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, 2016 through December 31, 2016

Published November 9, 2017

Report No. 1020068

Office of the Washington State Auditor
Pat McCarthy

November 9, 2017

Board of Commissioners
Port of Moses Lake
Moses Lake, Washington

Report on Financial Statements and Passenger Facility Charges

Please find attached our report on the Port of Moses Lake's financial statements and compliance with requirements applicable to its passenger facility charge program.

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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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Port of Moses Lake
Grant County
January 1, 2016 through December 31, 2016

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Port of Moses Lake. The State Auditor's Office has reviewed the status as presented by the Port.

<table>
<tr><td>Audit Period:
January 1, 2015 through December 31, 2015</td><td>Report Ref. No:
1018648</td><td>Finding Ref. No:
2015-001</td></tr>
<tr><td colspan="3">Finding Caption:
The Port did not have adequate internal controls in place to ensure it accurately reported its financial statements.</td></tr>
<tr><td colspan="3">Background: We identified the following deficiencies in the Port's internal controls that, when taken together, represent a significant deficiency:
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.</td></tr>
<tr><td colspan="3">Status of Corrective Action:
☐ Fully Corrected   ☒ Partially Corrected   ☐ Not Corrected   ☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="3">Corrective Action Taken:
The Port issued restated 2015 financial statements correcting all the areas the auditor noted as</td></tr>
</table>

deficient. The Port maintains its own asset listing and depreciation schedules; for year end 2016, an in-depth review was done of all construction in progress accounts and projects. The Port exercised a significant role in reviewing the 2016 financial statement provided by an external CPA firm. Calculations for GASB 45 and GASB 68 were reworked to validate accuracy. General operations expense worksheets were shared and discussed to make sure statements reflected the Port's methodology for expense classification.

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

Port of Moses Lake
Grant County
January 1, 2016 through December 31, 2016

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 enterprise fund and the aggregate remaining fund information of the Port of Moses Lake, 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 October 9, 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 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.

In addition, we noted certain matters that we will report to the management of the Port in a separate letter dated October 23, 2017.

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

October 9, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

Port of Moses Lake
Grant County
January 1, 2016 through December 31, 2016

Board of Commissioners
Port of Moses Lake
Moses Lake, Washington

REPORT ON COMPLIANCE FOR PASSENGER FACILITY CHARGES

We have audited the compliance of the Port of Moses Lake, Grant County, Washington, with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) issued by the Federal Aviation Administration for its passenger facility charge program for the year ended December 31, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on the Port's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Port's compliance with those requirements.

Opinion on Compliance

In our opinion, the Port of Moses Lake complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to its passenger facility charge program. In planning and performing our audit, we considered the Port's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

October 9, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Moses Lake
Grant County
January 1, 2016 through December 31, 2016

Board of Commissioners
Port of Moses Lake
Moses Lake, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the enterprise fund and the aggregate remaining fund information of the Port of Moses Lake, 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 15.

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 enterprise fund and the aggregate remaining fund information of the Port of Moses Lake, as of December 31, 2016, 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 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port's basic financial statements. The accompanying Schedule of Passenger Facility Charges is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies,* issued by the Federal Aviation Administration. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 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

Pat McCarthy

State Auditor

Olympia, WA

October 9, 2017

FINANCIAL SECTION

Port of Moses Lake
Grant County
January 1, 2016 through December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

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SUPPLEMENTARY AND OTHER INFORMATION

Passenger Facility Charge Schedule – 2016

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016

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, 2016. 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. Rail service construction and operation.

Financial Highlights

- In 2016, the Port's revenues increased $561,340 (6.5% of 2015 levels). Operating revenues increased $519,862 (8.4% of 2015 levels). 2016 federal, state, and local grants totaled $554,456.

- The Port's overall expenses decreased in 2016 by $553,008 (6.4% of 2015 levels). Operating expenses decreased $527,378 (6.2% of 2015 levels).

- The Port overall had a change in net position of $1,022,098 in 2016.

- In 2016, purchased assets and completed projects totaled $4,396,389 and uncompleted contracts decreased by $1,045,087 to $467,380 during 2016. 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 secure a Line of Credit to cover cash flow of the NCBR Project.

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.

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 2016. The Port's net position is its assets and deferred outflows minus its liabilities and deferred inflows. This is one measure of financial position of the Port. Over time, increases or decreases in the Port's net position are a good indicator of whether its financial strength is improving or deteriorating. You need to consider other factors not shown on these two financial reports in order to assess the Port's true financial condition. Factors such as changes in the Port's tax base and the condition of the Port's asset base are also important when assessing the overall financial condition of the Port.

Fund Financial Statements

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

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

The Port as a Whole

The discussion below explains the Port's overall financial situation for the year ended December 31, 2016.

The Port's net position increased $1,022,098 in 2016. The Port received a $200,000 Strategic Infrastructure Planning Grant for preparation work done for a new Wide-Body Hangar and $175,000 insurance reimbursement for property damage done by a fire on the North end of the airfield. A reduction of $659,000 in maintenance spending occurred from a staffing reduction of 8 full-time employees to 3.

Table 1
Statement of Net Position

	2016	2015
Current and Other Assets	$ 7,000,995	$ 6,934,475
Capital Assets, Net	42,768,836	42,193,450
Total Assets	$ 49,769,831	$ 49,127,925
Deferred Outflows of Resources	$ 187,217	$ 114,241
Current Liabilities	$ 1,948,053	$ 1,787,700
Long-Term Liabilities	2,978,214	3,337,321
Total Liabilities	$ 4,926,267	$ 5,125,021
Deferred Inflows of Resources	$ 34,261	$ 142,722
Net Position:		
Net Investment in Capital Assets	$ 40,227,698	$ 39,673,786
Restricted for Debt Service	122,451	122,451
Restricted for Net Pension Asset - LEOFF	32,464	36,302
Unrestricted Net Position	4,613,907	4,141,883
Total Net Position	$ 44,996,520	$ 43,974,422

The Port's current assets at December 31, 2016 are available to be utilized by the Port during 2016. The current and other assets increased by $65,412 in 2016. Current cash and cash equivalents decreased by $540,160 in 2016.

Restricted funds did not change in 2016. They remained at $122,451 as of December 31, 2016.

The Port's current liabilities at December 31, 2016 are debts the Port will pay in 2016. Total current liabilities increased $160,353 in 2016.

The Port maintained a capital asset base of $42,768,836 as of December 31, 2016, compared to $42,193,450 at December 31, 2015. The book value of the Port's asset base increased by $575,386 in 2016, which was offset by depreciation and amortization expense of $2,775,916. The Port's Utility Extension Project, providing fire suppression service to the east side of the airfield, was funded 50% by a grant award from the US Department of Commerce Economic Development Administration and reimbursement of $470,611 was received in 2016. The Federal Aviation Administration provided a 90% grant reimbursement for the rebuild of the aircraft rescue & firefighting access road on the Grant County International Airport airfield. Both of these projects will complete in 2017. The Port has accepted the awarded a grant for $2,000,000 for the expansion of rail service to the Port's industrial customers.

Table 2
Capital Assets, Net

	2016	2015
Land	$ 841,598	$ 841,598
Buildings	51,841,788	48,212,691
Improvements Other than Equipment	51,396,062	50,715,366
Machinery and Equipment	5,476,349	5,760,362
Foreign Trade Zone Costs	33,224	33,224
Accumulated Depreciation	(67,287,565)	(64,882,258)
Construction in Progress	467,380	1,512,467
Total Capital Assets	$ 42,768,836	$ 42,193,450

The Port invests unused bond proceeds in short-term investments. The Port anticipates capital projects in 2017 will total about $10,276,000, of which around $300,000 is expected to be eligible for project grants.

As expected, the Port's long-term liabilities decreased in 2016 as all scheduled payments on bonds and loans were made. Limited tax general obligation and refunding bonds outstanding at December 31, 2016 amounted to $1,301,077, a decrease of $456,279 year over year. Revenue bonds outstanding amounted to $511,716, a decrease of $83,393 year over year. The CERB loans outstanding decreased $89,148 to $402,138 at December 31, 2016.

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.

Operating revenues increased by 8.4% or $519,862 from 2015 to 2016. Nonoperating revenues increased 1.7% or $41,478 from 2015 to 2016.

Operating expenses decreased from 2015 to 2016 by $527,378 or 6.2%.

Overall, the change in net position increased by 1,208% or $1,114,348 for 2016 compared with 2015.

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

	2016	2015
Revenues:		
Operating Revenues	$ 6,674,450	$ 6,154,588
Nonoperating Revenues	2,465,555	2,424,077
Total Revenues	9,140,005	8,578,665
Expenses:		
Operating Expenses	8,018,970	8,546,348
Nonoperating Expenses	98,937	124,567
Total Expenses	8,117,907	8,670,915
Changes in Net Position	$ 1,022,098	$ (92,250)

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, 2016

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	$ 5,957,643
Taxes Receivable	225,895
Accounts Receivable	769,292
Prepaid Expenses	15,701
Total Current Assets	6,968,531
NONCURRENT ASSETS	
Capital Assets:	
Land	841,598
Property, Plant, and Equipment	108,714,199
Intangible Asset	33,224
Accumulated Depreciation	(67,287,565)
Construction In Progress	467,380
Total Noncurrent Assets	42,768,836
OTHER NONCURRENT ASSETS	
Net Pension Assets - LEOFF	32,464
Total Other Noncurrent Assets	32,464
Total Assets	$ 49,769,831
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow of Resources Related to Pensions	$ 187,217

See accompanying Notes to Financial Statements.

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Warrants Payable	$ 143,555
Accounts Payable	467,238
Accrued Interest Payable	27,326
Customer Deposits	593,119
Payroll and Business Taxes Payable	116,126
Accrued Vacation and Sick Pay	83,053
Current Maturities of Long-Term Debt	517,636
Total Current Liabilities	1,948,053
NONCURRENT LIABILITIES	
Long-Term Debt, Net of Current Maturities	1,697,295
Net Pension Liability	1,025,446
Post-Employment Employee Benefits	255,473
Total Noncurrent Liabilities	2,978,214
Total Liabilities	$ 4,926,267
DEFERRED INLOWS OF RESOURCES	
Deferred Inflow of Resources Related to Pensions	$ 34,261
NET POSITION	
Net Investment in Capital Assets	$ 40,227,698
Restricted for Debt Service	122,451
Restricted for Net Pension Asset - LEOFF	32,464
Unrestricted	4,613,907
Total Net Position	$ 44,996,520

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, 2016

OPERATING REVENUES	
Airport Operations	$ 1,688,553
Property Lease/Rental Operations	4,135,702
Commissions	50,786
Other: Expense Reimbursement	799,409
Total Operating Revenues	6,674,450
OPERATING EXPENSES	
General Operations	2,235,291
Maintenance	1,499,005
General and Administrative	1,508,758
Depreciation and Amortization	2,775,916
Total Operating Expenses	8,018,970
OPERATING LOSS	(1,344,520)
NONOPERATING REVENUES (EXPENSES)	
Interest Income	114,132
Tax Levied for General Purposes	1,796,967
Capital Grant Funds	554,456
Interest Expense	(98,937)
Total Nonoperation Revenues, Net	2,366,618
CHANGE IN NET POSITION	1,022,098
Net Position - Beginning of Year	43,974,422
NET POSITION - END OF YEAR	$ 44,996,520

See accompanying Notes to Financial Statements.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipt from Customers	$ 6,187,270
Payments to Suppliers	(6,396,652)
Payments to Employees	1,096,363
Net Cash Provided by Operating Activities	886,981
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Contributions	554,456
Purchases of Capital Assets	(3,005,678)
Principal Paid on Capital Debt	(617,541)
Interest Paid on Capital Debt	(116,115)
Net Cash Used by Capital and Related Financing Activities	(3,184,878)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Noncapital Taxes Received	1,643,605
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends	114,132
Net Cash Provided by Investing Activities	114,132
NET DECREASE IN CASH AND CASH EQUIVALENTS	(540,160)
Cash and Cash Equivalents - Beginning of Year	6,497,803
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,957,643

See accompanying Notes to Financial Statements.

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Loss	$ (1,344,520)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	2,775,916
Noncash Pension Expense	(38,005)
(Increase) Decrease in Assets:	
Accounts Receivable	(487,180)
Prepaid Expenses	30,023
Increase (Decrease) in Liabilities:	
Warrants Payable	(245,006)
Accounts Payable	(400,315)
Customer Deposits	541,677
Payroll and Business Taxes Payable	2,712
Accrued Vacation and Sick Pay	21,464
Accrued Post-Employment Employee Benefits	30,215
Net Cash Provided by Operating Activities	$ 886,981

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2016

ASSETS		
Cash and Cash Equivalents	$	985,260
Total Assets	$	985,260
LIABILITIES		
Payable to WSDOT	$	985,260
Total Liabilities	$	985,260

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. At December 31, 2016, 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).

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, 2016, the Port was holding $6,687,666 in short-term residual investments of surplus cash. At December 31, 2016, $5,702,406 is included as cash and cash equivalents in the statements of net position and $985,260 is included as cash and cash equivalents in the statements of fiduciary net position. Cash and equivalents also consist of $255,237 of cash held in accounts with financial institutions. Total cash and equivalents was $5,957,643 at December 31, 2016.

At December 31, 2016, the public corporation had cash and net position balances of $72,730.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2016 was $83,053.

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.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

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

Investments

As of December 31, 2016, the Port had $6,687,666 invested in the Grant County Treasurer's Investment Pool. As of December 31, 2016, $5,702,406 is included as cash and cash equivalents in the statements of net position, and $985,260 is included as cash and cash equivalents in the statements of fiduciary net position.

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 2016 was $0.45 per $1,000 on an assessed valuation of $3,699,074,678, for a total regular levy of $1,664,584. Of the 2016 regular tax levy $52,560 is still outstanding, and 96.8% has been collected.

NOTE 4 CAPITAL ASSETS AND DEPRECIATION

Expenditures greater than $5,000 for capital assets, including capital leases and major repairs that increase useful lives are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. Intangible Assets include the Port's Foreign Trade Zone.

All capital assets are valued at historical cost for donated assets.

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

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of the assets. The useful lives are as follows:

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

NOTE 4 CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

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

	Balance January 1, 2016	Increases	Decreases	Balance December 31, 2016
Capital Assets not Being Depreciated:				
Land	$ 841,598	$ -	$ -	$ 841,598
Construction in Progress	1,512,467	3,262,588	(4,307,675)	467,380
Total Capital Assets not Being Depreciated	$ 2,354,065	$ 3,262,588	$ (4,307,675)	$ 1,308,978
Capital Assets Being Depreciated:				
Buildings	$ 48,212,691	$ 3,629,097	$ -	$ 51,841,788
Improvements Other than Buildings	50,715,366	680,696	-	51,396,062
Machinery and Equipment	5,760,362	86,596	(370,609)	5,476,349
Intangible Asset	33,224	-	-	33,224
Total Capital Assets Being Depreciated	104,721,643	4,396,389	(370,609)	108,747,423
Less: Accumulated Depreciation for:				
Buildings	23,103,043	1,635,487	-	24,738,530
Improvements Other than Buildings	36,817,835	945,496	-	37,763,331
Machinery and Equipment	4,940,924	193,822	(370,609)	4,764,137
Intangible Asset	20,456	1,111	-	21,567
Total Accumulated Depreciation	64,882,258	2,775,916	(370,609)	67,287,565
Total Capital Assets Being Depreciated, Net	$ 39,839,385	$ 1,620,473	$ -	$ 41,459,858

Construction Commitments

The Port has active construction projects as of December 31, 2016. The projects include reroofing, building improvements/expansions, road and sidewalk rehab, a fire suppression system, and airport improvements.

NOTE 4 CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

At December 31, 2016, the Port's commitments with contractors were as follows:

	Spent to Date	Remaining Commitments
Project:		
Wastewater Facilities Expansion	$ 2,578,682	$ 125,300
Genie Building Roof Project	754,609	36,667
McConihe Intersection	7,200	-
2016 Utility Extension EDA Grant Project	1,071,657	160,561
Wastewater Construction Modification	128,646	6,769
Cantilever Slide Gates	168,767	8,255
Pivot Irrigation Project	272,511	14,343
Building 2110 Roof Salvage and Recovery	123,294	5,991
2114 West Roof	67,049	1,788
Fire Suppression System Replacement	1,073,196	726,415
Emergency Access Road Rehabilitation	498,724	57,100
Total	$ 6,744,335	$ 1,143,189

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	$ (1,025,446)
Pension Assets	32,464
Deferred Outflows of Resources	187,217
Deferred Inflows of Resources	(34,261)
Pension Expense/Expenditures	78,905

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.

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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 2016 were as follows:

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

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

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.

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.

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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.

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 2016 were as follows:

Actual Contribution Rates:	Employer	Employee*
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
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 PERS plan contributions were $50,696 to PERS Plan 1 and $66,214 to PERS Plan 2/3 for the year ended December 31, 2016.

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

NOTE 5 PENSION PLANS (CONTINUED)

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

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 2016. 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 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.

- 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% 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.

NOTE 5 PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

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 legislation 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%.

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.

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. 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. 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% 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 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.

NOTE 5 PENSION PLANS (CONTINUED)

Estimated Rates of Return by Asset Class (Continued)

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%, 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.

Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 561,361	$ 465,512	$ 383,029
PERS 2/3	1,030,938	559,934	(291,478)
LEOFF 1	(19,285)	(32,464)	(43,730)

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.

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 $1,025,446 and a total pension asset of $32,464 for its proportionate share:

Plan	Liability (Asset)
PERS 1	$ 465,512
PERS 2/3	559,934
LEOFF 1	(32,464)

NOTE 5 PENSION PLANS (CONTINUED)

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

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:

	LEOFF 1 Asset
Employer's proportionate share	$ 32,464
State's proportionate share of the net pension asset associated with the employer	219,588
Total	252,052

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	0.008997%	0.008668%	-0.000329%
PERS 2/3	0.011621%	0.011121%	-0.000500%
LEOFF 1	0.003012%	0.003151%	0.000139%

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.

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, 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.

NOTE 5 PENSION PLANS (CONTINUED)

Pension Expense

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

Plan	Pension Expense
PERS 1	$ 7,550
PERS 2/3	76,946
LEOFF 1	(5,591)

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:

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	11,722	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	25,352	-
Total	$ 37,074	$ -

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 29,816	$ (18,485)
Net difference between projected and actual investment earnings on pension plan investments	68,520	-
Changes of assumptions	5,787	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,608	(15,776)
Contributions subsequent to the measurement date	33,112	-
Total	$ 146,843	$ (34,261)

NOTE 5 PENSION PLANS (CONTINUED)

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

LEOFF 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	3,300	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	$ 3,300	$ -

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	Amortization Amount	
Year Ended December 31,	Deferred Outflows	Deferred Inflows
2017	$ (2,886)	$ -
2018	(2,886)	-
2019	10,764	-
2020	6,730	-
Total	$ 11,722	$ -

PERS 2/3	Amortization Amount	
Year Ended December 31,	Deferred Outflows	Deferred Inflows
2017	$ 10,166	$ (10,707)
2018	10,166	(10,707)
2019	59,769	(10,707)
2020	33,630	(2,140)
Total	$ 113,731	$ (34,261)

NOTE 5 PENSION PLANS (CONTINUED)

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

LEOFF 1	Amortization Amount	
Year Ended December 31,	Deferred Outflows	Deferred Inflows
2017	$ (682)	$ -
2018	(682)	-
2019	2,858	-
2020	1,806	-
Total	$ 3,300	$ -

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, 2016 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, 2016:

LTGO Bonds, 2012 Series A (Taxable) - Graduated Semiannual Payments through December 2017 Including Interest at 2%; Original Amount of $705,000 was Obtained to Finance Improvements to Port Facilities.	$ 135,000
LTGO Refunding Bonds, 2012 Series B (Tax-Exempt) - Semi-Annual Interest Only Payments of $17,025 through June 2017 then Graduated Annual Principal Payments and Semiannual Interest Payments at 3% through December 2023; Original Amount of $1,135,000 Obtained to Lower Debt Service Payments.	1,135,000
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.	511,716
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.	281,210
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.	120,928
Total	2,183,854
Add Unamortized Bond Premium	31,077
Less: Current Maturities	(517,636)
Total Long-Term Debt, Less: Current Maturities	$ 1,697,295

NOTE 7 LONG-TERM DEBT (CONTINUED)

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

Year Ending December 31,	Principal	Interest	Total
2017	$ 517,636	$ 89,580	$ 607,216
2018	538,343	70,174	608,517
2019	559,695	35,271	594,966
2020	276,735	25,782	302,517
2021	176,445	11,213	187,658
2021-2023	115,000	5,250	120,250
Total	$ 2,183,854	$ 237,270	$ 2,421,124

Changes in Long-Term Liabilities

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

	Beginning Balance 1/1/2016	Additions	Reductions	Ending Balance 12/31/2016	Due Within One Year
Bonds Payable:					
GO Bonds	$ 1,715,000	$ -	$ 445,000	$ 1,270,000	$ 335,000
Revenue Bonds	595,109	-	83,393	511,716	89,151
Bond Premium	42,356	-	11,279	31,077	-
Total	2,352,465	-	539,672	1,812,793	424,151
CERB Loans	491,286	-	89,148	402,138	93,485
OPEB	225,258	30,215	-	255,473	-
NPL	885,852	139,594	-	1,025,446	-
Total Long-Term Liabilities	$ 3,954,861	$ 169,809	$ 628,820	$ 3,495,850	$ 517,636

NOTE 8 POST-EMPLOYMENT 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 2016.

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

NOTE 8 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT (CONTINUED)

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about future.

Actuarial calculations reflect a long-term perspective. Consistent with that 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.

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 state-wide 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.

NOTE 8 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT (CONTINUED)

There are no LEOFF 1 employees currently working at the Port. In the year ended December 31, 2016, two retired officers received medical insurance at a cost to the Port of $35,691. The payment for insurance is made from a combination of current budget funding authority. The $35,691 differs from the annual required contribution (ARC) because the plan is financed on a pay-as-you-go basis. The ARC is the amount that, if contributed yearly, would fully fund the health subsidies by the end of the 15 year amortization. The ARC is made up of the normal yearly cost plus the amortization of the current unfunded actuarial accrued liability. The following table shows the components of the Port's annual Other Post-Employment Benefits (OPEB) cost for the year ended December 31, 2016, the amount actually contributed to the plan, and changes in the Port's net OPEB obligation:

Annual Required Contribution	$ 77,155
Interest on Net OPEB Obligation	9,011
Adjustments to the Annual Required Contribution	(20,260)
Annual OPEB Cost	65,906
Contributions	(35,691)
Increase in Net OPEB Obligation	30,215
Net OPEB Obligation - Beginning of Year	225,258
Net OPEB Obligation - End of Year	$ 255,473

The Port's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 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
2016	$ 65,906	$ 35,691	46.3%	$ 255,472
2015	75,014	35,173	46.9%	225,258
2014	114,867	41,998	36.6%	185,417

As of December 31, 2016, the actuarial liability for benefits, calculated using the alternative measurement method, was $857,841, which is unfunded.

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, 2016, the Port had no material non-cancellable 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 non-cancellable 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 non-cancellable operating lease terms remaining in excess of one year are as follows:

Year Ending December 31,	Amount
2017	3,321,352
2018	2,377,659
2019	2,018,526
2020	1,862,031
2021	1,806,474
2022-2026	7,225,520
Total	$ 18,611,562

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
DECEMBER 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2016	$ -	$ 857,841	$ 857,841	-%	$ -	-%
12/31/2015	$ -	$ 936,991	$ 936,991	-%	$ -	-%
12/31/2014	$ -	$ 1,339,630	$ 1,339,630	-%	$ -	-%

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2016

	2016	2015
PERS Plan 1		
Employer's proportion of the net pension liability (asset)	0.008668%	0.008997%
Employer's proportionate share of the net pension liability	$ 465,512	$ 470,627
Employer's covered employee payroll	$ 1,030,509	$ 1,076,437
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	45.17%	43.72%
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)	0.011121%	0.011621%
Employer's proportionate share of the net pension liability	$ 559,934	$ 415,225
Employer's covered employee payroll	$ 1,030,509	$ 1,076,437
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	54.34%	38.57%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	89.20%
LEOFF Plan 1		
Employer's proportion of the net pension liability (asset)	0.003151%	0.003012%
Employer's proportionate share of the net pension asset	$ 32,464	$ 36,301
State's proportionate share of the net pension asset	$ 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%
Plan fiduciary net position as a percentage of the total pension liability	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.

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO.1722
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2016

	2016	2015
PERS Plan 1		
Statutorily or contractually required contributions	$ 50,696	$ 44,749
Contributions in relation to the statutorily or contractually required contributions	(50,696)	(44,749)
Contribution deficiency (excess)	$ -	$ -
Covered employer payroll	1,062,819	1,050,047
Contributions as a percentage of covered employee payroll	4.77%	4.26%
PERS Plan 2/3		
Statutorily or contractually required contributions	$ 66,214	$ 58,455
Contributions in relation to the statutorily or contractually required contributions	(66,214)	(58,455)
Contribution deficiency (excess)	$ -	$ -
Covered employer payroll	1,062,819	1,050,047
Contributions as a percentage of covered employee payroll	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	-%	-%

GRANT COUNTY PORT DISTRICT #10 DBA PORT OF MOSES LAKE
MCAG NO. 1722
PASSENGER FACILITY CHARGE SCHEDULE

Grant County International Airport
Schedule of Passenger Facility Charges Collected, Held and Used

January 1 - December 31	2016 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Unexpended Passenger Facility Charges and Interest	$ 660.52	$ 673.88	$ 687.99	$ 701.58	$ 713.03	$ 723.85	$ 735.86	$ 748.43	$ 760.81	$ (0.00)	$ (0.00)	$ (0.00)
Passenger Facility Charges Revenue												
# of Passengers	-	-	-	-	-	-	-	-	$ -	-	-	-
Interest Rate	2.022%	2.094%	1.976%	1.632%	1.518%	1.658%	1.709%	1.654%	1.782%			
Interest Earned	13.36	14.11	13.59	11.45	10.83	12.00	12.57	12.38	13.56	$ -	$ -	$ -
Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (774.37)	$ -	$ -	$ -
Total	$ 673.88	$ 687.99	$ 701.58	$ 713.03	$ 723.85	$ 735.86	$ 748.43	$ 760.81	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)

* PFC Application Closed 02/01/2017

Notes

1. BASIS OF ACCOUNTING

This schedule is prepared generally on the same basis of accounting as the Airports financial statements. However, while the Airport uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, the PFC revenues presented represent only those revenues actually received for the quarter reported. PFC revenues not received prior to the end of each quarter are not accrued and are reported as revenues of the subsequent reporting period.

2. PROGRAM COSRS

The amounts shown as current year revenues and expenses represent only the Passenger Facility Charges portion of the project costs. Entire project costs may be more than shown.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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