



Office of the Washington State Auditor
Pat McCarthy

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

For the period January 1, 2016 through December 31, 2016

Published August 21, 2017

Report No. 1019675





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

August 21, 2017

Board of Commissioners
Port of Quincy
Quincy, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Port of Quincy
Grant County
January 1, 2016 through December 31, 2016**

Board of Commissioners
Port of Quincy
Quincy, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Port of Quincy, Grant County, Washington, as of and for the year ended December 31, 2016, 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 3, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy

State Auditor

Olympia, WA

August 3, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Quincy Grant County January 1, 2016 through December 31, 2016

Board of Commissioners
Port of Quincy
Quincy, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Quincy, Grant County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Quincy, as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 15 and pension plan information on pages 44 through 45 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 3, 2017 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 3, 2017

FINANCIAL SECTION

**Port of Quincy
Grant County
January 1, 2016 through December 31, 2016**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016

Statement of Revenues, Expenses and Changes in Net Position – 2016

Statement of Cash Flows – 2016

Notes to Financial Statements – 2016

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Proportionate Share of the Net Pension Liability – 2016

Schedule of the Employer Contributions – 2016

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016**

Introduction

The following is Port District No. 1 of Grant County's (Port of Quincy) (the Port) Management's Discussion and Analysis (MD&A) of financial activities and performance for the calendar year ended December 31, 2016. The discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Port and to identify any significant changes in financial position. Information contained in the MD&A has been prepared by Port management and should be read in conjunction with the financial statements and the notes. The notes to financial statements are essential to a full understanding of the data contained in the financial statements.

Overview of the Financial Statements

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

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

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

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

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

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

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016**

Financial Report

Financial Position:

The statement of net position present the financial position of the Port as of December 31, 2016. The statements include all the Port's assets and liabilities. As described earlier, the net position serves as an indicator of the Port's financial position. A summarized comparison of the Port's assets, liabilities, and net position follows:

	December 31,	
	2016	2015
Current Assets	\$ 2,878,864	\$ 3,429,092
Noncurrent Assets:		
Capital Assets	10,770,360	8,364,906
Other	266,967	340,496
Total Assets	13,916,190	12,134,494
 Deferred Outflows of Resources	 46,508	 30,224
 Current Liabilities	 888,061	 586,343
Long-Term Liabilities	9,843,134	7,278,813
Total Liabilities	10,731,195	7,865,156
 Deferred Inflows of Resources	 40,953	 29,040
 Net Position:		
Net Investment in Capital Assets	825,455	1,186,522
Unrestricted	2,365,095	3,084,000
Total Net Position	\$ 3,190,550	\$ 4,270,522

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016**

Financial Report (Continued)

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

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

	Years Ended December 31,	
	2016	2015
Operating Revenues:		
Property Lease/Rental Operation	\$ 238,903	\$ 206,050
Golf Course	398,533	373,492
Intermodal Park	6,176	52,818
Quincy Valley Business and Conference Center	40,117	10,873
Bishop Recreation Area	1,530	100
Total Operating Revenues	685,259	643,333
Nonoperating Revenues:		
Grant Funds	150,000	153,480
Ad Valorem Tax Levy and Leasehold Tax	712,316	684,815
Gain (Loss) on Disposition of Assets	315,128	(237,646)
Other	(57,524)	426,508
Total Nonoperating Revenue	1,119,920	1,027,157
Total Revenues	1,805,180	1,670,490
Expenses:		
Operating Expenses	2,190,442	1,974,961
Nonoperating Expenses	694,709	377,435
Total Expenses	2,885,151	2,352,396
Increase (Decrease) in Net Position	(1,079,972)	(681,906)
Net Position - Beginning of Year, as Originally Stated	4,270,522	5,324,019
Restatement - GASB 68 Standard Implementation		(371,591)
Net Position - Beginning of Year, as Restated		4,952,428
Net Position - End of Year	\$ 3,190,550	\$ 4,270,522

Financial Highlights

- The Port's overall operating revenues increased by \$41,926 for 2016 compared to a decrease of \$553,995 for 2015. This is due to 2016 being the first full year of operations of the Quincy Valley Business and Conference Center along with a slight increase in golf revenue and rent that offset the lack of income from the Intermodal facility.
- The assets and deferred outflows of the Port exceeded its liabilities and deferred inflows at the close of each calendar year by \$3,190,550 and \$4,270,522 for 2016 and 2015, respectively. The Port continues to invest in properties which it feels allows for long-term growth, even if this strategy results in a decrease in net position over the years.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016**

Financial Highlights (Continued)

- The Port's operating expenses increased by \$215,481 for 2016. This year reflects the first full year of rent on the Bishop property, along with expenses for studies to determine the best use of the property for the public. Additionally, the golf course made a mandatory switch from agricultural rate water during the year, resulting in a significant increase in cost. The Port monitors variations from actual to budget in its expenses and adjusts operations accordingly.
- Nonoperating revenue increased by \$92,763 for 2016. While nonoperating revenue was boosted in 2015 due to the donation of the community center building, 2016 remained strong with the sale of 3 lots in Industrial Park 5, which will allow for substantial economic growth in the south end area of the district.
- The Port's nonoperating expenses increased by \$317,269 for 2016. An extension to the water line on 13th Avenue was constructed, which when completed became a part of the City of Quincy's water system, resulting in a large infrastructure expense for the Port. This expansion of the water line allows for continued economic development in that area of the district. Interest expense also increased due to the refunding bond obtained in 2015 and additional property purchased in 2016.

The mission statement of the Port is: "The Port of Quincy is committed to facilitate and expand trade promotion, industrial development, and tourism and to maximize opportunities for area residents and businesses." A great deal of time and energy is spent on attracting growth within the Port's boundaries, which results in increased assessed values of the district as evidenced below:

Year Levy Assessed	Year Levy Collected	Assessed Valuation	Levy Rate	Levy Amount
2007	2008	1,213,763,729	0.000324020	393,284
2008	2009	1,671,595,311	0.000296060	494,892
2009	2010	2,022,982,702	0.000264770	535,625
2010	2011	2,044,526,983	0.000256280	523,971
2011	2012	2,107,228,153	0.000267485	563,652
2012	2013	2,241,505,202	0.000275958	618,561
2013	2014	2,339,479,122	0.000271300	634,701
2014	2015	2,906,241,025	0.000233064	677,340
2015	2016	3,351,322,014	0.000211546	708,960

Tax Levy: Over the years, the Port has worked to minimize the Port's tax levy. The legal limit for port districts to levy is 0.45000 per \$1,000. As noted above, the Port levy collected in 2016 was 0.211546 per \$1,000, and 0.233064 for collection in 2015.

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

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016**

Financial Highlights (Continued)

The Port's tax revenue continues to increase each year due to the growth within the district. Part of that growth is due to the aggressive approach by the Port. The Port offsets its aggressive approach by maintaining a minimum 2 times debt service in working capital.

The Port continues to develop and expand its industrial parks to encourage creating economic development opportunities for the Quincy Valley. A well and the beginnings of a water system were completed in Park 5 and subsequently sold to the City of George. The Port is in the process of developing a plan to build a road in Park 5 that will draw more development.

In accordance with the Port's approach to continuing development, it signed a purchase and sale agreement to purchase approximately 80 acres adjacent to Industrial Park 6 for \$3,179,000. This purchase was completed in 2016. Also in 2016 the Port purchased two storage buildings known as the "Schwint buildings" and immediately rented them out under a long-term lease.

The Port operates a local municipal airport with six individual hangers. These hangers are leased out and the Port continues to make efforts to expand and improve the airport by pursuing applicable grants. The Port secured two grants in 2014 through WSDOT and made substantial improvements to the runway during 2014 and 2015.

Capital Assets: In July of 2015 the Port was given the building which formerly housed the Quincy Community Center. Subsequently the Port purchased a vacant building next door. The Port is in the process of connecting the two structures. While the improvements and remodeling are taking place it operates the facility as the Quincy Valley Business and Conference Center (QVBCC). In 2016 the Port sold its current office building and moved into remodeled office space at the QVBCC. See Note 3 to the financial statements – Capital Assets and Depreciation.

Long-Term Debt: During 2016 the Port complete its purchase of 80 acres adjacent to Park 6, along with purchasing 2 additional dry storage buildings from the Schwint family. In 2015 the Port successfully obtained a long-term general obligation refunding bond. With the proceeds the Port paid off several outstanding loans along with an existing general obligation bond. This allowed the Port to keep the proceeds of land sales that occurred in 2014. In addition to the LTGO refunding bond held by Washington Trust Bank the Port holds notes payable to Washington State Community Economic Revitalization Board (CERB), the United States Department of Agriculture (USDA), David Manning, Ker & Ruppert LLC, Schwint and SIP. See Note 6 to the financial statements – Long-Term Debt.

Commitments for Capital Outlays: As of December 31, 2016 the Port holds three land purchase options. Also, the Port has a commitment to build a road in Industrial Park 5.

Intermodal Industrial Park: The Port has not acquired a new company to resume services, due to rail line availability. The Port is actively seeking a new company to resume operations, while at the same time pursuing other options for the park. The facility continues to offer container lifts, washouts, plug-ins, monitoring, and other various services. The sharp decrease in operating revenues and operating expenses in 2015 was due to the cessation of full-time operations at the park.

Since the time operations ceased at the intermodal site, it has had no worrisome financial repercussions to the Port.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016**

Financial Highlights (Continued)

Colockum Ridge Golf Course: The Port continues to own and operate the golf course. While the golf course has not been a profitable endeavor, the Port continues to strive to a least break even. The original and ongoing intent of the golf course is to provide the community and future industrial development with recreational opportunities. Approximately 12,000 rounds of golf were played at the facility during 2015 and 2016. The course is also being used by the Quincy School District's golf team for practices and matches. Several local tournaments are held each year.

Data Centers: In 2015 the Washington State Legislature extended tax incentives beneficial to the expansion of existing data centers in Quincy, and increasing the likelihood of new companies locating here. The Port fields multiple inquiries from data centers throughout the year.

Bishop Recreation Area: In 2015 the Port entered into a lease and a separate option agreement for land located in the Quincy Lakes area. The Port is looking into developing a trailhead for the surrounding public lands, along with a possible sporting shooting range and wedding destination venue.

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

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

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

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
STATEMENT OF NET POSITION
DECEMBER 31, 2016**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and Cash Equivalents	\$ 52,564
Investment in Grant County Pool	2,467,865
Interest Receivable	21,055
Taxes Receivable	16,550
Accounts Receivable	11,845
Inventory	9,091
Prepaid Expenses	298,863
Other Current Assets	1,030
Total Current Assets	2,878,864

NONCURRENT ASSETS

Notes Receivable	241,967
Land Purchase Options	25,000
Capital Assets Not Being Depreciated:	
Land	6,069,488
Construction in Progress	26,975
Capital Assets Being Depreciated:	
Property, Plant, and Equipment	13,354,005
Less: Accumulated Depreciation	(8,680,108)
Total Noncurrent Assets, Net	11,037,327
Total Assets	13,916,190

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	46,508
Total Assets and Deferred Outflows of Resources	\$ 13,962,698

See accompanying Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$ 71,218
Accrued Expenses	102,192
Retirement Plan Payable	9,474
Interest Payable	245,275
Unearned Revenue	33,374
Lease Deposits	15,050
Buyer Option	5,000
Current Maturities of Long-Term Debt	<u>406,478</u>
Total Current Liabilities	888,061

NONCURRENT LIABILITIES

Long-Term Debt (Net of Current Maturities)	9,538,427
Net Pension Liability	<u>304,707</u>
Total Noncurrent Liabilities	<u>9,843,134</u>

Total Liabilities 10,731,195

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	<u>40,953</u>
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NET POSITION

Net Investment in Capital Assets	825,455
Unrestricted	<u>2,365,095</u>
Total Net Position	<u>3,190,550</u>

Total Liabilities, Deferred Inflows of Resources, and Net Position \$ 13,962,698

See accompanying notes to financial statements

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2016**

OPERATING REVENUES

Property Lease/Rental Operation	\$ 238,903
Golf Course	398,533
Intermodal Park	6,176
Quincy Valley Business and Conference Center	40,117
Bishop Recreation Area	1,530
Total Operating Revenues	685,259

OPERATING EXPENSES

Depreciation	811,528
Wages	422,157
Professional Fees	184,211
Repairs and Maintenance	83,703
Employee Benefits	34,506
Insurance	79,456
Taxes	66,133
Janitorial Services	4,850
Utilities	70,949
Legal Fees	38,980
Inventory Costs	47,744
Dues and Subscriptions	27,084
Rent	156,411
Operating Supplies	25,537
Fertilizers and Chemicals	33,137
Fuel	12,771
Fees and Permits	7,691
Inspections	3,220
Custom Hire	11,591
Advertising and Promotion	6,308
Bank Charges	8,711
Telephone	8,276
Office Supplies	7,840
Security	7,476
Travel and meals	5,789
Irrigation Water	22,960
Meetings and Conferences	1,214
Education	209
Total Operating Expenses	2,190,442

LOSS FROM OPERATIONS (Balance Carried Forward) (1,505,183)

See accompanying Notes to Financial Statements.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
 YEAR ENDED DECEMBER 31, 2016**

LOSS FROM OPERATIONS (Balance Brought Forward)	\$ (1,505,183)
 NONOPERATING REVENUES (EXPENSES)	
Ad Valorem Tax Levy and Leasehold Tax	712,316
Donation Income	1,378
Gain on Sale of Capital Assets	315,128
Grant Funds	150,000
Interest Expense	(414,745)
Interest Income	45,431
Net increase (decrease) in the fair value of investments	(108,732)
Infrastructure Expense	(277,342)
Miscellaneous Expenses	(2,380)
Miscellaneous Income	4,400
Weed District Assessment	(241)
Total Nonoperating Revenues, Net	425,211
 DECREASE IN NET POSITION	 (1,079,972)
 NET POSITION - BEGINNING OF YEAR	 <u>4,270,522</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 3,190,550</u></u>

See accompanying Notes to Financial Statements.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers and Leases	\$ 686,103
Cash Paid to Employees	(466,488)
Cash Paid to Suppliers	(846,695)
Net Cash Used by Operating Activities	(627,080)

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

Borrowings from Capital Debt	3,072,000
Purchases of Capital Assets	(3,523,886)
Principal Paid on Capital Debt	(305,478)
Interest Paid on Capital Debt	(298,174)
Payments Received on Notes Receivable	58,529
Deferred Sale Proceeds	(18,725)
Land Purchase Options	15,000
Proceeds from Disposition of Assets	622,031
Net Cash Used by Capital and Related Financing Activities	(378,703)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest, Dividends and Change in Fair Value of Investments	(69,324)
Investment in Grant County Pool	(2,467,865)
Net Cash Provided by Investing Activities	(2,537,189)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Noncapital Taxes Received	711,842
Nonoperating Income	155,777
Nonoperating Expenses	(279,964)
Net Cash Provided by Noncapital Financing Activities	587,656

NET DECREASE IN CASH AND CASH EQUIVALENTS

(2,955,316)

Cash and Cash Equivalents - Beginning of Year

3,007,880

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 52,564

See accompanying Notes to Financial Statements.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016**

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

Loss from Operations	\$ (1,505,183)
Adjustments to Reconcile Loss from Operations to Net Cash Used by Operating Activities:	
Depreciation	811,528
Pension Expense	(49,000)
Effects of Changes in Operating Assets and Liabilities:	
Accounts and Taxes Receivable	17,624
Inventory	2,801
Prepaid Expenses and Other Assets	48,851
Accounts Payable	50,918
Accrued Expenses and Retirement Plan Payable	10,859
Unearned Lease Income	(14,576)
Lease Deposit	(900)
Net Cash Used by Operating Activities	\$ (627,080)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES

Payment on Construction in Progress Reflected in Accounts Payable	\$ 2,088
Net Decrease in the Fair Value of Investments Reflected in Investing Activities	\$ 108,732

See accompanying notes to financial statements

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Summary

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

Reporting Entity

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

On March 26, 1982, a resolution was adopted to approve and authorize the creation of the Industrial Development Corporation of Port District No. 1 of Grant County, Washington (IDC). That corporation was established to act on behalf of the Port to issue nonrecourse revenue bonds for the purpose of financing the costs of qualified industrial development facilities. The IDC is managed by a Board of Directors composed of the members from time to time of the Commission of the Port. Separate financial statements are issued for that corporation, if necessary. There was no financial activity in the IDC for the year ended December 31, 2016. The asset of this corporation, which is a bank account with a balance of \$4,205, is not material to the financial position of The Port and has not been included in these financial statements.

Basis of Accounting and Reporting

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

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

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

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Reporting (Continued)

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

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

Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2016, the treasurer was holding \$2,576,512, valued at amortized cost, in short-term residual investments of surplus cash. The fair value of this amount, \$2,467,865, is classified on the statement of net position as investments. See Note 9 to the financial statements – Deposits and Investments.

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

Accounts Receivable

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

Taxes Receivable

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

Capital Assets

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

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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

Vacation pay, which may be accumulated up to a two year accrual, is payable upon resignation, retirement, or death. Sick leave may accumulate up to 24 hours.

Other Accrued Expenses

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

Pensions

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

Revenues

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

Grants

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

Estimates and Assumptions

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

Investments

See Note 9 to the financial statements – Deposits and Investments.

Concentrations of Credit Risk

The Company performs credit evaluations of its customers and subcontractors and may require surety bonds. Liens are filed, when permissible, on construction contracts where collection problems are anticipated. As of December 31, 2016, accounts receivable are due from customers not concentrated in a particular industry.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

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

Deferred Inflows of Resources

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

Deferred Outflows of Resources

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

New Accounting Principles

In 2016 the Port implemented the following GASB statement:

GASB Statement No. 72, Fair Value Measurement and Application

NOTE 2 PROPERTY TAXES

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

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

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 PROPERTY TAXES (CONTINUED)

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow of resources and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

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

The Port's regular levy for 2016 was \$0.211546 per \$1,000 on an assessed valuation of \$3,351,322,014 for a total regular levy \$708,960.

NOTE 3 CAPITAL ASSETS AND DEPRECIATION

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

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

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

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

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

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

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

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

Capital assets activity for the year ended December 31, 2016 was as follows:

	Beginning Balance 1/1/2016	Increases	Decreases	Ending Balance 12/31/2016
Capital Assets Not Being Depreciated:				
Land	\$ 3,210,320	\$ 2,954,293	\$ (95,125)	\$ 6,069,488
Construction in Progress	30,961		(3,986)	26,975
Total Capital Assets, Not Being Depreciated	3,241,281	2,954,293	(99,111)	6,096,463
Capital Assets Being Depreciated:				
Buildings	2,047,205	326,210	(221,384)	2,152,031
Improvements Other than Buildings	8,952,638	200,436	(17,574)	9,135,500
Machinery and Equipment	2,027,782	46,998	(8,306)	2,066,474
Total Capital Assets Being Depreciated	13,027,625	573,644	(247,264)	13,354,005
Less Accumulated Depreciation for:				
Buildings	(375,178)	(58,590)	25,829	(407,939)
Improvements Other than Buildings	(6,300,713)	(564,245)	1,300	(6,863,658)
Machinery and Equipment	(1,228,109)	(188,693)	8,291	(1,408,511)
Total Accumulated Depreciation	(7,904,000)	(811,528)	35,420	(8,680,108)
Total Capital Assets Being Depreciated, Net of Depreciation	5,123,625	(237,884)	(211,844)	4,673,897
Capital Assets, Net	<u>\$ 8,364,906</u>	<u>\$ 2,716,409</u>	<u>\$ (310,955)</u>	<u>\$ 10,770,360</u>

NOTE 4 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

In the opinion of management, there have been no material violations of finance-related legal or contractual provisions.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

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 2016:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	\$ 304,707
Pension Assets	-
Deferred Outflows of Resources	46,508
Deferred Inflows of Resources	(40,953)
Pension Expense/Expenditures	(34,147)

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 two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

<u>Actual Contribution Rates:</u>	<u>Employer</u>	<u>Employee*</u>
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	<u>11.18%</u>	<u>6.00%</u>

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

The Port's actual contributions to the plan were \$17,014 for the year ended December 31, 2016.

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

Actual Contribution Rates:	Employer 2/3	Employee 2*
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	0.00%
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	11.18%	6.12%

* For employees participating in JBM, the contribution rate was 15.30%

The Port's actual contributions to the plan were \$15,613 for the year ended December 31, 2016.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. 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.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

- Inflation: 3% 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 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislations signed into law during the 2015 legislative session.

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent 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, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

NOTE 5 PENSION PLANS (CONTINUED)

The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

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, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total Allocation	100%	

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

Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 198,108	\$ 164,283	\$ 135,174
PERS 2/3	258,546	140,424	(73,099)

Pension Plan Fiduciary Net Position

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

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

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, 2016, the Port reported a total pension liability of \$304,707 for its proportionate share of the net pension liabilities as follows:

Plan	Liability
PERS 1	\$ 164,283
PERS 2/3	140,424
Total	\$ 304,707

At June 30, 2016, the Port's proportionate share of the collective net pension liabilities was as follows:

Plan	Proportionate Share 6/30/2015	Proportionate Share 6/30/2016	Change in Proportion
PERS 1	0.003987%	0.003059%	-0.000928%
PERS 2/3	0.003940%	0.002789%	-0.001151%

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.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the Port recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$ (42,476)
PERS 2/3	8,329
Total	\$ (34,147)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	4,136	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	8,345	-
Total	\$ 12,481	\$ -

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,477	\$ (4,636)
Net difference between projected and actual investment earnings on pension plan investments	17,184	-
Changes of assumptions	1,451	-
Changes in proportion and differences between contributions and proportionate share of contributions	319	(36,317)
Contributions subsequent to the measurement date	7,595	-
Total	\$ 34,026	\$ (40,953)

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,477	\$ (4,636)
Net difference between projected and actual investment earnings on pension plan investments	21,320	-
Changes of assumptions	1,451	-
Changes in proportion and differences between contributions and proportionate share of contributions	319	(36,317)
Contributions subsequent to the measurement date	15,939	-
Total	<u>\$ 46,508</u>	<u>\$ (40,953)</u>

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

PERS 1 Year Ended December 31:	Amortization Amount	
	Deferred Outflows	Deferred Inflows
2017	\$ (1,018)	\$ -
2018	(1,018)	-
2019	3,799	-
2020	2,373	-
Total	<u>\$ 4,136</u>	<u>\$ -</u>

PERS 2/3 Year Ended December 31:	Amortization Amount	
	Deferred Outflows	Deferred Inflows
2017	\$ 1,678	\$ (12,798)
2018	1,678	(12,798)
2019	14,643	(12,798)
2020	8,432	(2,559)
Total	<u>\$ 26,431</u>	<u>\$ (40,953)</u>

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2016:

Description	Security	
Ker & Ruppert LLC, Annual Payments of \$243,200, Including Interest at 6% (7% effective 2019), Maturing February 2038; Original Amount of \$2,647,000 was Obtained to Purchase Land	Land	\$ 2,647,000
United States Department of Agriculture (USDA), Semiannual Payments of \$100,206, Including Interest at 4.25%, Maturing July 2045; Original Amount of \$3,800,000 was Obtained to Consolidate Interim Loans to Improve Industrial Park 4	General Obligation Bond	3,290,871
Community Economic Revitalization Board (CERB), Annual Payments of \$36,109, Including Interest at 1.6%, Maturing July 2026; Original Amount of \$564,200 was Obtained to Construct a Rail Spur and Extend Sewer Lines	None	369,218
Strategic Infrastructure Program (SIP), Annual Payments of \$15,000, non-interest bearing, Maturing November 2021; Original Amount of \$75,000 was Obtained for Infrastructure Improvements on 13th Avenue	None	75,000
Jeff Schwint et al., Monthly Payments of \$3,182 Including Interest at 5%, Maturing September 2026; Original Amount of \$300,000 Obtained to Purchase Storage Buildings	Buildings	291,515
Washington Trust Bank, Semiannual Payments of \$125,125, Including Interest at 4.05%, Maturing July 2031; Original Amount of \$3,000,000 was Obtained For The Purpose of Refunding Outstanding Obligations	General Obligation Bond	2,795,413
R. David Manning, Annual Payments of \$50,000, Including Interest at 5%, Maturing August 2020; Original Amount of \$500,000 was Obtained to Purchase Building and Land	Real Estate	475,890
Total		<u>9,944,907</u>
Less: Current Maturities		<u>(406,478)</u>
Total Long-Term Debt		<u>\$ 9,538,429</u>

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

During the year ended December 31, 2016, the following changes occurred in long-term debt:

	Beginning Balance 1/1/2016	Additions	Reductions	Ending Balance 12/31/2016	Due Within One Year
Bonds Payable:					
USDA	\$3,349,528	\$ -	\$ (58,657)	\$3,290,871	\$ 60,785
FCS	-	-	-	-	-
WTB	2,925,837	-	(130,426)	2,795,411	138,103
Other:					
CERB	403,018	-	(33,800)	369,218	33,341
Ker	-	2,647,000	-	2,647,000	111,938
Schwint	-	350,000	(58,485)	291,515	21,368
	-	-	-	-	-
SIP	-	75,000	-	75,000	15,000
R. David Manning	500,000	-	(24,110)	475,890	25,943
Total Long-Term Debt	<u>\$7,178,383</u>	<u>\$3,072,000</u>	<u>\$ (305,478)</u>	<u>\$9,944,905</u>	<u>\$ 406,478</u>

Following is a schedule by years of principal maturities and interest payments:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 406,478	\$ 426,205	\$ 832,683
2018	425,005	412,164	837,169
2019	420,129	417,034	837,163
2020	777,326	424,363	1,201,689
2021	561,559	385,801	947,360
2022-2026	2,048,515	1,635,204	3,683,719
2027-2061	2,384,264	1,102,533	3,486,797
2032-2036	1,506,315	548,662	2,054,977
2037-2041	772,107	229,953	1,002,060
2042-47	643,207	55,736	698,943
Total	<u>\$ 9,944,905</u>	<u>\$ 5,637,655</u>	<u>\$ 15,582,560</u>

NOTE 7 LEASE COMMITMENTS

Operating Leases

The Port leases land from the City of Quincy. This lease is being accounted for as an operating lease and is set to expire on December 31, 2019. Future minimum lease payments are expected to be \$1 annually.

The Port entered into an indefinite land lease with BNSF Railway Company effective January 15, 2013. Rent is to be made in advance, beginning at \$1,800 for 2013 and increasing annually by 3 percent (\$1,967 for 2016). This amount is being reimbursed back to the Port from Custom Apple Packers, Inc., the lessee of the property.

The Port entered into an indefinite land lease with BNSF Railway Company effective September 15, 2015. Rent is to be made in advance, beginning at \$2,333 for 2013 and

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

increasing annually by 3 percent (\$2,402 for 2016). This amount is being reimbursed back to the Port from Double Diamond, Inc., the lessee of the property.

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

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 104,501
2018	104,636
2019	104,775
2020	54,918
2021	5,068
Thereafter	5,220
Total	<u>\$ 379,118</u>

Capital Leases

As of December 31, 2016 The Port has no capital lease obligations.

NOTE 8 LEASE INCOME

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

Farmer Bean & Seed LLC	\$ 59,798
HashPlex, Inc.	45,312
Central Bean Company, Inc.	24,077
Zoomhash LLC	29,184
B.A.S. Quincy LLC	11,200
CPM Development Corporation	10,463
City of Quincy	7,200
Airport Hangers	6,755
Ryan Patrick Vineyards	14,352
Ancient Lake Winery Company LLC	4,560
Chris Vizena	4,500
Steven Bierlink	10,634
Custom Apple	4,349
BAM LLC	3,086
Double Diamond Fruit	3,333
Double JJ Farms	100
Total	<u>\$ 238,903</u>

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

Leased assets as of December 31, 2016 were as follows:

	<u>Improvements</u>	<u>Buildings</u>	<u>Land</u>
Cost	\$ 1,315,170	\$ 825,363	\$3,670,266
Accumulated Depreciation	(938,081)	(145,493)	-
Net Book Value of Leased Assets	<u>\$ 377,089</u>	<u>\$ 679,870</u>	<u>\$3,670,266</u>

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 259,911
2018	215,969
2019	207,985
2020	155,840
2021	115,963
Total	<u>\$ 955,668</u>

NOTE 9 DEPOSITS AND INVESTMENTS

Deposits

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

NOTE 9 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

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

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

At December 31, 2016, the Port had the following investments measured at fair value:

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

<u>Investments by Fair Value Level</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Grant County Investment Pool	<u>\$2,467,865</u>	<u>\$ 2,467,865</u>	<u>\$ -</u>	<u>\$ -</u>
Total Investments by Fair Value Level	<u><u>\$2,467,865</u></u>	<u><u>\$ 2,467,865</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction the Port would not be able to recover the value of the investment or collateral securities. Of the Port's total position of \$2,467,865 in Grant County Investment Pool, the total amount is exposed to custodial credit risk because the investments are held by the Port's treasurer, which is also the counterparty in those particular securities.

NOTE 10 RISK MANAGEMENT

The Port is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1998, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2016, there are 205 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment

NOTE 10 RISK MANAGEMENT (CONTINUED)

Breakdown and Crime Protection; and Liability. General, Automobile, and Wrongful Acts are included to fit members' various needs.

The program acquires liability insurance through their administrator, Canfield that is subject to a per-occurrence self-insured retention of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the remaining \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 self-insured retention. The program also purchases a Stop Loss Policy, with an attachment point of \$1,718,302.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

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

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

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

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2016, were \$1,484,482.

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

NOTE 11 COMMITMENTS AND CONTINGENCIES

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

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

Rail Logistics, L.C. Litigation

The Port is currently deciding whether to continue pursuing legal remedies to collect sums owing for services rendered to Rail Logistics, L.C. (Rail Logistics) under an Intermodal Service Agreement. The material facts are as follows:

1. In 2010, the Port and Rail Logistics executed an Intermodal Service Agreement wherein the Port agreed to provide to Rail Logistics certain intermodal services at the Port's intermodal facility;

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. Rail Logistics fell delinquent in the payment for services rendered under the Intermodal Service Agreement and was, as of January 16, 2015, indebted to the Port in the amount of \$326,537.98, including principal, late fees and interest;
3. One of Rail Logistics' principals, Michael Lerner, personally guaranteed \$111,322.61 of the debt;
4. On August 6, 2014, Rail Logistics suspended its operations at the intermodal facility;
5. When Rail Logistics failed to pay the sums owing the Port, the Port commenced a lawsuit in Grant County Superior Court against Rail Logistics and Michael Lerner to collect the outstanding balance on September 15, 2014;
6. The Port obtained a default judgment against Rail Logistics on January 16, 2015, in the amount of \$331,142.98, including attorney fees and costs, plus interest on said judgment at the rate of 12% per annum;
7. The Port's claim against Michael Lerner was heard by the court in June of 2015, and a summary judgment of \$111,322.61, plus attorney fees, costs, and additional interest was obtained.
8. Rail Logistics, L.C. was subsequently forced into involuntary receivership in the State of Kansas.

It is the current opinion of the Port's attorney that:

1. It is not likely that the Port will succeed in collecting a substantial portion of its judgment against Rail Logistics as the company is no longer operational, is subject to involuntary receivership and its assets are secured by its primary lender;
2. If recovery is to be had, the greatest likelihood is collection of the judgment against Michael Lerner, however, the nature and extent of his assets are presently unknown.

In 2014, the Port received a recoverable grant for improvements to the Quincy municipal airport in the amount of \$56,905. This is included in nonoperating revenue grant funds as of year ended December 31, 2015. This grant is contingent on the airport remaining open for 20 years after the grant was received or the funds are required to be returned within 30 days of closure, sale, or discontinued use. There is no liability recorded for the contingency.

NOTE 12 DIRECTORY OF OFFICIALS

Elected

Commissioners

		<u>Length of Term</u>	<u>Expiration</u>
District #1	Curt A. Morris	6 Years	December 2019
District #2	Patric F. Connelly	6 Years	December 2017
District #3	Brian Kuest	6 Years	December 2021

Appointed

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

Mailing Address

Port District	101 F Street SW Quincy, Washington 98848
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**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 13 SUBSEQUENT EVENTS

In the beginning of 2017 The Port was in discussions with the City of Quincy with the intent that the City would transfer over the assets and operations of the Industrial Wastewater Treatment Plant. The City informed the Port in June of 2017 that it was ending all discussions and had no further intentions of transferring. The Port passed a resolution that month authorizing the establishment of a wastewater utility.

In May of 2017 The Port accepted a bid for \$134,875 to connect the Heartland building with the Quincy Valley Business and Conference Center building. The construction should begin in July.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 PENSION PLANS PERS 1 AND PERS 2/3
 AS OF JUNE 30, 2016
 LAST TWO FISCAL YEARS**

	2016	2015
PERS Plan 1		
Employer's proportion of the net pension liability (asset)	0.003059%	0.003987%
Employer's proportionate share of the net pension liability	\$ 164,283	\$ 208,557
Employer's covered employee payroll	\$ 308,714	\$ 406,486
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	53.22%	51.31%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	59.10%
PERS Plan 2/3		
Employer's proportion of the net pension liability (asset)	0.002789%	0.003940%
Employer's proportionate share of the net pension liability	\$ 140,424	\$ 140,779
Employer's covered employee payroll	\$ 262,713	\$ 360,486
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	53.45%	39.05%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	89.20%

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENSION PLANS PERS 1 AND PERS 2/3
AS OF DECEMBER 31, 2016
LAST TWO FISCAL YEARS**

	2016	2015
PERS Plan 1		
Statutorily or contractually required contributions	\$ 17,014	\$ 17,426
Contributions in relation to the statutorily or contractually required contributions	<u>(17,014)</u>	<u>(17,426)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 296,612	360,239
Contributions as a percentage of covered employee payroll	5.74%	4.84%
PERS Plan 2/3		
Statutorily or contractually required contributions	\$ 15,613	\$ 16,667
Contributions in relation to the statutorily or contractually required contributions	<u>(15,613)</u>	<u>(16,667)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 250,612	314,239
Contributions as a percentage of covered employee payroll	6.23%	5.30%

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	
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Toll-free Citizen Hotline	(866) 902-3900
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