

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

Adams County Port District No. 1
(Port of Othello)

Audit Period
January 1, 2010 through December 31, 2010

Report No. 1006455

Issue Date
September 30, 2011



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

September 30, 2011

Board of Commissioners
Port of Othello
Othello, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Port of Othello's financial statements and compliance with federal laws and regulations.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

Table of Contents

Port of Othello
Adams County
January 1, 2010 through December 31, 2010

Federal Summary	1
Schedule of Prior Federal Audit Findings	3
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with <i>Government Auditing Standards</i>	5
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	7
Independent Auditor's Report on Financial Statements.....	9
Financial Section.....	11

Federal Summary

Port of Othello Adams County January 1, 2010 through December 31, 2010

The results of our audit of Port of Othello are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unqualified opinion was issued on the basic financial statements.

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 no deficiencies that we consider to be material weaknesses.

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

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 unqualified opinion on the Port's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The Port did not qualify as a low-risk auditee under OMB Circular A-133.

Schedule of Prior Federal Audit Findings

Port of Othello Adams County January 1, 2010 through December 31, 2010

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

Audit Period: 1/1/2006-12/31/2006	Report Reference No: 1001833	Finding Reference No: 1	CFDA Number(s): 20.106
Federal Program Name and Granting Agency: Airport Improvement Grant, Federal Aviation Administration		Pass-Through Agency Name: NA	
Finding Caption: The Port of Othello did not notify the State Auditor's Office that it spent more than \$500,000 in federal funds to ensure compliance with federal requirements.			
Background: Federal regulations require local governments to arrange for a single audit when they spend \$500,000 or more in federal funds in any fiscal year. The audit must be completed and the report submitted to the federal clearing within nine months of the government's year end.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The new Executive Director and the Commissioners are aware of this requirement and have demonstrated such by notifying SAO promptly about the need for another single audit covering 2010.</i>			

Audit Period: 1/1/2006-12/31/2006	Report Reference No: 1001833	Finding Reference No: 2	CFDA Number(s): 20.106
Federal Program Name and Granting Agency: Airport Improvement Grant, Federal Aviation Administration		Pass-Through Agency Name: NA	
Finding Caption: The Port's internal controls were inadequate to ensure compliance with requirements of its U.S. Department of Transportation Airport Improvement Program Requirements.			
Background: Cash Management: The Port did not monitor or maintain documentation to identify which specific costs it was claiming in its reimbursement requests submitted to the Federal Aviation Administration. It was not apparent whether the Port was basing its claim on disbursements already made or whether it was requesting a cash advance in anticipation of future costs, which would require the Port to minimize the time elapsing between receipt of the funds and			

disbursement. In at least one instance, we noted that engineering costs earned and billed in June did not get paid until September; however, reimbursements were requested and received in July.

Procurement: The Port was required to obtain multiple quotes for goods and services up to \$100,000 and advertise and evaluate sealed bids for items over \$100,000. The Port paid approximately \$18,000 for engineering services, \$74,000 for project inspections and nearly \$450,000 for construction. Port employees were able to locate a proposal folder that indicated the engineering and inspection services were advertised and sealed bids were received. A memo to the file indicated three firms responded; however, the bid submissions were not retained and we could not determine how the contract for these services was awarded. A written comment in the file by the Port Director noted the Port would continue to use the successful bidder due to its past experience with the vendor.

Status of Corrective Action: (check one)

Fully Corrected Partially Corrected No Corrective Action Taken Finding is considered no longer valid

Corrective Action Taken:

Cash Management: *JUB Engineers and the Port work together to accumulate and review the submissions, based solely on paid items. The confusion before occurred because Adams County handled disbursements for the Port and the slow processing of the paperwork added to the possibility for confusion. As the Port pays all bills in house now, the certainty and timeliness of information has greatly improved, to the point where all payment information is provided to JUB, who prepares the reimbursement request, then sends it to the Port for review and forwarding to FAA and WSDOT Aviation. The Port also has significant cash reserves and has no need to request funding before costs are incurred or paid.*

Procurement: *It appears to the Port that the selection process for an engineer was done properly, however, there was not much documentation to support this sufficiently for the auditors. The rules are clear regarding procurement and our engineers, who we use extensively in our projects, understand the requirements also and help us greatly in following the rules. The Washington Public Ports Association (WPPA) also conducts classes on this, in their seminars, and this helps keep us up to date on the rules.*

**Independent Auditor's Report on Internal
Control over Financial Reporting and on
Compliance and Other Matters in Accordance
with *Government Auditing Standards***

Port of Othello
Adams County
January 1, 2010 through December 31, 2010

Board of Commissioners
Port of Othello
Othello, Washington

We have audited the basic financial statements of Port of Othello, Adams County, Washington, as of and for the year ended December 31, 2010, and have issued our report thereon dated September 16, 2011.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Port's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

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

This report is intended for the information and use of management, the Board of Commissioners, federal awarding agencies and pass-through entities. 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, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 16, 2011

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct
and Material Effect on Each Major Program and
on Internal Control over Compliance in
Accordance with OMB Circular A-133**

Port of Othello
Adams County
January 1, 2010 through December 31, 2010

Board of Commissioners
Port of Othello
Othello, Washington

COMPLIANCE

We have audited the compliance of Port of Othello, Adams County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2010. The Port's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Port's management. Our responsibility is to express an opinion on the Port's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Port's compliance with those requirements.

In our opinion, the Port complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Port is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Port's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of 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.

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

This report is intended for the information of management, the Board of Commissioners, federal awarding agencies and pass-through entities. 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.



BRIAN SONNTAG, CGFM
STATE AUDITOR

September 16, 2011

Independent Auditor's Report on Financial Statements

**Port of Othello
Adams County
January 1, 2010 through December 31, 2010**

Board of Commissioners
Port of Othello
Othello, Washington

We have audited the accompanying basic financial statements of Port of Othello, Adams County, Washington, as of and for the year ended December 31, 2010, as listed on page 11. These financial statements are the responsibility of the Port's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Port of Othello, as of December 31, 2010, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 12 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and the last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 16, 2011

Financial Section

**Port of Othello
Adams County
January 1, 2010 through December 31, 2010**

REQUIRED SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis – 2010

BASIC FINANCIAL STATEMENTS

Statement of Net Assets – 2010
Statement of Revenues, Expenses and Changes in Fund Net Assets – 2010
Statement of Cash Flows – 2010
Notes to Financial Statements – 2010

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards – 2010
Notes to the Schedule of Expenditures of Federal Awards – 2010

**PORT OF OTHELLO
MANAGEMENT DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Port of Othello's ("Port") financial performance provides an overview of the Port's financial activities for the year ended December 31, 2010.

We present this information in conjunction with the financial statements and the notes attached thereto, which immediately follow this discussion and analysis.

The overall condition of the Port, as measured by total net assets, has improved over the prior year by \$864,187.

Financial Highlights

- * Current assets increased by \$337,571 in 2010.
- * Current liabilities increased by \$18,742 in 2010.
- * Noncurrent liabilities increased by \$7,235 in 2010.
- * Change in net assets in 2010 was \$864,187.
- * Net cash and cash equivalents decreased by \$126,197 in 2010. (all unrestricted)

Overview of the Financial Statements

The Port's financial statements include two components; 1) the Port's basic financial statements and 2) the notes to the financial statements. This discussion and analysis is intended to serve as an introduction to the Port's basic financial statements, which account for the entire operations of the Port on an accrual basis.

The Comparative Statement of Net Assets presents information concerning the Port's assets, liabilities and net assets. Net assets are the difference between assets and liabilities. Increases or decreases in the net assets may indicate, over time, whether the financial position of the Port is improving or worsening; it has improved in the periods represented herein.

Condensed Comparative Financial Data

	<u>NET ASSETS</u>	<u>2010</u>	<u>2009</u>
Assets:			
Current assets		\$ 2,330,373	\$ 1,992,802
Capital assets, net		4,739,500	4,150,664
Other noncurrent assets		23,800	60,043
Total Assets		<u>7,093,673</u>	<u>6,203,510</u>
Liabilities:			
Current liabilities		44,752	26,010
Noncurrent liabilities		15,241	8,006
Total Liabilities		<u>59,993</u>	<u>34,016</u>
Net Assets:			
Invested in capital assets, net of related debt		5,648,810	4,949,674
Unrestricted		1,384,871	1,219,820
Total Net Assets		<u>7,033,681</u>	<u>6,169,494</u>

As previously noted, changes in net assets over time can be a good indicator of the Port's financial position. The Port's increase in net assets for 2010 was \$864,187 from the previous year.

**PORT OF OTHELLO
MANAGEMENT DISCUSSION AND ANALYSIS**

Of the Port's \$7,033,681 in total net assets for 2010, 80% (\$5,64,810) reflects its investment in capital assets. There was no debt used to acquire these assets. The remaining 20% (\$1,384,871) in unrestricted net assets may be used in the Port's continuing operations.

Of the Port's \$6,169,494 in total net assets for 2009, 80% (\$4,949,674) reflects its investment in capital assets. There was no debt used to acquire these assets. The remaining 20% (\$1,219,820) in unrestricted net assets may be used in the Port's continuing operations.

2010 total assets increased \$890,163 over the prior year due to increased grant revenue for land acquisition at the airport.

2009 total assets decreased \$189,389 over the prior year. This was due primarily from increased investment in fixed assets.

2009 liabilities remained about the same and reflect routine accounts payable outstanding at the end of each year. 2010 increased significantly due to early payment of 2011 rents in December 2010.

	<u>CHANGE IN NET ASSETS</u>	<u>2010</u>	<u>2009</u>
REVENUES			
Operating Revenues:			
Airport		\$ 62,588	\$ 51,157
Bruce Water System		44,976	35,227
Property Management		90,465	25,926
Total Operating Revenues		<u>198,029</u>	<u>112,310</u>
Non-operating Revenues (Expenses):			
Property taxes		357,546	341,313
Other tax revenue		3,040	2,982
Investment income		8,048	18,647
State grant revenue		18,231	2,351
Federal grant revenue		707,694	16,386
State audit accrual		(4,000)	
Theft of airport fuel		(17,225)	
All other revenue		306	3,913
Total Non-operating Revenues (Expenses)		<u>1,073,640</u>	<u>385,592</u>
Total Revenues		<u>1,271,669</u>	<u>497,902</u>

**PORT OF OTHELLO
MANAGEMENT DISCUSSION AND ANALYSIS**

EXPENSES

Operating Expenses:

Airport	81,932	71,552
Bruce Water System	90,562	105,456
Property Management	124,687	93,939
Depreciation	110,301	101,910
Total Operating Expenses	<u>407,482</u>	<u>372,857</u>
Change in Net Assets	864,187	125,045
Prior period depreciation adjustment	-	(312,074)
Total Net Assets - Beginning	6,169,493	6,356,522
Total Net Assets - Ending	<u>\$ 7,033,681</u>	<u>\$ 6,169,493</u>

The table above summarizes operations of the Port for the fiscal (and calendar) years of 2010 and 2009. This schedule shows how the net assets of the Port changed, and are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Accordingly, some of the revenue and expense reported will affect future cash flows, evidenced by amounts held at year end as funds to be collected in Accounts Receivable and amounts remaining to be paid in Accounts Payable.

As noted directly above, the net assets of the Port increased by \$864,188 in 2010 thereby contributing to the ongoing improvement of the Port's financial condition.

2010 operating revenues increased \$85,719. This resulted from increased water usage at Bruce and the sale of one lot in Bruce to All American Propane.

2009 operating revenues decreased \$6,233. This resulted primarily from a significant reduction in fuel sales.

2010 non-operating revenues increased \$1,073,640 (178%) due to a significant increase in grant revenue from land acquisitions at the airport.

2009 non-operating revenues decreased \$89,152 (18.8%). A significant decrease in interest rates and grant revenue offset gains realized from property taxes.

2010 operating expenses in total increased \$34,625 (9.2%). This was due in part as the result of the Boetra bad debt write-off of \$29,439, an increase of depreciation expense of \$8,391, net increases in avgas purchased of \$10,412 and Bruce maintenance (irrigation line) of \$11,221, offset by reduced general and administrative expenses of \$32,732.

**PORT OF OHELLO
MANAGEMENT DISCUSSION AND ANALYSIS**

2009 operating expenses in total increased \$46,257 (14.2%). This was due to a \$13,567 decrease at the airport from reduced fuel costs (less fuel sold), a \$8,044 G&A allocation increase for the Bruce Water System, a \$4,051 decrease in Property Management because there was no bad debt write off in 2009 (\$15,000 was written off in 2008), and a \$55,831 increase in depreciation expense because prior years were understated.

Non-operating expenses, common to many Port's operations, were nonexistent in 2009 but were present in 2010 due to the loss from stolen avgas at the airport of \$17,225 and the rare requirement for a "single audit," estimated at \$4,000, resulting from airport grant expenditures having exceeded \$500,000.

Capital Asset Activity

<u>CAPITAL ASSETS, NET OF DEPRECIATION</u>	<u>2010</u>	<u>2009</u>
Land	\$ 985,234	\$ 329,146
Airport improvements	1,442,997	1,442,997
Bruce Water System	2,739,529	2,739,529
Othello Business Park	239,863	246,004
Office equipment	15,471	15,471
Construction in progress	225,716	176,527
	<u>\$ 5,648,810</u>	<u>\$ 4,949,674</u>

Additional information about the Port's capital assets can be found in Note 4 to the financial statements.

In 2010, the Port acquired the Simpson and Schutte parcels as part of its airport runway relocation plan.

In 2009, at Hwy 26 and Reynold's Road, Othello, the Port participated in an intersection project with WSDOT and a water line extension across Hwy 26.

Litigation

The failure of Boetra, LLC to meet it's obligations under a lease dated October 17, 2006 resulted in a past due amount of \$46,790 on October 26, 2008 . A legal action was filed in Adams County on June 1, 2009. In late 2010, the Port determined that this entire amount is uncollectible.

Requests for Information

This financial report is intended to provide a general overview of the Port of Othello's financial position. Questions concerning this report or requests for more information should be addressed to the Director, Port of Othello, 455 East Hemlock Street, Suite B, Othello, WA 99344.

**PORT OF OTHELLO
STATEMENT OF NET ASSETS**

ASSETS	DECEMBER 31, 2010
CURRENT ASSETS	
Cash and cash equivalents	\$ 4,823
Investments	1,831,363
Taxes receivable	24,361
Accounts receivable	12,396
Grants receivable	439,677
Interest receivable	214
Fuel inventory at airport	8,350
Prepaid office rent	2,505
Prepaid insurance	6,684
Total Current Assets	<u>2,330,373</u>
NONCURRENT ASSETS	
Capital assets not being depreciated	
Land	985,234
Construction in progress	225,716
Capital assets being depreciated	
Airport improvements	1,442,997
Bruce Water System	2,739,529
Othello Business Park	239,863
Office equipment	15,471
Subtotal - capital assets	<u>5,648,810</u>
Accumulated depreciation	<u>(909,310)</u>
Total Net Capital Assets	<u>4,739,500</u>
Other noncurrent assets	
Prepaid water system plan	23,800
Boetra deferred revenue	44,439
Reserve for bad debts	(44,439)
Total Other Noncurrent Assets	<u>23,800</u>
TOTAL ASSETS	<u><u>\$ 7,093,673</u></u>

See accompanying notes to financial statements.

PORT OF OTHELLO
STATEMENT OF NET ASSETS

LIABILITIES AND NET ASSETS

	DECEMBER 31, 2010
CURRENT LIABILITIES	
Accounts payable	\$ 228
Accrued benefits payable	-
Leasehold taxes payable	472
Deferred property tax revenue	24,361
Deferred rental revenue	19,691
Total Current Liabilities	<u>44,752</u>
 NONCURRENT LIABILITIES	
Accrued audit fees	7,600
Deposits payable	125
Accrued employee leave benefits	7,516
Total Noncurrent Liabilities	<u>15,241</u>
 TOTAL LIABILITIES	<u>59,993</u>
 NET ASSETS	
Invested in capital assets	5,648,810
Restricted	-
Unrestricted	1,384,871
TOTAL NET ASSETS	<u>7,033,681</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,093,673</u>

See accompanying notes to financial statements.

PORT OF OTHELLO
STATEMENT OF REVENUE, EXPENSE AND CHANGES IN FUND NET ASSETS

	DECEMBER 31 2010
OPERATING REVENUE	
Airport	\$ 62,588
Bruce Water System	44,976
Property Management	90,465
Total Operating Revenue	<u>198,029</u>
OPERATING EXPENSE	
Airport	81,932
Bruce Water System	90,562
Property Management	124,687
Depreciation	110,301
Total Operating Expense	<u>407,482</u>
Operating Income (Loss)	<u>(209,453)</u>
NON-OPERATING REVENUE (EXPENSE)	
Taxes levied for general purposes	357,546
Leasehold tax revenue	563
Housing Authority tax revenue	2,050
US Fish and Wildlife tax revenue	427
Investment income	8,048
Other non-operating revenues	68
Federal Grant revenue - FAA	707,694
State Grant revenue - WSDOT	18,231
State single audit accrual	(4,000)
Theft of airport fuel	(17,225)
Miscellaneous revenue	238
Total Non-Operating Revenue (Expense)	<u>1,073,640</u>
Change in net assets	864,187
Prior period depreciation adjustment	
Net assets - beginning of period	<u>6,169,494</u>
Net assets - end of period	<u>\$ 7,033,681</u>

See accompanying notes to financial statements.

PORT OF OTHELLO
STATEMENT OF CASH FLOWS

	<u>DECEMBER 31,</u> <u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 198,029
Cash received from other operating activities	
Cash payments for goods and services	(119,313)
Cash payments to employees	(139,725)
Other payments made	(63,512)
Net cash used by operating activities	<u>(124,521)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Proceeds from unrestricted property taxes	357,546
Other tax revenue	3,040
Other non-operating revenue	306
Net cash provided by noncapital financing activities	<u>360,892</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of fixed assets	(370,616)
Grant revenue	725,925
Net cash used for capital and related financing activities	<u>355,308</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Receipt of interest	8,048
Net cash provided by investing activities	<u>8,048</u>
Net increase (decrease) in cash	(126,197)
Cash and cash equivalents - January 1	1,962,383
Cash and cash equivalents - December 31	<u>\$ 1,836,186</u>
Reconciliation to statement of net assets	
Cash and cash equivalents - unrestricted	\$ 4,823
Investments - unrestricted	1,831,363
Cash and cash equivalents - December 31	<u>\$ 1,836,186</u>

See accompanying notes to financial statements.

PORT OF OTHELLO
STATEMENT OF CASH FLOWS

	<u>DECEMBER 31,</u> <u>2010</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net operating income (loss)	\$ (209,453)
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	110,301
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(28,908)
Decrease (increase) in inventory	7,189
Increase (decrease) in accounts payable	(1,594)
Decrease (increase) in prepaid items	(2,701)
Increase (decrease) in other payables	74
Increase (decrease) in deferred revenue	571
Total adjustments	<u>84,932</u>
Net cash provided by operating activities	<u>\$ (124,521)</u>

See accompanying notes to financial statements.

PORT OF OTHELLO
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Port of Othello ("Port") was incorporated in 1966 as Adams County Port District #1 and operates under the laws of the State of Washington applicable to a port district. The financial statements of the PORT have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The PORT implemented GASB 34, *Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments* ("MDA") and GASB 38, *Certain Financial Statement Note Disclosures*. The Port changed the format of its financial statements, renaming retained earnings "net assets," included the MDA in its report, and made prescribed changes in the financial statement footnotes.

A. Reporting Entity - The Port is a special purpose government that owns and operates the Othello Municipal Airport, the Bruce Water System, the Othello Business Park, and two separate parcels in Bruce that range in size from 28 to 42 acres. The Port leases much of its land to local farmers who raise a variety of crops. The Port also leases hangars at the airport. The Port is supported primarily through user charges and the property tax levy.

The Port is governed by an elected three member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Port has no component units.

B. Basis of Accounting and Reporting - Accounting records of the Port are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The Port uses the *Budgeting, Accounting and Reporting System for GAAP Port Districts* in the State of Washington.

Funds are accounted for on a cost of services or an economic resources measurement focus. This means all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the statement of net assets (or balance sheet). Their reported fund equity (total net assets) is segregated into invested in capital assets, net of related debt, restricted and unrestricted net assets. The operating statement presents increases (revenues and gains) and decreases (expenses and losses) in net total assets. The Port discloses changes in cash flows by a separate statement that presents its operating, noncapital financing, capital and related financing, and investing activities.

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

The Port accounts for business operating revenues and expenses as "operating revenue and expense." Operating revenues are derived from airport, Bruce Water System and farmland fees and rents. Operating expenses are the direct expenses incurred while conducting these activities. General and administrative costs are those that relate to the Port as a whole, including staff compensation and benefits, commissioner

PORT OF OTHELLO
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

compensation and benefits, membership fees and dues, communication costs, legal fees, marketing, and other indirect costs.

The Port accounts for all other revenue and expense as non-operating revenue or expense. Included are property and other tax receipts, interest income on investments, and other non-operating revenue. Extraordinary expenses that are unusual are included here..

C. Assets, Liabilities and Net Assets -

- **Cash and Cash Equivalents** - It is the Port's policy to invest all temporary cash surpluses. At December 31, 2010, Adams County and Sterling Bank were holding \$1,831,363 in short-term investments of surplus cash. This amount is classified within the *Statement of Net Assets as Investments and are unrestricted. See Note 2.*

For the purposes of the Statement of Cash Flows, the Port considers all highly liquid investments with a maturity of six months or less when purchased, to be cash equivalents.

- **Receivables** - *Taxes receivable* consist of property taxes and related interest and penalties. See Note 3.

Customer accounts receivable consists of amounts owed from private individuals or organizations for goods provided and services rendered.

- **Inventories** - Inventories are valued by the first-in, first-out method, which approximates market value. Inventory consists of fuel held for sale at the airport.
- **Prepaid expenses** - Expense items of a nature which will benefit future periods are recognized as prepaid expenses and expensed over their useful lives.
- **Capital assets** - Capital assets are stated at cost. Depreciation of capital assets is computed using the straight-line method, based on estimated useful lives. See Note 4.
- **Employee leave benefits** - Employee absences are funded from current revenues when taken. Unused vacation time may be carried forward so long as total hours earned do not exceed twice the maximum annual leave allowed in a year. Costs are expensed when vacation is earned, and is accrued on a monthly basis. Sick leave is accumulated at the rate of one day for each full month of service up to a maximum of 65 days and is forfeited upon termination, death, or retirement.
- **Deferred revenues** - These amounts are not recognized as revenue until the revenue recognition criteria has been met and often represent payments received before the due date.

PORT OF OTHELLO
 NOTES TO FINANCIAL STATEMENTS

- **Net Assets** - Formerly the "equity" section, net assets now conform to the GASB reporting guidelines which, for the years reported, separate net assets into that which is invested in capital assets, net of related debt, and that which is unrestricted.

- **Use of estimates** - The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

Note 2 - Deposits and Investments

The Port'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).

As required by state law, all investments of the Port's funds are the obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, invested in the Washington State Local Government Investment Pool, bankers acceptances, or certificates of deposit with Washington State banks and savings and loan institutions.

Deposits and investments as of December 31, by investment type:

	2010
	Unrestricted
Deposits with Sterling Bank	\$ 864,504
Deposits with Adams County	3,693
Washington State Local Government Investment Pool	967,870
	\$ 1,836,067

Cash and cash equivalents by source/use of funds:

	2010
General Unrestricted Use	\$ 1,836,067

Note 3 - Property Taxes

The Adams County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed at the end of each month to the Port by the County Treasurer. A revaluation of all property is required every four years.

**PORT OF OTHELLO
NOTES TO FINANCIAL STATEMENTS**

The property tax calendar is as follows:

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

Property taxes are recorded as a receivable and as deferred revenue when levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The Port may levy up to \$0.45 per \$1,000 of assessed valuation for general governmental services. The Washington State Constitution and Washington State law, in RCW 84.55.010, limit the rate. The district may also levy taxes at a lower rate.

The Port's regular levy for 2010 was \$.404642 per \$1,000 on an assessed valuation of \$923,035,721 for a total regular levy of \$373,499.

Note 4 - Capital Assets

Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. All capital assets are valued at historical cost.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method, with useful lives of 5 to 50 years.

PORT OF OTHELLO
NOTES TO FINANCIAL STATEMENTS

Capital assets activity for the year ended December 31, 2010 was as follows:

	Beginning Balance 1/1/2010	Increases	Decreases	Ending Balance 12/31/2010
Capital assets, not being depreciated				
Land and land rights	\$ 329,146	\$ 656,088	\$ -	\$ 985,234
Construction in progress	176,527	49,189	-	225,716
Capital capital assets, not being depreciated	505,673	705,277	-	1,210,950
Capital assets, being depreciated				
Airport improvements	1,442,997	-	-	1,442,997
Bruce Water System	2,739,529	-	-	2,739,529
Othello Business Park	246,004	-	6,141	239,863
Office equipment	15,471	-	-	15,471
Total capital assets, being depreciated	4,444,001	-	6,141	4,437,860
Less accumulated depreciation for:				
Airport improvements	(286,074)	(37,841)	-	(323,915)
Bruce Water System	(500,441)	(68,961)	-	(569,402)
Othello Business Park	-	(2,576)	-	(2,576)
Office equipment	(12,495)	(923)	-	(13,418)
Total accumulated depreciation	(799,010)	(110,300)	-	(909,310)
Net capital assets	\$ 4,150,664	\$ 594,977	\$ 6,141	\$ 4,739,500

PORT OF OTHELLO
NOTES TO FINANCIAL STATEMENTS

Note 5 - Construction In Progress

For 2010, construction in progress of \$225,716 represents the expense of ongoing year-end projects for which authorizations remaining of \$743,574 and a balance to complete of \$517,858.

Note 6 - Pension Plans

Substantially all of the Port'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 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 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB *Statement 27, Accounting for Pensions by State and Local Government Employers and No. 50, Pension Disclosures, an Amendment of GASB Statements No. 25 and 27*.

Plan Description - PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges; college and university employees (not participating in national higher education retirement programs); judges of district and municipal courts, and employees of local governments.

PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

**PORT OF OTHELLO
NOTES TO FINANCIAL STATEMENTS**

Note 6 - Pension Plans (Continued)

The Port has participated in Plan 2 only in the years being reported upon, therefore, details about Plan 1 and Plan 3 are not noted in these financial statements.

Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service. The monthly benefit is two percent of the AFC per year of service. (The AFC is the monthly average of the 60 consecutive highest paid service months).

There are 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	74,857
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,074
Active Plan Members Vested	105,339
Active Plan Members Non-vested	53,896
Total	<u><u>262,166</u></u>

Funding policy - Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 201, are as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	5.31% **	5.31% **	5.31% ***
Employee	6% ****	3.9% ****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employer rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.

***** Variable 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

PORT OF OTHELLO
NOTES TO FINANCIAL STATEMENTS

Both the Port and the employees made the required contributions. The Port's required contributions for the years ending December 31 were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2010	\$ -	\$ 4,644	\$ -
2009	\$ -	\$ 7,171	\$ -
2008	\$ -	\$ 7,828	\$ -

Note 7 - Long-Term Debt

The Port has no long-term debt.

Note 8 - Risk Management

The Port of Othello is a member of Enduris. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entity to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. Enduris was formed July 10, 1987, when two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2010, there are 451 Enduris members representing a broad range of special purpose districts.

Enduris allows members to jointly purchase excess insurance coverage, share in the self-insured retention, establish a plan for total self-insurance, and provide excellent risk management services and other related services. Enduris provides "occurrence" policies for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk" basis, blanket form using current Statement of Values. The Property coverage includes mobile equipment, electronic data processing equipment, valuable papers, building ordinance coverage, property in transit, extra expense, consequential loss, accounts receivable, fine arts, inventory or appraisal cost, automobile physical damage to insure vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers employee honesty coverage up to a liability limit of \$1,000,000.

Members make an annual contribution to fund Enduris. Enduris acquires insurance from unrelated insurance companies that is subject to a "per occurrence":

\$750,000 deductible on liability loss (9/1/09-12/31/09) - member is responsible for the first \$1,000 of the deductible amount of each claim, Enduris is responsible for the remaining \$749,000 on liability loss;
 \$1,000,000 deductible on liability loss (1/1/10-8/31/010) - the member is responsible for the first \$1,000 of the deductible amount of each claim, Enduris is responsible for the remaining \$999,000 on liability loss;
 \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, Enduris is responsible for the remaining \$249,000 on property loss.
 Enduris is responsible for the \$4,000 deductible on boiler and machinery loss;

Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

**PORT OF OTHELLO
NOTES TO FINANCIAL STATEMENTS**

Note 8 - Risk Management (Continued)

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

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

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

Note 9 - Operations

The Port's airport, Bruce Water System and property management operations are summarized below:

	YEAR ENDED DECEMBER 31, 2010			
	Airport	Bruce Water	Property Mgmt	Total
Operating revenues	\$ 62,588	\$ 44,976	\$ 90,465	\$ 198,029
Operating and general admin. expenses				
Operations	81,933	90,562	124,687	297,182
Depreciation	38,026	69,331	2,945	110,301
Total operating expenses	119,959	159,893	127,632	407,483
Operating gain/(loss)	\$ (57,370)	\$ (114,917)	\$ (37,166)	(209,453)
Net non-operating revenue (expenses)				1,073,640
Net income				\$ 864,187

**PORT OF OTHELLO
NOTES TO FINANCIAL STATEMENTS**

Note 10 - Lease Revenue

As part of its normal operations, the Port leases land to tenants who typically utilize the property for farming purposes, and hangars at the airport. The Port's objective is that lease terms be for a length of time that will assist in insuring economic stability and a fair return on the value of the facilities being leased. Lease terms, including options for renewal, run from 1 to 40 years. In addition, there are properties that are sometimes rented for short periods on a month-to-month basis. All leases are accounted for as operating leases.

Note 11 - Lease Income

Noncancelable lease payments with terms exceeding one year are as follows:

<u>Year ending December 31,</u>	<u>Land</u>
2011	\$ 3,771
2012	3,771
2013	3,771
2014	3,771
2015	3,771
2016 - 2020	13,545
2021 - 2025	13,114
	<u>\$ 45,514</u>

Note 12 - Contingent Liabilities

The Port records all material liabilities in its financial statements. There are no contingent liabilities requiring financial statement disclosure at December 31, 2010.

The Port receives grants from 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. The Director of the Port believes that such disallowances, if any, will be immaterial.

Note 13 - Additional Disclosures

The Port records the state single audit, a requirement when grant supported projects exceed \$500,000 in cost, as a non-operating expense as it is only required when grant supported projects occur. This is not a normal or routine operating event, thus relegating it to the non-operating status.

Theft of fuel, at the airport, in the amount of \$17,225 in 2010, is not a normal operating event. Security measures have been taken to insure this does not happen again, accordingly, it has been presented in the financial statements as a non-operating item.

Collection efforts failed in the Boetra matter where \$44,439 was due the Port. \$15,000 was written off in 2008 and the balance of \$29,439 was written off in 2010, in the Property Management operating statement.

MCAG 1696

PORT OF OTHELLO
aka, Adams County Port District #1

SCHEDULE 16

For Year Ended December 31, 2010

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

Agency:	Federal Aviation Administration
Program Name:	Runway 7-25 Shift
CFDA Number:	20-106
Project Number:	AIP No. 3-53-0044-04
Expenditures from Direct Awards:	<u>\$ 665,354.01</u>

MCAG 1696

PORT OF OTHELLO
aka, Adams County Port District #1
For Year Ended December 31, 2010

SCHEDULE 16

**NOTES TO THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Port of Othello's financial statements. The Port uses the full accrual basis of accounting.



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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

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Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
Director of Performance Audit
Director of Special Investigations
Director for Legal Affairs
Director of Quality Assurance
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