



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Port of Whitman County

For the period January 1, 2017 through December 31, 2018

Published November 12, 2019

Report No. 1024922





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

November 12, 2019

Board of Commissioners
Port of Whitman County
Colfax, Washington

Report on Financial Statements

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

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style.

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 Whitman County
January 1, 2017 through December 31, 2018**

Board of Commissioners
Port of Whitman County
Colfax, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Port of Whitman County, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Port's financial statements, and have issued our report thereon dated October 18, 2019.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large initial "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

October 18, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Whitman County January 1, 2017 through December 31, 2018

Board of Commissioners
Port of Whitman County
Colfax, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Whitman County, for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Port's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System (BARS)* manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the Port of Whitman County, and its changes in cash and investments, for the years ended December 31, 2018 and 2017, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Port used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Port of Whitman County, as of December 31, 2018 and 2017, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019 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

October 18, 2019

FINANCIAL SECTION

Port of Whitman County January 1, 2017 through December 31, 2018

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018
Fund Resources and Uses Arising from Cash Transactions – 2017
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SUPPLEMENTARY AND OTHER INFORMATION

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Schedule of Liabilities – 2017

Port of Whitman County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	3,657,260
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	1,280,564
320	Licenses and Permits	-
330	Intergovernmental Revenues	124,486
340	Charges for Goods and Services	2,359,594
350	Fines and Penalties	-
360	Miscellaneous Revenues	159,836
Total Revenues:		3,924,479

Expenditures

540	Transportation	1,679,121
Total Expenditures:		1,679,121
Excess (Deficiency) Revenues over Expenditures:		2,245,359

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	265,599
381, 395, 398	Other Resources	31,752
Total Other Increases in Fund Resources:		297,351

Other Decreases in Fund Resources

594-595	Capital Expenditures	1,016,793
591-593, 599	Debt Service	930,618
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	254,808
Total Other Decreases in Fund Resources:		2,202,218

Increase (Decrease) in Cash and Investments: **340,492**

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	3,997,939
Total Ending Cash and Investments		3,997,939

The accompanying notes are an integral part of this statement.

Port of Whitman County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	2,671,502
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	1,266,239
320	Licenses and Permits	-
330	Intergovernmental Revenues	233,515
340	Charges for Goods and Services	2,188,566
350	Fines and Penalties	-
360	Miscellaneous Revenues	288,756
Total Revenues:		3,977,076

Expenditures

540	Transportation	1,693,935
Total Expenditures:		1,693,935
Excess (Deficiency) Revenues over Expenditures:		2,283,141

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	247,810
381, 395, 398	Other Resources	471,621
Total Other Increases in Fund Resources:		719,431

Other Decreases in Fund Resources

594-595	Capital Expenditures	1,463,485
591-593, 599	Debt Service	285,026
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	268,303
Total Other Decreases in Fund Resources:		2,016,814

Increase (Decrease) in Cash and Investments: **985,758**

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	3,657,260
Total Ending Cash and Investments		3,657,260

The accompanying notes are an integral part of this statement.

Port of Whitman County
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		<u>Custodial</u>
308	Beginning Cash and Investments	192,193
388 & 588	Prior Period Adjustment, Net	-
310-390	Additions	24,762
510-590	Deductions	<u>1,513</u>
	Net Increase (Decrease) in Cash and Investments:	23,249
508	Ending Cash and Investments	215,443

The accompanying notes are an integral part of this statement.

Port of Whitman County
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		<u>Agency</u>
308	Beginning Cash and Investments	209,639
388 & 588	Prior Period Adjustment, Net	-
310-390	Additions	19,559
510-590	Deductions	<u>37,005</u>
	Net Increase (Decrease) in Cash and Investments:	(17,446)
508	Ending Cash and Investments	192,193

The accompanying notes are an integral part of this statement.

Port of Whitman County
Notes to the Financial Statements
For the year ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies

The Port of Whitman County was incorporated on November 20, 1958, and operates under the laws of the state of Washington applicable to a port district. The Port of Whitman County is a special purpose local government and provides industrial and economic development to the general public and is supported primarily through user charges.

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

FIDUCIARY FUND TYPES:

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

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000.00 and an estimated useful life in excess of three years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees with more than six years of service do receive payment for unused sick leave. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5, *Debt Service Requirements*.

Note 2 – Budget Compliance

A. Budgets

The Port of Whitman County adopts annual appropriated budgets for the general fund. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Operating Expense	\$ 1,164,670	\$ 1,028,594	\$ 136,076
Administrative Expense	\$ 756,450	\$ 650,527	\$ 105,923
Non-Operating Expense	\$ 43,500	\$ 298,303	\$ (254,803)
Capital Expense	\$ 828,025	\$ 1,016,793	\$ (188,768)
GO Debt Service	\$ 796,395	\$ 750,000	\$ 46,395
Other Debt Service	\$ 163,500	\$ 137,123	\$ 26,377
Operating Reserve	\$ 400,000	\$ -	\$ 400,000
			\$ -
Total General Fund	\$ 4,152,540	\$ 3,881,340	\$ 271,200

Budgeted amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Port of Whitman County's legislative body.

Note 3 – Deposits and Investments

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

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

Investments are reported at amortized cost. Investments by type at December 31, 2018 are as follows:

<u>Type of Investment</u>	Port of Whitman's own investments	Investments held by <u>Port of Whitman</u> as an agent for local governments, individuals or private organizations.	Total
L.G.I.P.	\$3,036,671.42	\$164,695.36	\$3,201,366.78
Total	\$3,036,671.42	\$164,695.36	\$3,201,366.78

Note 4 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at the end of each month.

Property tax revenues are recognized when cash is received by Port of Whitman County. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Port of Whitman County’s regular levy for the year 2018 was \$0.31640 per \$1,000 on an assessed valuation of \$4,049,082,557 for a total regular levy of \$1,281,145.85.

Note 5 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Port of Whitman County and summarizes the Port of Whitman County’s debt transactions for year ended December 31, 2018.

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

	Principal	Interest	Total
2019	138,042	24,474	162,517
2020	139,003	22,724	161,727
2021	181,163	40,931	222,094
2022	183,035	38,270	221,305
2023	184,973	35,542	220,515
2024-2028	812,825	134,679	947,505
2029-2033	488,770	74,573	563,343
2034-2038	329,698	31,086	360,784
2039-2040	118,739	3,574	122,313
TOTALS	\$ 2,576,250.00	\$ 405,853.23	\$ 2,982,103.23

The Port received a general obligation loan of \$1,000,000 at 2.0% over a repayment period of 20 years from the Department of Commerce Community Economic Revitalization Board. Disbursement is anticipated in 2019.

Note 6 – Pension Plans

A. **State Sponsored Pension Plans**

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

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

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

obtained by writing to:

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

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

At June 30, 2018, the Port of Whitman County's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 19,635	0.002938%	\$ 131,212
PERS 2/3	\$ 29,238	0.003789%	\$ 64,694

Note 7 – Risk Management

Port of Whitman County is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2018, there are 549 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

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

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property

coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

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

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

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. The Pool's members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Enduris did not have any claim settlements that exceeded limits in the last three years.

Note 8 - Other Disclosures

1. Interlocal Agreements

In 1970 the Port of Whitman County joined the Cities of Pullman and Moscow in their efforts to support the Pullman-Moscow Airport. The Pullman-Moscow Regional Airport Cooperation Agreement consisted of the City of Pullman, the City of Moscow, the Port of Whitman County, and Latah County. The duration of the agreement continues indefinitely subject to termination at any time upon the unanimous agreement of the parties except that the Port of Whitman County and Latah County may withdraw at the end of any calendar year with ninety days written notice prior to the end of the year. At the end of 2007, the Port of Whitman County gave notice to withdraw participation from the governing board of the Pullman-Moscow Airport effective January 1, 2008. The Port of Whitman County approved continued support of the airport operations with its annual \$20,750 contribution.

In 2009 a cooperation agreement was made to fund the Airport Fire Flow Project for the Pullman-Moscow airport. The participants were the City of Pullman, the City of Moscow, the Port of Whitman County, Latah County, and Washington State University. The funding for this project was arranged by the City of Pullman and the Port of Whitman County will have a 20-year commitment at \$15,750 per year toward retiring the debt.

2. Grain Car Operating Agreement

In March 2003, the Port of Whitman County entered into an agreement with the Washington State Department of Transportation, the Palouse River and Coulee City Railroad, and the Palouse Rail Shippers Association. This is a 5-year agreement between the parties and has renewal options. The State of Washington owns the 29 grain cars that the railroad operates and maintains and the shippers utilize these cars for grain transportation. The Port agrees to manage the revolving

agency fund to develop a reserve to replace the cars in the future. This fund collects the revenues from the use of the cars and pays the expenses incurred in operating them.

3. Subsequent Events

As a continuing part of the Airport Improvement Plan, the Port of Whitman County began the engineering for the Flight Line Driver Realignment and Drainage Improvement phase with the Federal Aviation Administration in 2018. The engineering and construction is expected to be completed in 2019. The cost estimate is \$478,000.

Port of Whitman County
Notes to the Financial Statements
For the year ended December 31, 2017

Note 1 - Summary of Significant Accounting Policies

The Port of Whitman County was incorporated on November 20, 1958, and operates under the laws of the state of Washington applicable to a port district. The Port of Whitman County is a special purpose local government and provides industrial and economic development to the general public and is supported primarily through user charges.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

C. Budgets

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

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

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Operating Expense	\$ 1,094,500	\$ 972,293	\$ 122,207
Administrative Expense	\$ 750,000	\$ 721,642	\$ 28,358
Non-Operating Expense	\$ 45,000	\$ 268,303	\$ (223,303)
Capital Expense	\$ 1,546,000	\$ 1,463,485	\$ 82,515
GO Debt Service	\$ 120,650	\$ 120,630	\$ 20
Other Debt Service	\$ 150,850	\$ 164,396	\$ (13,546)
Operating Reserve	\$ 330,000	\$ -	\$ 330,000
			\$ -
Total General Fund	\$ 4,037,000	\$ 3,710,749	\$ 326,251

Budgeted amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Port of Whitman County's legislative body.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000.00 and an estimated useful life in excess of three years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement according to the employment policies of the Port of Whitman County. Sick leave may be accumulated up to 120 days. Upon separation or retirement employees with at least six years of service do receive payment for unused sick leave according to the employment policies of the Port of Whitman County. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

Note 2 – Deposits and Investments

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

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

Investments are reported at amortized cost. Investments by type at December 31, 2017 are as follows:

<u>Type of Investment</u>	Port of Whitman’s own investments	Investments held by Port of Whitman as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	<u>\$2,482,596.42</u>	<u>\$161,745.85</u>	<u>\$2,644,342.27</u>
Total	<u>\$2,482,596.42</u>	<u>\$161,745.85</u>	<u>\$2,644,342.27</u>

Note 3 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at the end of each month.

Property tax revenues are recognized when cash is received by the Port of Whitman County. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Port of Whitman County’s regular levy for the year 2017 was \$0.32165879 per \$1,000 on an assessed valuation of \$3,943,499,379 for a total regular levy of \$1,268,461.24.

Note 4 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Port of Whitman County and summarizes the Port of Whitman County’s debt transactions for year ended December 31, 2017.

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

	Principal	Interest	Total
2018	\$ 212,123	\$ 72,578	\$ 284,701
2019	\$ 218,042	\$ 66,333	\$ 284,375
2020	\$ 224,003	\$ 59,742	\$ 283,745
2021	\$ 230,007	\$ 52,806	\$ 282,813
2022	\$ 236,055	\$ 45,343	\$ 281,398
2023-2027	\$ 976,235	\$ 107,610	\$ 1,083,845
2028-2032	\$ 287,959	\$ 24,711	\$ 312,670
2033-2037	\$ 78,949	\$ 4,736	\$ 83,685
TOTALS	\$ 2,463,373	\$ 433,859	\$ 2,897,232

Note 5 – Pension Plans

A. State Sponsored Pension Plans

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

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

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

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

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

At June 30, 2017, the Port of Whitman County’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	18,916	0.003145%	\$149,233
PERS 2/3	24,706	0.004045%	\$140,544

Note 6 – Risk Management

Port of Whitman County is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2017, there are 540 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

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

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

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

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

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

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for

conducting the business affairs of Enduris.

Note 7 - Other Disclosures

1. Interlocal Agreements

In 1970 the Port of Whitman County joined the Cities of Pullman and Moscow in their efforts to support the Pullman-Moscow Airport. The Pullman-Moscow Regional Airport Cooperation Agreement consisted of the City of Pullman, the City of Moscow, the Port of Whitman County, and Latah County. The duration of the agreement continues indefinitely subject to termination at any time upon the unanimous agreement of the parties except that the Port of Whitman County and Latah County may withdraw at the end of any calendar year with ninety days written notice prior to the end of the year. At the end of 2007, the Port of Whitman County gave notice to withdraw participation from the governing board of the Pullman-Moscow Airport effective January 1, 2008. The Port of Whitman County approved continued support of the airport operations with its annual \$20,750 contribution.

In 2009 a cooperation agreement was made to fund the Airport Fire Flow Project for the Pullman-Moscow airport. The participants were the City of Pullman, the City of Moscow, the Port of Whitman County, Latah County, and Washington State University. The funding for this project was arranged by the City of Pullman and the Port of Whitman County will have a 20-year commitment at \$15,750 per year toward retiring the debt.

A mutual cooperation agreement between the Port of Whitman County and the Town of Rosalia was made December 3, 2009. The Rosalia airport was in need of a new fueling terminal and the Port of Whitman County provided \$7,600 in funding for this project. Resolution 09-10 was made for the reimbursement agreement for the Town of Rosalia to pay back the \$7,600 at 5.0% interest over a seven year period. The final payment of \$650 from the Town of Rosalia is reflected as a non-operating revenue on the financial statements. The principal balance at December 31, 2017, is \$0.

2. Grain Car Operating Agreement

In March 2003, the Port of Whitman County entered into an agreement with the Washington State Department of Transportation, the Palouse River and Coulee City Railroad, and the Palouse Rail Shippers Association. This is a 5-year agreement between the parties and has renewal options. The State of Washington owns the 29 grain cars that the railroad operates and maintains and the shippers utilize these cars for grain transportation. The Port agrees to manage the revolving agency fund to develop a reserve to replace the cars in the future. This fund collects the revenues from the use of the cars and pays the expenses incurred in operating them. The fund revenues for 2017 are \$19,559.17 and expenditures are \$37,005. This activity leaves a balance at December 31, 2017 of \$192,193.42. The activity from collections and payments and the fund balance are recorded on schedule C-5 as a fiduciary fund.

3. Contingencies and litigations

A forbearance agreement was signed in January 2015 with Carlson's Plumbing LLC. This was a

result of an overpayment of services in the amount of \$12,328.51 in 2014 by the Port of Whitman County that was never reimbursed by the vendor. In the forbearance agreement this amount was offset by \$391.22 of services provided by Carlson's Plumbing in September 2014 and the unpaid balance of \$11,937.29 has been agreed upon by both parties. There has been one payment of \$3,000.00 in 2015 which is recorded as miscellaneous revenue. The rest of the installment payments provided for in the agreement have not happened and litigation is still pending on the full amount. In 2017, the Commission voted to write off Carlson's Plumbing account of \$8,957.29 and the Hells Canyon Rock account of \$5,419.80.

4. Project Close-out

The Port of Whitman County finished the apron construction project at the Business Air Center in 2013. As a continuing part of the Airport Improvement Plan, it began the runway construction phase with the Federal Aviation Administration in 2014. The construction of this project was completed in 2016. Final project payments were completed in 2017.

**Port of Whitman County
Schedule of Liabilities
For the Year Ended December 31, 2018**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2005 GO Bond	12/1/2028	750,000	-	750,000	-
263.81	2005 CERB C2005-170	7/1/2026	370,688	-	39,567	331,121
263.81	City of Pullman airport	1/31/2028	118,128	-	7,484	110,644
263.81	2010 CERB B2010-004	9/28/2031	495,805	-	35,415	460,390
263.81	2013 CERB C2013-226	1/31/2035	473,684	-	26,316	447,368
263.81	WSDOT RRB-1118	7/1/2026	255,068	-	28,341	226,727
Total General Obligation Debt/Liabilities:			2,463,373	-	887,123	1,576,250
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated absense		60,176	5,383	-	65,559
264.30	Pension liabilities		289,777	-	93,871	195,906
Total Revenue and Other (non G.O.) Debt/Liabilities:			349,953	5,383	93,871	261,465
Total Liabilities:			2,813,326	5,383	980,994	1,837,715

**Port of Whitman County
Schedule of Liabilities
For the Year Ended December 31, 2017**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2005 GO Bond	12/1/2025	820,000	-	70,000	750,000
263.81	2005 CERB C2005-170	7/1/2026	409,864	-	39,176	370,688
263.81	City of Pullman airport	1/31/2028	125,123	-	6,995	118,128
263.81	2010 CERB B2010-004 (S12-028)	9/28/2031	531,220	-	35,415	495,805
263.81	2013 CERB C2013-226 (S13-047)	1/31/2035	500,000	-	26,316	473,684
263.81	WSDOT RRB-1118	7/1/2026	283,409	-	28,341	255,068
Total General Obligation Debt/Liabilities:			2,669,616	-	206,243	2,463,373
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated absence		49,204	10,972	-	60,176
264.30	Pension liabilities		403,307	-	113,530	289,777
Total Revenue and Other (non G.O.) Debt/Liabilities:			452,511	10,972	113,530	349,953
Total Liabilities:			3,122,127	10,972	319,773	2,813,326

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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