 | 423,656 | 51,383 |
| Fire Suppression System Replacement | 1,227,062 | - |
| Rail, Freight, and Ports Division | 2,148,960 | 580,430 |
| Wastewater Extension | <u>140,270</u> | <u>-</u> |
| Total | <u>\$ 7,054,216</u> | <u>\$ 2,927,989</u> |

NOTE 5 PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions*, for the year 2017:

| <u>Aggregate Pension Amounts - All Plans</u> | |
|--|--------------|
| Pension Liabilities | \$ (812,783) |
| Pension Assets | 48,490 |
| Deferred Outflows of Resources | 125,955 |
| Deferred Inflows of Resources | (149,026) |
| Pension Expense/Expenditures | 79,172 |

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5 PENSION PLANS (CONTINUED)

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Contributions – The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

| <u>PERS Plan 1</u> | <u>Employer</u> | <u>Employee*</u> |
|-----------------------|-----------------|------------------|
| January - June 2017: | | |
| PERS Plan 1 | 6.23% | 6.00% |
| PERS Plan 1 UAAL | 4.77% | |
| Administrative Fee | <u>0.18%</u> | |
| Total | 11.18% | 6.00% |
| July - December 2017: | | |
| PERS Plan 1 | 7.49% | 6.00% |
| PERS Plan 1 UAAL | 5.03% | |
| Administrative Fee | <u>0.18%</u> | |
| Total | 12.70% | 6.00% |

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

- With a benefit that is reduced by 3% for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3 % annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

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

| <u>PERS Plan 2/3</u> | <u>Employer</u> | <u>Employee*</u> |
|-----------------------|-----------------|------------------|
| January - June 2017: | | |
| PERS Plan 2/3 | 6.23% | 6.12% |
| PERS Plan 1 UAAL | 4.77% | - |
| Administrative Fee | 0.18% | - |
| Employee PERS Plan 3 | | <u>Varies</u> |
| Total | 11.18% | 6.12% |
| July - December 2017: | | |
| PERS Plan 2/3 | 7.49% | 7.38% |
| PERS Plan 1 UAAL | 5.03% | |
| Administrative Fee | 0.18% | |
| Employee PERS Plan 3 | | <u>Varies</u> |
| Total | 12.70% | 7.38% |

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

The Port's actual PERS plan contributions were \$55,003 to PERS Plan 1 and \$76,832 to PERS Plan 2/3 for the year ended December 31, 2017.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians.

LEOFF Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and nonduty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions – Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute 0% as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2017. Employers paid only the administrative expense of 0.18% of covered payroll.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 Experience Study and the 2015 Economic Experience Study.

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NOTE 5 PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016 to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- Inflation: 3.0% total economic inflation; 3.75% salary inflation
- Salary increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.5%

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

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

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5%.

To determine that rate, an asset sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5% was used to determine the total liability.

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NOTE 5 PENSION PLANS (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>% Long-Term Expected Real Rate of Return Arithmetic</u> |
|--------------------|------------------------------|--|
| Fixed Income | 20% | 1.70% |
| Tangible Assets | 5% | 4.90% |
| Real Estate | 15% | 5.80% |
| Global Equity | 37% | 6.30% |
| Private Equity | 23% | 9.30% |
| Total Allocation | <u>100%</u> | |

Sensitivity of NPL

The table below presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate.

| <u>Plan</u> | <u>1% Decrease (6.5%)</u> | <u>Current Discount Rate (7.5%)</u> | <u>1% Increase (8.5%)</u> |
|-------------|-------------------------------|---|-------------------------------|
| PERS 1 | \$ 509,890 | \$ 418,563 | \$ 339,455 |
| PERS 2/3 | 1,062,068 | 394,220 | (152,984) |
| LEOFF 1 | (35,968) | (48,490) | (59,244) |

Pension Plan Fiduciary Net Position

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

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NOTE 5 PENSION PLANS (CONTINUED)

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

At June 30, 2017, the Port reported a total pension liability of \$812,783 and a total pension asset of \$48,490 for its proportionate share:

| <u>Plan</u> | <u>Liability (Asset)</u> |
|-------------|--------------------------|
| PERS 1 | \$ 418,563 |
| PERS 2/3 | 394,220 |
| LEOFF 1 | (48,490) |

The amount of the asset reported above for LEOFF Plan 1 reflects a reduction for State pension support provided to the Port. The amount recognized by the Port as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the Port were as follows:

| | <u>LEOFF 1 Asset</u> |
|--|----------------------|
| Employer's Proportionate Share | \$ (48,490) |
| State's Proportionate Share of the Net Pension Asset | |
| Associated with the Employer | <u>(327,988)</u> |
| Total | <u>\$ (376,478)</u> |

At June 30, 2017, the Port's proportionate share of the collective net pension liabilities was as follows:

| <u>Plan</u> | <u>Proportionate Share 6/30/2016</u> | <u>Proportionate 6/30/2017</u> | <u>Change in Proportion</u> |
|-------------|--|------------------------------------|---------------------------------|
| PERS 1 | 0.008668% | 0.008821% | 0.000153% |
| PERS 2/3 | 0.011121% | 0.011346% | 0.000225% |
| LEOFF 1 | 0.003151% | 0.003196% | 0.000045% |

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

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NOTE 5 PENSION PLANS (CONTINUED)

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2016, the state of Washington contributed 87.12% of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88% of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the Port recognized pension expense as follows:

| Plan | <u>Pension Expense</u> |
|----------|------------------------|
| PERS 1 | \$ 33,451 |
| PERS 2/3 | 53,941 |
| LEOFF 1 | (8,220) |

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NOTE 5 PENSION PLANS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| <u>PERS 1</u> | | |
| Differences Between Expected and Actual Experience | \$ - | \$ - |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | - | (15,620) |
| Changes of Assumptions | - | - |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | - | - |
| Contributions Subsequent to the Measurement Date | <u>27,295</u> | <u>-</u> |
| Total | <u>\$ 27,295</u> | <u>\$ (15,620)</u> |
| | | |
| <u>PERS 2/3</u> | | |
| Differences Between Expected and Actual Experience | \$ 39,945 | \$ (12,965) |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | - | (105,089) |
| Changes of Assumptions | 4,187 | - |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | 13,886 | (10,846) |
| Contributions Subsequent to the Measurement Date | <u>40,643</u> | <u>-</u> |
| Total | <u>\$ 98,661</u> | <u>\$ (128,900)</u> |

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DECEMBER 31, 2017

NOTE 5 PENSION PLANS (CONTINUED)

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

| <u>LEOFF 1</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences Between Expected and Actual Experience | \$ - | \$ - |
| Net Difference Between Projected and Actual Investment | | |
| Earnings on Pension Plan Investments | - | (4,506) |
| Changes of Assumptions | - | - |
| Changes in Proportion and Differences Between | | |
| Contributions and Proportionate Share of Contributions | - | - |
| Contributions Subsequent to the Measurement Date | - | - |
| Total | <u>\$ -</u> | <u>\$ (4,506)</u> |

| <u>All Plans</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences Between Expected and Actual Experience | \$ 39,945 | \$ (12,965) |
| Net Difference Between Projected and Actual Investment | | |
| Earnings on Pension Plan Investments | - | (125,215) |
| Changes of Assumptions | 4,187 | - |
| Changes in Proportion and Differences Between | | |
| Contributions and Proportionate Share of Contributions | 13,886 | (10,846) |
| Contributions Subsequent to the Measurement Date | <u>67,938</u> | <u>-</u> |
| Total | <u>\$ 125,956</u> | <u>\$ (149,026)</u> |

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NOTE 5 PENSION PLANS (CONTINUED)

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

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | <u>PERS 1</u> |
|---------------------------------|--------------------|
| 2018 | \$ (10,558) |
| 2019 | 3,333 |
| 2020 | (774) |
| 2021 | (7,621) |
| 2022 | - |
| Thereafter | - |
| Total | <u>\$ (15,620)</u> |

| <u>Year Ending December 31,</u> | <u>PERS 2/3</u> |
|---------------------------------|--------------------|
| 2018 | \$ (41,485) |
| 2019 | 9,170 |
| 2020 | (8,808) |
| 2021 | (40,953) |
| 2022 | 4,866 |
| Thereafter | 6,328 |
| Total | <u>\$ (70,882)</u> |

| <u>Year Ending December 31,</u> | <u>LEOFF 1</u> |
|---------------------------------|-------------------|
| 2018 | \$ (2,828) |
| 2019 | 763 |
| 2020 | (305) |
| 2021 | (2,136) |
| 2022 | - |
| Thereafter | - |
| Total | <u>\$ (4,506)</u> |

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NOTE 6 RISK MANAGEMENT

The Port maintains insurance against most normal hazards except for unemployment insurance where it has elected to become self-insured.

Based on management's estimates, there is no estimated liability for probable losses at December 31, 2017 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 7 LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2017:

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. \$ 935,000

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. 422,565

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. 215,782

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. 92,871

SIP Loan, Annual Payments of \$9,454 including no

interest through August 2022. Original amount

of \$47,270 was obtained to finance a portion of the

Wastewater Facility.

47,270

Total 1,713,488

Add: Unamortized Bond Premium 19,797

Less: Current Maturities (547,797)

Total Long-Term Debt, Less: Current Maturities \$ 1,185,488

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NOTE 7 LONG-TERM DEBT (CONTINUED)

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

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|-------------------|---------------------|
| 2018 | \$ 547,797 | \$ 70,174 | \$ 617,971 |
| 2019 | 569,149 | 35,271 | 604,420 |
| 2020 | 286,189 | 25,782 | 311,971 |
| 2021 | 185,899 | 11,213 | 197,112 |
| 2022 | 64,454 | 3,450 | 67,904 |
| Thereafter | 60,000 | 1,800 | 61,800 |
| Total | <u>\$ 1,713,488</u> | <u>\$ 147,690</u> | <u>\$ 1,861,178</u> |

Changes in Long-Term Liabilities

During the year ended December 31, 2017, the following changes occurred in long-term liabilities:

| | Beginning Balance 1/1/2017 | Additions | Reductions | Ending Balance 12/31/2017 | Due Within One Year |
|-----------------------------|----------------------------------|-------------------|-------------------|---------------------------------|---------------------------|
| Bonds Payable: | | | | | |
| GO Bonds | \$ 1,270,000 | \$ - | \$ 335,000 | \$ 935,000 | \$ 345,000 |
| Revenue Bonds | 511,716 | - | 89,151 | 422,565 | 95,307 |
| Bond Premium | 31,077 | - | 11,280 | 19,797 | - |
| Total | 1,812,793 | - | 435,431 | 1,377,362 | 440,307 |
| CERB Loans | 402,138 | - | 93,485 | 308,653 | 98,036 |
| OPEB | 255,473 | 24,562 | - | 280,035 | - |
| SIP Loan | - | 47,270 | - | 47,270 | 9,454 |
| Compensated Absences | 83,053 | 139,649 | 122,992 | 99,710 | 99,710 |
| NPL | 1,025,446 | - | 212,663 | 812,783 | - |
| Total Long-Term Liabilities | <u>\$ 3,578,903</u> | <u>\$ 211,481</u> | <u>\$ 864,571</u> | <u>\$ 2,925,813</u> | <u>\$ 647,507</u> |

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT

In addition to the pension benefits described in Note 5, the Port provides post-retirement health care benefits, in accordance with LEOFF 1.

The Port reimburses all claims approved by the disability board for medical and hospitalization costs incurred by retirees. The Port also reimburses a fixed amount of \$824 per month for Medicare B and Medicare supplements for retirees eligible for Medicare. One prior employee is reimbursed for their long-term care insurance totaling \$4,050 for 2017.

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

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NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT (CONTINUED)

The OEB Plan is a single-employer defined benefit OPEB plan.

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 used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 55.3 was assumed for all active members for the purpose of determining the Actuarial Accrued Liability (AAL) and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2014, actual valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the statewide LEOFF 1 medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings.

The actuarial cost method used to determine the AAL was Projected Unit Credit (PUC). The AAL and Net OPEB Obligation (NOO) are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial calculations reflect a long-term perspective. Consistent with the perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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DECEMBER 31, 2017

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT (CONTINUED)

There are no LEOFF 1 employees currently working at the Port. In the year ended December 31, 2017, two retired officers received medical insurance at a cost to the Port of \$36,618. The payment for insurance is made from a combination of current budget funding authority. The \$36,618 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 Postemployment Benefits (OPEB) cost for the year ended December 31, 2017, the amount actually contributed to the plan, and changes in the Port's net OPEB obligation:

| | |
|---|-------------------|
| Annual Required Contribution | \$ 73,939 |
| Interest on Net OPEB Obligation | 10,219 |
| Adjustments to the Annual Required Contribution | <u>(22,978)</u> |
| Annual OPEB Cost | 61,180 |
| Contributions | <u>(36,618)</u> |
| Increase in Net OPEB Obligation | 24,562 |
| Net OPEB Obligation - Beginning of Year | <u>255,473</u> |
| Net OPEB Obligation - End of Year | <u>\$ 280,035</u> |

The Port's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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 |
|--------------------------------------|---------------------|--------------|---|------------------------|
| 2017 | \$ 61,180 | \$ 36,618 | 46.3% | \$ 280,035 |
| 2016 | (11,249) | 35,691 | -317.3% | 255,472 |
| 2015 | 75,014 | 35,173 | 46.9% | 225,258 |

As of December 31, 2017, the actuarial liability for benefits, calculated using the alternative measurement method, was \$822,082, which is unfunded.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 9 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 10 LEASES

Operating Leases

As of December 31, 2017, the Port had no material noncancellable contracts where the Port leases property as a lessee.

The Port, as a lessor, enters into several operating leases with tenants for the use of properties at various locations, including land, facilities, and equipment rentals with minimum annual guarantees, securities, or deposits under lease terms of 1 to 50 years. In addition, some properties are rented on a month-to-month basis. Port procedure is to negotiate all leases at fair market value at the best of our abilities considering market conditions, economic factors, property condition and location, as well as other factors that may impact negotiating lease prices.

The Port has calculated the minimum future lease rental income on noncancellable operating leases through their lease terms and with the optional extensions. On leases with optional extensions the Port included the extension periods if it is a land lease with significant improvements (e.g. building) or the Port has reason to believe the tenant will renew (e.g. long history with the Port).

The Port's minimum future lease rental income on noncancellable operating lease terms remaining in excess of one year are as follows:

| <u>Year Ending December 31.</u> | <u>Amount</u> |
|---------------------------------|----------------------|
| 2018 | \$ 3,275,458 |
| 2019 | 2,908,730 |
| 2020 | 2,191,499 |
| 2021 | 1,855,724 |
| 2022 | 1,532,411 |
| 2023-2027 | 9,320,457 |
| Total | <u>\$ 21,084,279</u> |

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
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SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
DECEMBER 31, 2017

| 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) | UAAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|---|----------------------------|-----------------------------|--|
| 12/31/2017 | \$ - | \$ 822,082 | \$ 822,082 | -% | \$ - | -% |
| 12/31/2016 | - | 857,841 | 857,841 | - | - | - |
| 12/31/2015 | - | 936,991 | 936,991 | - | - | - |

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY PENSION PLANS, PERS 1, PERS 2/3, LEOFF 1
AS OF DECEMBER 31, 2017**

| | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|
| PERS Plan 1 | | | |
| Employer's proportion of the net pension liability (asset) | 0.008821% | 0.008668% | 0.008997% |
| Employer's proportionate share of the net pension liability | \$ 418,563 | \$ 465,512 | \$ 470,627 |
| Employer's covered employee payroll | \$ 1,112,382 | \$ 1,030,509 | \$ 1,076,437 |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | 37.63% | 45.17% | 43.72% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.24% | 57.03% | 59.10% |
| PERS Plan 2/3 | | | |
| Employer's proportion of the net pension liability (asset) | 0.011346% | 0.011121% | 0.011621% |
| Employer's proportionate share of the net pension liability | \$ 394,220 | \$ 559,934 | \$ 415,225 |
| Employer's covered employee payroll | \$ 1,112,382 | \$ 1,030,509 | \$ 1,076,437 |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | 35.44% | 54.34% | 38.57% |
| Plan fiduciary net position as a percentage of the total pension liability | 90.97% | 85.82% | 89.20% |
| LEOFF Plan 1 | | | |
| Employer's proportion of the net pension liability (asset) | 0.003196% | 0.003151% | 0.003012% |
| Employer's proportionate share of the net pension asset | \$ 48,490 | \$ 32,464 | \$ 36,301 |
| State's proportionate share of the net pension asset | \$ 327,988 | \$ 219,588 | \$ 245,539 |
| Employer's covered employee payroll | \$ - | \$ - | \$ - |
| Employer's proportionate share of the net pension asset as a percentage of covered employee payroll | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 135.96% | 123.74% | 127.36% |

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Port will present information for only those years for which information is available.

**SCHEDULE OF EMPLOYER
CONTRIBUTIONS PENSION PLANS,
PERS 1, PERS 2/3, LEOFF 1 AS OF
DECEMBER 31, 2017**

| | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|
| PERS Plan 1 | | | |
| Statutorily or contractually required contributions | \$ 55,003 | \$ 50,696 | \$ 44,749 |
| Contributions in relation to the statutorily or contractually required contributions | (55,003) | (50,696) | (44,749) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - |
| Covered employer payroll | \$ 1,123,523 | \$ 1,062,819 | \$ 1,050,047 |
| Contributions as a percentage of covered employee payroll | 4.90% | 4.77% | 4.26% |
| PERS Plan 2/3 | | | |
| Statutorily or contractually required contributions | \$ 76,832 | \$ 66,214 | \$ 58,455 |
| Contributions in relation to the statutorily or contractually required contributions | (76,832) | (66,214) | (58,455) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - |
| Covered employer payroll | \$ 1,123,523 | \$ 1,062,819 | \$ 1,050,047 |
| Contributions as a percentage of covered employee payroll | 6.84% | 6.23% | 5.57% |
| LEOFF Plan 1 | | | |
| Statutorily or contractually required contributions | \$ - | \$ - | \$ - |
| Contributions in relation to the statutorily or contractually required contributions | - | - | - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - |
| Covered employer payroll | - | - | - |
| Contributions as a percentage of covered employee payroll | -% | -% | -% |

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Port will present information for only those years f

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 |