



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

## **Financial Statements and Federal Single Audit Report**

# **Pullman-Moscow Regional Airport**

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

**Published July 23, 2020**

**Report No. 1026636**





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

July 23, 2020

Board of Directors  
Pullman-Moscow Regional Airport  
Pullman, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Pullman-Moscow Regional Airport's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **Pullman-Moscow Regional Airport January 1, 2018 through December 31, 2018**

#### **SECTION I – SUMMARY OF AUDITOR’S RESULTS**

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

#### **Financial Statements**

We issued a qualified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### **Internal Control over Financial Reporting:**

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Airport.

#### **Federal Awards**

##### **Internal Control over Major Programs:**

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Airport's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## **Identification of Major Federal Programs**

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

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

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

The Airport qualified as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

See Finding 2018-001.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **Pullman-Moscow Regional Airport January 1, 2018 through December 31, 2018**

#### **2018-001    The Airport did not have effective internal controls in place to ensure accurate and reliable financial reporting.**

##### ***Background***

Airport Board members, state and federal agencies, and the public rely on the information included in the financial statements to make decisions. Airport management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting.

The Airport prepares its financial statements in accordance with generally accepted accounting principles (GAAP). These financial statements are complex, and the reporting requirements change frequently.

*Government Auditing Standards* requires auditors to communicate material weaknesses in internal controls, defined below in the Applicable Laws and Regulations section, as a finding.

##### ***Description of Condition***

We identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a material weakness and adversely affect the Airport's ability to produce accurate and reliable financial statements:

The Airport contracted with another local government to act as its fiscal agent, with responsibilities to manage the Airport's accounting records and prepare its financial statements, notes and schedules at year-end. The Airport relied on the fiscal agent without effectively monitoring the fiscal agent to ensure it successfully met these objectives. The Airport did not perform its own comprehensive review of the final statements, notes and schedules to ensure the fiscal agent:

- Prepared the statements, notes and schedules in accordance with GAAP and the current *Budgeting, Accounting and Reporting System* (BARS) manual
- Posted year-end transactions to the correct fiscal period in the accounting records in accordance with the full accrual basis of accounting

## *Cause of Condition*

The Airport has not received a financial statement audit since fiscal year 2010 and did not update financial templates to conform to current accounting standards and financial reporting requirements. In addition, the fiscal agent experienced turnover in the positions responsible for posting transactions to the accounting records and preparing the annual financial report. The fiscal agent also reassigned the responsibility to prepare the 2018 financial report to a different position.

Further, the Airport did not seek training or other resources to understand GAAP accounting and reporting requirements and ensure accuracy of the financial reports submitted for audit.

## *Effect of Condition*

The Airport's financial statements, notes and schedules contained the following errors that management did not detect:

### *Financial statements*

- Understatement of both cash and cash equivalents and due to other governments (liabilities) by \$1,279,045. The fiscal agent purchased a Local Government Investment Pool (LGIP) account in the Airport's name for short-term cash flow needs and did not record the transactions for this short-term loan in the Airport's general ledger.
- Understatement of both due from other government units (receivables) and federal revenues by \$4,519,507 because it did not accrue grant activity to the correct fiscal period based on when it earned the revenue
- Understatement of construction in progress by \$679,427 because it did not accrue capital asset activity to the correct fiscal period based on when it incurred the capital-related expenses
- Overstatement of net investment in capital assets by \$2,627,707 because of errors found in capital asset balances and because the Airport did not include capital-related debt in the calculation of this balance
- Understatement of restricted net position by \$6,231,311 because it did not properly restrict assets whose use is restricted by federal grantors
- Understatement of unrestricted net position by \$1,148,784 because of errors found in other financial statement balances
- Errors in the worksheet used to prepare the Statement of Cash Flows. Because management could not determine the errors' cause, it chose to omit this statement, which is a departure from GAAP reporting.

### *Notes to financial statements*

- Overstatement of surplus cash invested by \$2,005,468
- Understatement of short-term debt by \$1,279,045
- Understatement of construction in progress by \$679,427

### *Schedule of Expenditures of Federal Awards*

- Understatement of federal expenditures by \$4,232,936 because it did not report grant expenditures in the year it incurred the expenditures

### *Pension information*

- Omission of pension balances for Public Employees' Retirement System (PERS) 1 and other errors in reporting pension information in the financial statements, notes and required supplementary information

We also identified other, less-significant errors in the financial statements and notes to financial statements provided for audit.

## ***Recommendations***

We recommend management establish and follow internal controls over financial reporting to ensure the Airport prepares its financial statements, notes and schedules in accordance with GAAP. Specifically, the Airport should:

- Ensure applicable Airport personnel receive adequate training on GAAP reporting requirements sufficient to either prepare the financial statements or adequately monitor agencies contracted to do so
- Conduct an effective, independent review that ensures the financial statements, notes and schedules are accurately prepared in accordance with current accounting standards and the BARS Manual
- Record all transactions in the correct fiscal period in accordance with the full accrual basis of accounting

## ***Airport's Response***

*The Pullman Moscow Regional Airport takes these findings very seriously. Management has already included an action plan to properly represent financial transactions in accordance with the directive of the Washington State Auditor and accordance to GAAP. The last 10 years of annual Audits did not include a review or audit of the Airport's Financial Statements. Management is requesting regular Financial Statement Audits to be performed by the Washington State Auditor regardless of revenue threshold requirements to trigger audit to avoid similar*



*future findings, to assure timely audit completion in the future, and to avoid unanticipated financial duress to the operational budget of the Airport as well as our contributing partners. The very large capital improvements associated with runway realignment & taxiway as well as the future new terminal will reach their completion in the next few years, and as such, the flow of large FAA grants will also slow down leaving the airport to be more heavily operational revenue focused. This should create even greater efficiency in preparing for the audit by our fiscal agent and performing all audit activities by the State of Washington. Management acknowledges that the Pullman Moscow Regional Airport is one of the most unique entities that the Washington State Auditor has to perform work for by having partners in two cities, two counties, two states, and two major universities. Nevertheless, management will continue to work hard to maintain transparency with all our partners, our community, and travelers that make the Pullman Moscow Regional Airport a part of their itinerary.*

### ***Auditor's Remarks***

We appreciate the Airport's commitment to resolve this finding and thank the Airport for its communication, cooperation and assistance during the audit. We will review this condition during our next audit.

### ***Applicable Laws and Regulations***

*Government Auditing Standards*, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants (AICPA) defines significant deficiencies and material weaknesses, and auditor communication requirements in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraphs 7 and 11.

RCW 43.09.200, Local government accounting – Uniform system of accounting, gives the state auditor the authority to formulate, prescribe and install a uniform system of accounting and reporting for all local governments.

BARS Manual, 3.1.3, Internal Control, describes the responsibilities of a government's management and the governing body regarding adequacy of internal controls.

BARS Manual, 4.3.4, Proprietary Fund Financial Statements, describes financial reporting requirements for proprietary funds, such as using the economic resources measurement focus and full accrual basis of accounting.

**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**

**Pullman-Moscow Regional Airport  
January 1, 2018 through December 31, 2018**

Board of Directors  
Pullman-Moscow Regional Airport  
Pullman, 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 Pullman-Moscow Regional Airport, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements, and have issued our report thereon dated July 2, 2020.

The Airport declined to present a statement of cash flows for the year ended December 31, 2018. Accordingly, our report was modified to reflect a qualified opinion on the fair presentation of the financial statements for this departure from accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the 2018 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Airport.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 Airport'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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2018-001 to be a material weakness.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Airport's financial statements are free from material misstatement, we performed tests of the Airport'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*.

## AIRPORT'S RESPONSE TO FINDINGS

The Airport's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The Airport's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## 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 Airport'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 Airport'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

July 2, 2020

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

**Pullman-Moscow Regional Airport  
January 1, 2018 through December 31, 2018**

Board of Directors  
Pullman-Moscow Regional Airport  
Pullman, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of the Pullman-Moscow Regional Airport, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Airport's major federal programs for the year ended December 31, 2018. The Airport's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Airport's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Airport's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Airport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

### **Other Matters**

We noted certain matters that we will report to the management of the Airport in a separate letter dated July 17, 2020.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on

a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We noted certain matters that we will report to the management of the Airport in a separate letter dated July 17, 2020.

### **Purpose of this Report**

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

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

Pat McCarthy  
State Auditor  
Olympia, WA

July 2, 2020



# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Pullman-Moscow Regional Airport January 1, 2018 through December 31, 2018**

Board of Directors  
Pullman-Moscow Regional Airport  
Pullman, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Pullman-Moscow Regional Airport, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed on page 21.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Airport'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 Airport'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 qualified audit opinion.

### **Basis for Qualified Opinion**

The Airport declined to present a statement of cash flows for the year ended December 31, 2018. Presentation of such a statement summarizing the Airport's operating, investing, and financing activities is required by accounting principles generally accepted in the United States of America.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Pullman-Moscow Regional Airport, as of December 31, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Matters of Emphasis**

As discussed in Note 11 to the 2018 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Airport. Our opinion is not modified with respect to this matter.

### **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 21 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 an opinion on the financial statements that collectively comprise the Airport's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 July 2, 2020 on our consideration of the Airport'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 Airport's internal control over financial reporting and compliance.

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

Pat McCarthy

State Auditor

Olympia, WA

July 2, 2020

## **FINANCIAL SECTION**

### **Pullman-Moscow Regional Airport January 1, 2018 through December 31, 2018**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2018

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2018

Statement of Revenues, Expenses and Changes in Net Position – 2018

Notes to Financial Statements – 2018

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2018

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2018

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2018

Notes to the Schedule of Expenditures of Federal Awards – 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Within this section of the Pullman-Moscow Regional Airport's annual financial report, the Airport's management is pleased to provide this narrative discussion and analysis of the financial activities of the Airport as of and for the fiscal year ended December 31, 2018. The Airport's financial performance is presented and analyzed within the context of the accompanying financial statements & disclosures following this section.

### **Financial Highlights**

- The Airport's assets and deferred outflows exceeded its liabilities and deferred inflows by \$113,656,214 (net position) for the fiscal year reported.
- Total net position are comprised of the following:
  1. Capital assets of \$108,946,641 include land, property, and equipment, net of accumulated depreciation and outstanding capital related debt.
  2. Unrestricted net position of \$(1,521,738) represent the portion available to maintain the Airport's continuing obligations to customers and creditors.
- Overall, the Airport continues to maintain a stable financial position.

The above financial highlights are presented in more detail in the "Financial Analysis" section of this document.

### **Overview of the Financial Statements**

This Management Discussion and Analysis document introduces the Airport's basic financial statements. The basic financial statements include: (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses, and Changes in Net Position, and (3) the Statement of Cash Flows. The intent of this section of the management's discussion and analysis is to introduce and explain the basic financial statements. The financial statements are prepared in accordance with accounting principles generally accepted in the United States as proclaimed by the GASB principles.

### **Notes to the Basic Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

### **Financial Analysis of the Pullman-Moscow Regional Airport**

The Airport implemented the new financial reporting model used in this report beginning with the year ended December 31, 2004. Over time, as year-to-year financial information accumulates on a consistent basis, changes in net position are observed and used to discuss the changing financial position of the Airport as a whole. The Airport's net position at fiscal year-end is \$113,656,214.

The following table provides a summary of the Airport's net position as of December 31, 2018 and December 31, 2017:

### Summary of Net Position

			<b>Percentage Of Total</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Assets:				
Current assets	\$7,621,157	\$6,799,347	6.4%	7.3%
Restricted assets		0		0.0%
Capital assets	<u>112,191,752</u>	<u>86,660,272</u>	<u>93.6%</u>	<u>92.7%</u>
Total assets	<u>119,812,909</u>	<u>93,459,619</u>	<u>100.0%</u>	<u>100.0%</u>
Deferred outflows related to pensions	<u>31,588</u>	<u>18,925</u>	<u>100.0%</u>	<u>100.0%</u>
Liabilities:				
Current liabilities	5,978,525	5,062,334	97.5%	98.2%
Long-term liabilities	13,404	35,003	0.2%	0.7%
Net pension liability	<u>140,807</u>	<u>59,762</u>	<u>2.3%</u>	<u>1.1%</u>
Total liabilities	<u>6,132,735</u>	<u>5,157,099</u>	<u>100.0%</u>	<u>100.0%</u>
Deferred inflows related to pensions	<u>55,548</u>	<u>18,045</u>	<u>100.0%</u>	<u>100.0%</u>
Net position:				
Net Investment in capital assets	108,946,641	86,660,272	95.9%	98.1%
Restricted	6,231,311	0	5.5%	0.0%
Unrestricted	<u>(1,521,738)</u>	<u>1,643,128</u>	<u>(1.3)%</u>	<u>1.9%</u>
Total net position	<u>\$113,656,214</u>	<u>\$88,303,400</u>	<u>100.0%</u>	<u>100.0%</u>

The Airport does not maintain what we consider an acceptable current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for the Airport is 1.3 to 1. We consider a ratio of 2 – 4 to be the acceptable range. As large construction projects are completed and normal operations resume, it is expected that this ratio will return to the acceptable range.

The Airport reported an overall positive balance in net position. The Airport's overall financial position strengthened during fiscal year 2018 by increasing by \$25,352,814 due primarily to net investment in capital assets surrounding construction projects, most significantly realignment and lengthening of the runway.

Note that approximately 95.9% of the Airport's net position is in capital assets. The Airport uses these capital assets to provide services to its customers.

The following table provides a summary of the Airport's changes in net position as of December 31, 2018 and December 31, 2017:

### Summary of Changes in Net Position

			<b>Percentage Of Total</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Revenues:				
Operating:				
Airport Operations	\$ 133,440	\$ 120,142	0.5%	0.3%
Leases/Rental Operations	619,072	572,069	2.4%	1.4%
Non-Operating:				
Investment	18,625	26,048	0.1%	0.1%
External Operating Subsidies	130,711	130,711	0.5%	0.3%
State Grants	276,222	126,270	1.1%	0.3%
Federal Grants	24,326,466	39,456,034	94.4%	97.0%
Other	<u>250,816</u>	<u>229,083</u>	<u>1.0%</u>	<u>0.6%</u>
Total Revenues	<u>25,755,352</u>	<u>40,660,357</u>	<u>100.0%</u>	<u>100.0%</u>
Expenses:				
Operating:				
General Operations	<u>2,167,950</u>	<u>2,114,180</u>	<u>100.0%</u>	<u>100.0%</u>
Nonoperating:				
Interest Expense	9,588			
Total Expenses	<u>2,177,538</u>	<u>2,114,180</u>	<u>100.0%</u>	<u>100.0%</u>
Excess Revenues	23,577,814	38,546,177		
Capital Contributions	<u>1,775,000</u>	<u>1,225,000</u>		
Change in Net Position	25,352,814	39,771,177		
Beginning Net Position	<u>88,303,400</u>	<u>48,532,223</u>		
Ending Net Position	<u>\$113,656,214</u>	<u>\$88,303,400</u>		



## AIRPORT REVENUES AND EXPENSES

The Airport is heavily reliant on two sources of revenue to support its operations. Property leases and rental operations provided 82.3% and airport operations provided 17.7% of the operating revenues. Note that operating revenues cover approximately 34.7% of Airport operating expenses. This means that the Airport's stakeholder entities and other non-operating revenues fund 65.3% of the Airport's operations. With funding approved via the Washington State Capital Budget to extend additional utilities to the west-end of the airport property, the possibility of additional leasing operations could come to fruition over the next several years.

The significant capital improvements made during 2018 include preparation work for Runway 6/24 realignment. The US Department of Transportation through the Federal Aviation Administration (FAA) provided \$24,326,466 in grant funds for the project (91.88%) and local match of \$1,775,000 (8.12%) is generated through passenger facility charges and Washington State Department of Transportation (which was limited to \$250,000 annually). Where project costs exceed PFC generation, interim funding is provided through a line of credit from the City of Pullman. The Airport utilized the line of credit throughout 2018 with a balance at December 31, 2018 of \$3,245,111.

The completion of the runway realignment project will increase reliability of flights being able to land in inclement weather and allow for an increase of the quantity of flights into the Pullman Moscow Regional Airport – thus providing additional revenues to the operation.

### Capital Assets

The Airport's investment in capital assets, net of accumulated depreciation and outstanding capital-related debt as of December 31, 2018, was \$109 million. The total increase in this net investment was 25.7%. See Note 4 for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

<b>Capital Assets</b>				
<b>(Amounts Presented in \$1,000's)</b>				
			<b>Percentage</b>	
			<b><u>Of Total</u></b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Non-depreciable assets:				
Land	\$2,156	\$1,652	1.7%	1.7%
Construction in progress	91,265	64,945	72.5%	65.6%
Total non-depreciable	<u>93,421</u>	<u>66,597</u>	<u>74.2%</u>	<u>67.3%</u>
Depreciable assets:				
Property, Plant and Equipment	<u>32,440</u>	<u>32,402</u>	<u>25.8%</u>	<u>32.7%</u>
Total depreciable assets	<u>32,440</u>	<u>32,402</u>	<u>25.8%</u>	<u>32.7%</u>
Total cost of capital assets	125,861	98,999	<u>100.0%</u>	<u>100.0%</u>
Accumulated depreciation	<u>13,669</u>	<u>12,339</u>		
Net - capital assets	<u>\$112,192</u>	<u>\$86,660</u>		
Percentage depreciated	<u>10.86%</u>	<u>12.5%</u>		

At December 31, 2018, the depreciable capital assets for governmental activities were 10.9% depreciated compared to 12.5% at December 31, 2017. These percentages provide an indicator that the Airport is maintaining and replacing their assets at a favorable rate.

### **Economic Conditions Affecting the Airport**

Airport operating finances are impacted by several factors including passenger enplanements, fuel sales, increased regulatory requirements from FAA and Transportation Security Administration (TSA), and finally, the lack of adequate revenue generating infrastructure. Passenger enplanements continued to increase, mirroring the trend established in the prior six years. Those increase enplanements will eventually result in more airline activity, which generates additional landing fees, passenger facility charges, and fuel sales. However, these increases are more than offset by a significant increase in FAA and TSA regulations governing the Airport's operating certificate. Many new regulatory requirements create a need for additional personnel with no offsetting increases in revenue. The airport's lack of infrastructure—water and sewer particularly—limit the ability to generate revenue from land leases and hanger development. All of these issues are being addressed but the airport will continue to rely on operating subsidies from sponsoring agencies for the foreseeable future.

### **Contacting the Airport's Financial Management**

This financial report is designed to provide a general overview of the Airport's finances, comply with finance-related laws and regulations, and demonstrate the Airport's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City of Pullman's Office of Finance, 325 S.E. Paradise Street, Pullman, WA 99163.

PULLMAN-MOSCOW REGIONAL AIRPORT

STATEMENT OF NET POSITION  
December 31, 2018

CURRENT ASSETS	
Cash and Cash Equivalents	\$ 1,367,417
Accounts Receivable	12,600
Other Receivables	215
Due from Other Government Units	6,231,311
Prepaid Insurance	9,614
Total Current Assets	<u>7,621,157</u>
NONCURRENT ASSETS	
Capital Assets	
Land	2,155,924
Property, Plant and Equipment	32,440,090
Less Accumulated Depreciation	(13,669,093)
Construction in Progress	91,264,831
Total Capital Assets (net of accumulated depreciation)	<u>112,191,752</u>
Total Noncurrent Assets	<u>112,191,752</u>
TOTAL ASSETS	119,812,909
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	<u>31,588</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 119,844,497</u>
CURRENT LIABILITIES	
Accounts Payable	\$ 2,679,936
Wages and Benefits Payable	34,581
Employee Leave Benefits	18,897
Due to Other Government Units	3,245,111
Total Current Liabilities	<u>5,978,525</u>
NONCURRENT LIABILITIES	
Employee Leave Benefits	9,958
Custodial Deposits	3,446
Net Pension Liability	140,807
Total Noncurrent Liabilities	<u>154,211</u>
Total Liabilities	<u>6,132,735</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	<u>55,548</u>
NET POSITION	
Net Investment in Capital Assets	108,946,641
Restricted	6,231,311
Unrestricted	<u>(1,521,738)</u>
TOTAL NET POSITION	<u>113,656,214</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

PULLMAN-MOSCOW REGIONAL AIRPORT

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION

For the Year Ended December 31, 2018

OPERATING REVENUES	
Airport Operations	\$ 133,440
Property Lease/Rental Operations	<u>619,072</u>
Total Operating Revenues	<u>752,512</u>
OPERATING EXPENSES	
General Operations	779,052
Maintenance	39,857
Depreciation	<u>1,349,041</u>
Total Operating Expenses	<u>2,167,950</u>
Operating Income (Loss)	<u>(1,415,438)</u>
NON OPERATING REVENUES (EXPENSES)	
Investment Income	18,625
Interest Expense	(9,588)
Passenger Facility Charge	250,816
External Operating Subsidies	130,711
Federal and State Grants	<u>24,602,688</u>
Total Non operating Revenues (Expenses)	<u>24,993,252</u>
Income (Loss) before other Revenues, Expenses, Gains, and Transfers	23,577,814
CAPITAL CONTRIBUTIONS	<u>1,775,000</u>
Change in Net Position	25,352,814
Net Position - Beginning of Period	<u>88,303,400</u>
Net Position - End of Period	<u>\$ 113,656,214</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

PULLMAN-MOSCOW REGIONAL AIRPORT  
NOTES TO FINANCIAL STATEMENTS  
January 1, 2018 through December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pullman-Moscow Regional Airport (Airport) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

In June 1999, GASB approved Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. This and consecutive statements are reflected in the accompanying financial statements (including notes to the financial statements).

A. Reporting Entity

The Pullman-Moscow Regional Airport has existed since the late 1930's, and has operated in its present form since 1970. At that time, it was formally established under a cooperative agreement between the City of Pullman, Washington; the City of Moscow, Idaho; Latah County, Idaho; and the Port of Whitman County, Whitman County, Washington.

The Pullman-Moscow Airport provides airport services to the region surrounding the City of Pullman. This activity is not controlled by, nor dependent upon the City of Pullman. Direction is provided by a board composed of representatives from the City of Pullman, City of Moscow, Idaho, Latah County, Idaho, and Washington State University. It derives some financial support from each of these entities. It is not a separate taxing authority. The interlocal agreement establishing this activity directs the City of Pullman to maintain the financial records and reports as required by the laws of the state of Washington.

The Airport has no component units. These financial statements present the Airport's activities.

B. Basis of Accounting and Reporting

The accounts of the Airport are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 of the Revised Code of Washington (RCW). The Airport uses the Generally Accepted Accounting Principles (GAAP) Manual for the State of Washington.

Funds are accounted for on an economic resources measurement focus. Reported fund equity is segregated into net investment in capital assets, restricted and, unrestricted net position.

Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. The Airport discloses changes in financial position by a separate statement that presents their operating, non-capital financing, capital and related financing and investing activities.

The Airport uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when the liability is incurred regardless of timing of cash flows. Capital asset purchases are capitalized and long-term liabilities are accounted for within this single fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the Pullman Moscow Regional Airport include the cost of sales and services, administrative expenses and, depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Budgets and Budgetary Accounting

An annual appropriated budget is adopted for the Airport's activities. The aforementioned cooperative agreement mandates that the City of Pullman maintain the Airport's accounting records and related reports. The City of Pullman maintains these accounts and records as an agency fund within its own records. The budgetary records are integrated in the agency fund ledger, but the National Council on Governmental Accounting (NCGA) Statement 1 does not require, and the financial statements do not present, budgetary comparisons for this proprietary fund.

The annual budget is adopted by the Airport Board each year, and the interlocal agreement requires that the cities of Pullman and Moscow also approve this budget.

Any revisions that alter the total expenditures of the Airport's budget, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Airport Board and Pullman City Council. When the board and city council determines that it is in the best interest of the Airport to increase or decrease the appropriation for the Airport it may do so by ordinance approved by one more than the majority after holding a public hearing.

D. Assets, Liabilities, and Equities

1. Cash and Equivalents

The Airport's cash is maintained by the City of Pullman. It is the Airport's policy to invest all temporary cash surpluses. At December 31, 2018, on behalf of the Airport, the City was holding \$1,367,417 in short-term residual investments of surplus cash. This amount is classified on the statement of net position as current assets listed as cash and cash equivalents.

For purposes of the statement of cash flows, the Airport considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Temporary Investments See Note 2

3. Receivables

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared as of year-end.

4. Capital Assets and Depreciation See Note 4

5. Compensated Absences

The Airport records all accumulated unused vacation and sick leave.

Vacation pay, which may be accumulated up to 240 hours, is payable upon resignation, retirement or death. Sick leave may accumulate up to 800 hours. Outstanding sick leave is not payable upon retirement or death.

As of December 31, 2018 total fund liabilities for vacation pay was \$28,855.

6. Amounts Due to and From Other Governments

These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes and charges for services.

7. Long – Term Debt

The Airport has no long-term debt obligations.

8. 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.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The City of Pullman is the treasurer for the Airport. In this capacity, the City receives deposits and transacts investments on the Airport's behalf.

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction the Airport would not be able to recover the value of the investment or collateral securities. Of the Airport's total position of \$88,372 in deposits, \$0 is exposed to custodial credit risk.

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

## Investments

The Pullman Moscow Regional Airport is a participant in the Local Government Investment Pool, which was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, Online at <http://www.tre.wa.gov>.

As of December 31, 2018, the City was holding for the Airport the following investments:

<u>Investment</u>	<u>Amortized Cost Owned Investments</u>	<u>Total</u>
State Investment Pool	<u>\$1,279,045.17</u>	<u>\$1,279,045.17</u>
Total	<u>\$1,279,045.17</u>	<u>\$1,279,045.17</u>

During this period, the City did not use, hold nor sell any derivatives or similar instruments, nor did the City participate in any securities lending transactions on behalf of the Airport. There were no sales of securities at other than maturity or call dates that resulted in realized gains or losses.

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the City would not be able to recover the value of the investment or collateral securities. Of the Airport's total position of \$1,279,045.17 in investments, \$0 is exposed to custodial credit risk because the investments are held by the Local Government Investment Pool (LGIP), which is also the counterparty in those particular securities.

## NOTE 3 - PROPERTY TAXES

The Airport is not a taxing authority.

## NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

### A. General Policies

Major expenditures for capital assets, including capital leases and major repairs that appreciably increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenditures or expenses when incurred.

All capital assets are valued at historical cost or estimated cost, when historical cost is not known.



B. General Capital Assets

General capital assets are long-lived assets of the Airport as a whole. When purchased, leased, or constructed, such assets are capitalized when the asset cost exceeds \$5,000. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment assets of the airport are depreciated for a full year regardless of the month the asset was placed in service.

The Airport 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 Airport has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable account.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the Airport are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	10-60
Light/Heavy Equipment	5-10
Other Equipment	2-20

A summary of capital assets as of December 31, 2018 follows:

	<b>Balance 1/1/2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/2018</b>
Capital Assets, Not Being Depreciated:				
Land	\$ 1,652,460	\$ 503,464	\$ -	\$ 2,155,924
Construction In Progress	<u>64,945,288</u>	<u>28,440,948</u>	<u>2,121,231</u>	<u>91,264,831</u>
Total Capital Assets, Not Being Depreciated	<u>66,597,748</u>	<u>28,944,413</u>	<u>2,121,231</u>	<u>93,420,755</u>
Capital Assets, Being Depreciated:				
Buildings	3,087,023	1,020,030	-	4,107,054
Other Improvements	22,739,034	538,056	-	23,277,091
Machinery and Equipment	<u>6,576,035</u>		<u>1,520,090</u>	<u>5,055,945</u>
Total Capital Assets, Being Depreciated	<u>32,402,093</u>	<u>1,558,087</u>	<u>1,520,090</u>	<u>32,440,090</u>
Less Accumulated Depreciation For:				
Buildings	(698,309)	(100,390)	-	(798,698)
Other Improvements	(9,195,658)	(964,647)	-	(10,160,305)
Machinery and Equipment	<u>(2,445,601)</u>	<u>(284,004)</u>	<u>19,516</u>	<u>(2,710,089)</u>
Total Accumulated Depreciation	<u>(12,339,568)</u>	<u>(1,349,041)</u>	<u>19,516</u>	<u>(13,669,092)</u>
Total Capital Assets, Being Depreciated, Net	<u>20,062,525</u>	<u>-</u>	<u>-</u>	<u>18,770,997</u>
Capital Assets, Net	<b><u>\$86,660,272</u></b>	<b><u>\$29,153,459</u></b>	<b><u>\$3,661,011</u></b>	<b><u>\$112,191,753</u></b>

C. Construction in Progress

The Airport has active construction projects as of December 31, 2018. Construction in progress is composed of the following:

	<b>Beginning Balance 1/1/2018</b>	<b>Construction In Progress Additions/ (Deletions)</b>	<b>Transfers In/(Out)</b>	<b>Ending Balance 12/31/2018</b>
Grant 41 – Runway Alignment	\$20,013,542	\$95,761	\$ -	\$20,109,303
Grant 42 - Runway Alignment	15,113,309	480,402	-	15,593,711
Grant 43 – Runway Alignment	10,166,153	4,014,244	(2,061,720)	12,118,677
Grant 44 – Runway Alignment	2,292,294	12,089,435	-	14,381,729
Grant 45 - Runway Alignment (ILS)	2,009,814	0	-	2,009,814
Grant 46 – Runway Alignment	15,213,836	1,095,729	-	16,309,565
Grant 47 – Runway Alignment		2,355,339		2,355,339
Grant 48 – Runway Alignment		7,442,808		7,442,808
Grant 49 – Runway Alignment		532,465		532,465
Operating – Parking Lot	-	59,685	(59,685)	-
Operating – Terminal	<u>136,340</u>	<u>275,079</u>	<u>-</u>	<u>411,419</u>
Total Construction in Progress	<b><u>\$64,945,288</u></b>	<b><u>\$28,440,948</u></b>	<b><u>\$(2,121,405)</u></b>	<b><u>\$ 91,264,831</u></b>

D. Construction Commitments

The Airport had seven active construction projects as of December 31, 2018.

NOTE 5 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenses exceeding legal appropriations of the Airport.

NOTE 6 - 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 2018:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$140,807
Pension assets	\$0
Deferred outflows of resources	\$31,588
Deferred inflows of resources	\$55,548
Pension expense/expenditures	\$5,491

**State Sponsored Pension Plans**

Substantially all Airport's 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

Alternatively, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees' Retirement System (PERS)**

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

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death

benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

### Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee*</b>
<b>January – August 2018</b>		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.70%</b>	<b>6.00%</b>
<b>September – December 2018</b>		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.83%</b>	<b>6.00%</b>

There were no Airport's actual contributions to the plan for the year ended December 31, 2018.

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

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

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

**PERS Plan 3** defined contribution benefits are dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a

chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
<b>January – August 2018</b>		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.70%</b>	<b>7.38%</b>
<b>September – December 2018</b>		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.83%</b>	<b>7.38%</b>

The Airport's actual contributions to the plan were \$57,707 for the year ended December 31, 2018.

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study and the 2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied

on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on those 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 7.4 percent was used to determine the total liability.

### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<u>100%</u>	

## Sensitivity of NPL

The table below presents the Airport's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the Airport's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4%) or 1-percentage point higher (8.4%) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$118,284	\$96,249	\$77,162
PERS 2/3	\$203,808	\$44,558	\$(86,010)

## 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, 2018, the Airport reported a total pension liability of \$140,807 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$96,249
PERS 2/3	\$44,558

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.074457%	0.071838%	(0.002619)
PERS 2/3	0.090526%	0.086989%	(0.003537)

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.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

## Pension Expense

For the year ended December 31, 2018, the Airport recognized pension expense as follows:

	Pension Expense
PERS 1	\$4,592
PERS 2/3	\$899
TOTAL	\$5,491

## Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(3,825)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$7,761	\$0
<b>TOTAL</b>	<b>\$7,761</b>	<b>\$(3,825)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$5,462	\$(7,801)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(27,343)
Changes of assumptions	\$521	\$(12,681)
Changes in proportion and differences between contributions and proportionate share of contributions	\$7,025	\$(3,898)
Contributions subsequent to the measurement date	\$10,820	\$0
<b>TOTAL</b>	<b>\$23,828</b>	<b>\$(51,723)</b>

Deferred outflows of resources related to pensions resulting from the Airport's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>
2019	\$167
2020	\$(836)
2021	\$(2,509)
2022	\$(647)
2023	\$0
Thereafter	\$0

<b>Year ended December 31:</b>	<b>PERS 2/3</b>
2019	\$(3,357)
2020	\$(8,444)
2021	\$(16,043)
2022	\$(5,505)
2023	\$(1,601)
Thereafter	\$(3,765)



## NOTE 7 - RISK MANAGEMENT

The Pullman-Moscow Regional Airport is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 168 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stopgap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel issues and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments, which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day-to-day operations of WCIA.

The Airport separately purchases commercial standard property insurance coverage for building and personal property; automobile physical damage, inland marine. Boiler and machinery coverage is also purchased. Various deductibles apply by type of coverage.

There were no significant reductions in insurance coverage from the previous year. The settlements have not exceeded coverage for each of the past three fiscal years.

## NOTE 8 - SHORT AND LONG-TERM DEBT AND CAPITAL LEASES

### A. Short-Term Debt

Short-term activities for the year ended December 31, 2018 were as follows:

	<b><u>Beginning Balance 1/1/2018</u></b>	<b><u>Issued</u></b>	<b><u>Redeemed</u></b>	<b><u>Ending Balance 12/31/2018</u></b>
City of Pullman	\$ 2,850,420	\$ 7,429,691	\$ (7,035,000)	\$ 3,245,111
<b>Total Short-Term Debt</b>	<b><u>\$2,850,420</u></b>	<b><u>\$ 7,429,691</u></b>	<b><u>\$ (7,035,000)</u></b>	<b><u>\$ 3,245,111</u></b>

Short-term debt was incurred to provide cash flow to pay vendors for the construction work performed while awaiting grant reimbursement from the granting agency, most notably the Federal Aviation Administration.

### B. Long-Term Debt and Capital Leases

The Airport has no long-term debt, operating, or capital leases.

## NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2019, the following changes occurred in long-term liabilities

	<b><u>Beginning Balance 1/1/2018</u></b>	<b><u>Issued</u></b>	<b><u>Redeemed</u></b>	<b><u>Ending Balance 12/31/2018</u></b>	<b><u>Amount Due In One Year</u></b>
Pension obligations	\$200,351		\$59,544	\$140,807	\$0
Compensated absences	\$27,767	\$1,088		\$28,855	\$18,897
<b>Long-Term Liabilities</b>	<b><u>\$228,118</u></b>	<b><u>\$1,088</u></b>	<b><u>\$59,544</u></b>	<b><u>\$ 169,662</u></b>	<b><u>\$18,897</u></b>

## NOTE 10 - CLAIMS AND JUDGMENTS

As of December 31, 2018, the Airport has no outstanding claims or judgments against it.

## NOTE 11 - CONTINGENCIES AND LITIGATION

The Airport has recorded in its financial statements all material liabilities. In the opinion of management, the Airport's insurance policies are adequate to pay all known or pending claims.

The Airport participates in federal and state-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. Airport management believes that such disallowances, if any, will be immaterial.

The Airport will be requesting FAA grants for the runway re-alignment project of approximately \$81,773,000 to \$109,337,000 over a six-year period. The project is estimated to be \$89 million to \$119 million. The local match, the portion not funded by the FAA, will be funded by Washington Department of Transportation, passenger facility charges, City of Pullman, City of Moscow, Port of Whitman, Whitman County, Latah County, Washington State University, University of Idaho, and multiple fundraising efforts.

#### NOTE 11-b - OTHER DISCLOSURES

- A. There are no significant related party transactions.
- B. There were no events subsequent to December 31, 2018, which would have a material impact upon the Airport's financial status.
- C. As disclosed in Note 1, the Airport is formed as part of a joint venture between City of Pullman, City of Moscow, Idaho, Latah County, Idaho, and Washington State University. The Airport is not a participant in any other joint venture activity.
- D. Subsequent Events – In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

Although the material costs to the Pullman Moscow Regional Airport cannot be reasonably estimated at this time; a financial impact is assured and activities to help mitigate the potential damage have been implemented while the rapidly changing situation continues to be monitored.

The length of time these measures will be in place, and the full extent of the financial impact on the Pullman Moscow Regional Airport is unknown at this time.

PULLMAN-MOSCOW REGIONAL AIRPORT  
Schedule of Proportionate Share of the Net Pension Liability  
Required Supplementary Information  
As of June 30

PERS 1	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employer's proportion of the net pension liability (asset)	0.0727%	0.0709%	0.0745%	0.0718%
Employer's proportionate share of the net pension liability (asset)	(\$53,936)	\$71,892	\$105,991	\$96,249
Covered payroll	\$179,085.32	\$237,781.09	\$272,378.01	\$296,545
Employer's proportionate share of the net pension liability as a percentage of covered payroll	(30.12%)	30.23%	38.91%	32.46%
Plan fiduciary net position as a percentage of the total pension liability	96.68%	108.96%	103.07%	104.34%

Due to a reporting change that happened in prior years, 10 years of data has not yet been aggregated. As additional data is incurred, the ten-year look-back period will be maintained.

PERS 2/3	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employer's proportion of the net pension liability (asset)	0.8386%	0.0835%	0.0905%	0.08699%
Employer's proportionate share of the net pension liability (asset)	(\$53,936)	\$71,892	\$94,360	\$44,558
Covered payroll	\$185,806	\$213,694	\$243,571	\$296,545
Employer's proportionate share of the net pension liability as a percentage of covered payroll	(29.03%)	33.64%	38.74%	15.03%
Plan fiduciary net position as a percentage of the total pension liability	97.46%	131.04%	101.49%	95.77%

Due to a reporting change that happened in prior years, 10 years of data has not yet been aggregated. As additional data is incurred, the ten-year look-back period will be maintained.

PULLMAN-MOSCOW REGIONAL AIRPORT  
Schedule of Employer Contributions  
Required Supplementary Information  
As of December 31

PERS 1	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorily or contractually required contributions	\$20,282	\$4,550	\$6,235	\$21,259
Contributions in relation to the statutorily or contractually required contributions	<u>\$20,282</u>	<u>\$4,550</u>	<u>\$6,235</u>	<u>\$21,259</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$197,607	\$229,143	\$264,289	\$322,927
Contributions as a percentage of covered payroll	10.26%	1.99%	2.39%	6.58%

Due to a reporting change that happened in prior years, 10 years of data has not yet been aggregated. As additional data is incurred, the ten-year look-back period will be maintained.

PERS 2/3	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorily or contractually required contributions	\$20,282	\$4,550	\$6,235	\$21,259
Contributions in relation to the statutorily or contractually required contributions	<u>\$20,282</u>	<u>\$4,550</u>	<u>\$6,235</u>	<u>\$21,259</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$197,607	\$229,143	\$261,289	\$322,927
Contributions as a percentage of covered payroll	10.26%	1.99%	2.39%	6.58%

Due to a reporting change that happened in prior years, 10 years of data has not yet been aggregated. As additional data is incurred, the ten-year look-back period will be maintained.

**Pullman-Moscow Regional Airport**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via City of Pullman)	Airport Improvement Program	20.106	3-53-0051-43	2,400,296	-	2,400,296	-	NOTE 3
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via City of Pullman)	Airport Improvement Program	20.106	3-53-0051-44	10,787,043	-	10,787,043	-	Note 3
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via City of Pullman)	Airport Improvement Program	20.106	3-53-0051-46	1,001,839	-	1,001,839	-	Note 3
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via City of Pullman)	Airport Improvement Program	20.106	3-53-0051-47	2,109,984	-	2,109,984	-	Note 3
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via City of Pullman)	Airport Improvement Program	20.106	3-53-0051-48	6,838,453	-	6,838,453	-	Note 3

*The accompanying notes are an integral part of this schedule.*

**Pullman-Moscow Regional Airport**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note		
				From Pass- Through Awards	From Direct Awards	Total				
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via City of Pullman)	Airport Improvement Program	20.106	3-53-0051-49	489,229	-	489,229	-	Note 3		
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via City of Pullman)	Airport Improvement Program	20.106	3-53-0051-42	441,393	-	441,393	-	Note 3		
				Total CFDA 20.106:			24,068,237	-	24,068,237	-
				Total Federal Awards Expended:			24,068,237	-	24,068,237	-

## **Pullman-Moscow Regional Airport**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018**

#### Note 1: BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the Airport's financial statement. The Airport uses the accrual basis of accounting.

#### Note 2: PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal portion of the program costs. Entire program costs, including the Airport's portion, are more than shown.

The matching share of I.D. Number 3-53-0051-42 is 8.12%.

The matching share of I.D. Number 3-53-0051-43 is 8.12%.

The matching share of I.D. Number 3-53-0051-44 is 8.12%.

The matching share of I.D. Number 3-53-0051-46 is 8.12%.

The matching share of I.D. Number 3-53-0051-47 is 8.12%.

The matching share of I.D. Number 3-53-0051-48 is 8.12%.

The matching share of I.D. Number 3-53-0051-49 is 8.12%.

Such expenditures are recognized following, as applicable, either the cost principles of OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

#### Note 3: FEDERAL AVIATION ADMINISTRATION GRANTS

The City of Pullman is the primary recipient of all Federal Aviation Administration grants (CFDA 20.106) for its sub recipient, the Pullman-Moscow Regional Airport. As the primary recipient, the City of Pullman monitors the activities of the sub recipient in accordance with OMB Circular A-133. All other compliance requirements and specific grant terms are tested at the sub recipient level and, as such, are not included in the single audit reports of the City of Pullman.

#### Note 4: INDIRECT COST

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



# Pullman-Moscow Regional Airport



3200 Airport Complex North • Pullman, WA 99163  
(509) 338-3223 • Fax (509) 334-5217

## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**Pullman-Moscow Regional Airport**  
**January 1, 2018 through December 31, 2018**

This schedule presents the corrective action planned by the Airport for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> 2018-001	<b>Finding caption:</b> The Airport did not have effective internal controls in place to ensure accurate and reliable financial reporting.
<b>Name, address, and telephone of Airport contact person:</b> Tony Bean, Executive Director 3200 Pullman Complex North Pullman, WA 99163 (509) 338-3223	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The Airport and its Fiscal Agent have reviewed the finding and have placed the following internal controls into practice effective immediately:</i> <ul style="list-style-type: none"><li>• <i>Regular review of financial statements, update in payment processing including immediate accrual activities which may require prior period adjustment in later fiscal years when the revenues have been realized</i></li><li>• <i>Annual review of year-end financial statements (including Statement of Cash Flows) and reporting with the Fiscal Agent and Airport Management</i></li><li>• <i>Airport Management requests that State Auditor perform financial audit on a timelier basis to avoid issues regarding presentation and alleviate financial hardship</i></li><li>• <i>Airport Management will monitor staffing with Fiscal Agent to ascertain effects on financial reporting</i></li></ul>	
<b>Anticipated date to complete the corrective action:</b> Corrective actions have been made.	

## 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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>