

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

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**Grant County Port District No. 10**  
**(Port of Moses Lake)**  
**Grant County**

Audit Period  
January 1, 2011 through December 31, 2011

Report No. 1008333

Issue Date  
September 24, 2012



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

September 24, 2012

Board of Commissioners  
Port of Moses Lake  
Moses Lake, Washington

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

Please find attached our report on Port of Moses Lake'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

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Grant County  
January 1, 2011 through December 31, 2011**

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# Federal Summary

## Port of Moses Lake Grant County January 1, 2011 through December 31, 2011

The results of our audit of Port of Moses Lake 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.

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

## Port of Moses Lake Grant County January 1, 2011 through December 31, 2011

Board of Commissioners  
Port of Moses Lake  
Moses Lake, Washington

We have audited the basic financial statements of Port of Moses Lake, Grant County, Washington, as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 5, 2012.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits, 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.

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**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 5, 2012

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 Moses Lake  
Grant County  
January 1, 2011 through December 31, 2011**

Board of Commissioners  
Port of Moses Lake  
Moses Lake, Washington

**COMPLIANCE**

We have audited the compliance of Port of Moses Lake, Grant 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, 2011. 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, 2011.



## **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 5, 2012

# Independent Auditor's Report on Financial Statements

## **Port of Moses Lake Grant County January 1, 2011 through December 31, 2011**

Board of Commissioners  
Port of Moses Lake  
Moses Lake, Washington

We have audited the accompanying basic financial statements of Port of Moses Lake, Grant County, Washington, as of and for the years ended December 31, 2011 and 2010, as listed on page 9. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits provide 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 Moses Lake, as of December 31, 2011 and 2010, and the changes in financial position and cash flows thereof for the years 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 audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards

generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the 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.

Our audits were 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 5, 2012

# Financial Section

**Port of Moses Lake  
Grant County  
January 1, 2011 through December 31, 2011**

***REQUIRED SUPPLEMENTARY INFORMATION***

Management's Discussion and Analysis – 2011 and 2010

***BASIC FINANCIAL STATEMENTS***

Statement of Net Assets – 2011 and 2010  
Statement of Revenues, Expenses and Changes in Fund Net Assets – 2011 and 2010  
Statement of Cash Flows – 2011 and 2010  
Notes to Financial Statements – 2011 and 2010

***SUPPLEMENTARY INFORMATION***

Schedule of Expenditures of Federal Awards – 2011 and 2010  
Notes to the Schedule of Expenditures of Federal Awards – 2011 and 2010

## **Management's Discussion and Analysis**

Our discussion and analysis of the Port of Moses Lake's financial performance provides an overview of the Port's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the Port's financial statements which follow.

The Port of Moses Lake is a Special Purpose Municipal Government. Ports exist to build infrastructure and promote economic development within their districts. Ports are often, though not always, involved in transportation activities. The Port of Moses Lake operates an International Airport for general, military and commercial aviation, and an industrial park to support private business activities.

The Port of Moses Lake was created in November 1965 to receive the assets of Larson Air Force Base when the base was closed in 1967. The District is located within Grant County, Washington. The Port is a special purpose government entity that owns land, industrial and commercial property, and an airport. The Port's primary mission is economic development for the citizens of the district.

Three elected Port commissioners administer to the Port. In accordance with the laws of Washington, the Commissioners have appointed an Executive Manager to manage Port operations and finances.

The Port owns and operates Grant County International Airport. The airport has five runways, with a 13500' X 200' main runway and 100 acres of ramp space. The spacious terminal building was completed in 1998. The adjacent industrial park has over 1 million sq. ft. of building space and an industrial wastewater land application system. There is a designated foreign-trade zone and U.S. Customs at the airport.

Ports do their accounting and financial reporting for their activities very much like a business. However, ports are municipal governments. As such, ports collect property tax revenues from the property owners within the port district. These tax revenues go to support the capital investments made by the Port. Often, ports will use tax revenues to pay for debt incurred to construct facilities that are used to support port functions. Sometimes, ports will also use a portion of their tax revenue to pay for operating expenses.

### **Issues Facing the Port**

There are major issues facing the Port that could result in material changes in its financial position in the long term. Among those issues are:

1. Restoration of commercial air service to the community.
2. Rail Service construction and operation.
3. Maintaining industrial park facilities that are older and need repairs and upgrades. Construction of new facilities.

4. Intensive investment in infrastructure is required to meet air safety initiatives at the Port's airport. While federal government bears the majority of the costs, the Port will bear a share of the cost and will have to manage the disruptions in operations that they will cause.
5. Competition with obtaining new users to the Industrial Park.

### **Financial Highlights**

- In 2011, the Port's overall revenues increased \$2,875,925 (41.5% of 2010 levels). Operating revenues increased \$1,919,364 (42.1% of 2010 levels). 2011 airport improvement grants exceeded 2010 grants by \$647,257.
- The Port's overall expenses increased in 2011 by \$369,897 (6.8% of 2010 levels). Operating expenses increased \$489,449 (9.6% of 2010 levels).
- The Port overall had income of \$4,050,831 in 2011.
- Debt of \$1,645,016 was repaid during the year.
- In 2011, purchased assets and completed projects totaled \$1,578,208 and uncompleted contracts increased by \$1,273,162. \$952,486 was refunded from Airport Improvement Project Grants.

### **Using the Annual Report**

This Report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Fund Assets provide information about the activities of the Port as a whole, and present a longer-term view of the Port's finances.

The Port maintains separate funds of cash as required by certain resolutions or bond covenants. The "one proprietary fund" model is used in this report in compliance with the rules of GASB 34 which provide that *separately issued debt* and *separately classified assets* are needed in order for a separate fund to exist. None of the Port's separate cash funds meet this definition. Therefore, for purposes of this report, all of the Port's transactions are reported in one fund.

The Port maintains a separate corporation, called the Port of Moses Lake Public Corporation established pursuant to State law for the purpose of issuing Industrial Development Revenue Bonds. The financial information for this separate corporation is not consolidated with other Port financial information in this report.

The Port maintains accounts with the Grant County Treasurer for the POML Grain Car revolving fund. The Port receives a fee for administering the fund. The fee is the only attribute of the fund included in the Port financial information.

### **Reporting the Port as a Whole**

Our analysis of the Port as a whole begins with the Statement of Net Assets. Understanding the financial trend of the Port begins with understanding the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets. Looking at these two reports, you should be able to determine if the Port is better off financially this year than it was in the past.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets include all the assets and liabilities of the Port using the accrual basis of accounting, which is the method used by most private sector businesses. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid by the Port.

These two reports show the Port's net assets and the changes in them during 2011 and 2010. The Port's net assets are its assets minus its liabilities. This is one measure of financial position of the Port. Over time, increases or decreases in the Port's net assets are a good indicator of whether its financial strength is improving or deteriorating. You need to consider other factors not shown on these two financial reports in order to assess the Port's true financial condition. Factors such as changes in the Port's tax base and the condition of the Port's asset base are also important when assessing the overall financial condition of the Port.

### **Fund Financial Statements**

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

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

## The Port as a Whole

The discussion below explains the Port's overall financial situation for the year ended December 31, 2011.

The Port's net assets increased \$4,050,831, or 11.78% in 2011. The net increase equals the 2011 net income of the Port and the recognition of cash held by the Port for the Washington State Department of Transportation (WSDOT).

**TABLE 1**  
**STATEMENT OF NET ASSETS**

	2011	2010	2009
Current and Other Assets	\$ 13,186,303	\$ 11,138,154	\$ 9,172,963
Capital Assets	31,021,338	30,257,988	31,156,015
<b>Total Assets</b>	<u>\$ 44,207,641</u>	<u>\$ 41,396,142</u>	<u>\$ 40,328,978</u>
Current Liabilities	\$ 1,469,582	\$ 1,297,744	\$ 1,733,398
Long-Term Liabilities	4,305,387	5,716,557	6,331,573
Total Liabilities	5,774,969	7,014,301	8,064,971
Net Assets			
Invested in Capital Assets, Net of Related Debt	25,997,397	23,917,505	23,928,769
Restricted for Future Capital	421,204	528,196	530,551
Restricted for WSDOT	749,113	661,072	
Unrestricted Net Assets	11,264,958	9,275,068	7,804,687
Total Net Assets	<u>38,432,672</u>	<u>34,381,841</u>	<u>32,264,007</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 44,207,641</u>	<u>\$ 41,396,142</u>	<u>\$ 40,328,978</u>

The Port's current assets at December 31, 2011 are available to be utilized by the Port during 2012. The current assets increased by \$2,048,149 in 2011. Current cash and cash equivalents increased by \$2,652,062.

Restricted funds decreased \$18,951 in 2011 from \$1,189,268 to \$1,170,317. Decrease of \$106,992 was bond repayment. The increase of \$88,041 was the recognition of funds held for WSDOT. The restricted funds are bond reserve funds and funds held for WSDOT.



The Port's current liabilities at December 31, 2011 are debts the Port will pay in 2012. The total current liabilities increased \$171,838 in 2011.

The Port maintained a capital asset base of \$31,021,338 as of December 31, 2011. The book value of the asset base increased by \$763,350 in 2011. The Port expenses \$2,089,128 per year in depreciation charges. When the Port invests more than that amount in new capital assets in a year, the book value of its asset base increases. The rate of new capital investment increased in 2011 compared to 2010. In 2010, the Port's asset base decreased \$898,027.

<b>TABLE 2 CAPITAL ASSETS</b>			
	2011	2010	2009
Land	\$ 348,604	\$ 348,604	\$ 348,604
Buildings	37,867,459	37,158,537	35,898,926
Improvements Other Than Buildings	43,041,845	42,893,332	41,545,549
Machinery and Equipment	5,600,370	4,879,597	4,850,500
Accumulated Depreciation	(57,593,126)	(55,505,106)	(53,536,578)
Construction in Progress	1,756,186	483,024	2,049,014
<b>Total Capital Assets</b>	<b><u>\$ 31,021,338</u></b>	<b><u>\$ 30,257,988</u></b>	<b><u>\$ 31,156,015</u></b>

The Port issued \$1,003,100 of revenue bonds in 2009 to fund the construction of a warehouse building. As of December 31, 2011, the Port had no bond funds available for new capital projects. The Port invests unused bond proceeds in short term investments. The Port anticipates capital projects in 2012 will total about \$9,952,947, of which \$2,132,370 is expected to be eligible for Project grants.

As expected, the Port's long-term liabilities decreased in 2011. \$2,730,000 of Long-Term General Obligation Refunding Bonds were issued in 2007. The proceeds were used to refund the \$2,700,000 of Long-Term General Obligation Bonds issued in 1996. The refunding will result in a savings of \$172,291 over the term of the bonds. The scheduled payments on the bonds and loans were made. General Obligation Bonds Refunding outstanding at December 31, 2011 amounted to \$1,525,000, reflecting the 2011 principal payment of \$260,000. Revenue bonds outstanding amounted to \$2,353,182, a decrease of \$1,314,722. The CERB loans outstanding decreased \$70,294 to \$808,375 at December 31, 2011.

The Port has booked the acquisition of all assets at historical costs in its Statement of Net Assets. The Port has received certain grants in aid of construction or acquisition of certain of its assets, including the airport. The contributions received from other governments for these assets are shown as "Invested in Capital Assets" account on the Port's Statement of Net Assets.

The Port books depreciation expense for these contributed assets over the useful life of the asset. Useful lives of airport runways can exceed 40 years. Since the Port did not pay for these assets, the depreciation is credited back to net income. If the expenses were not credited against income, the Port would be overstating its cost of capital assets since it did not pay for these assets. The depreciation is effectively charged against and directly reduces the "Invested in Capital Assets" account each year.

<b>TABLE 3</b>			
<b>STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</b>			
	2011	2010	2009
<b>Revenues</b>			
Operating Revenue	\$ 6,478,513	\$ 4,559,149	\$ 3,983,915
Non-Operating Revenue	2,366,701	2,060,597	1,523,821
Other Revenues	1,043,727	966,301	1,520,352
<b>Total Revenue</b>	<b>9,888,941</b>	<b>7,586,047</b>	<b>7,028,088</b>
<b>Expenses</b>			
Operating Expense	5,567,480	5,078,031	5,220,415
Non-Operating Expense	270,630	390,182	374,319
<b>Total Expenses</b>	<b>5,838,110</b>	<b>5,468,213</b>	<b>5,594,734</b>
<b>Changes in Net Assets</b>	<b>\$ 4,050,831</b>	<b>\$ 2,117,834</b>	<b>\$ 1,433,354</b>

### Contacting the Port's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Port's finances and to show the Port's accountability for the money it receives. If you have questions about this report, or if you need additional financial information, please contact Patrick Jones, Executive Manager, at 7810 Andrews St., Moses Lake, WA 98837 or by phone at (509) 762-5363.

Grant County Port District #10  
Port of Moses Lake

**STATEMENT OF NET ASSETS**  
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 11,496,816	\$ 8,844,754
Taxes receivable	107,714	80,852
Accounts receivable	58,073	106,089
Due from other governments	106,889	573,643
Prepaid expenses	115,182	188,599
Reimbursement receivable - current portion	<u>22,535</u>	<u>21,402</u>
Total Current Assets	11,907,209	9,815,339
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents	1,170,317	1,189,268
<b>NONCURRENT ASSETS</b>		
Capital Assets		
Property, plant and equipment	86,858,278	85,280,070
Construction in progress	1,756,186	483,024
Less: Accumulated depreciation	<u>(57,593,126)</u>	<u>(55,505,106)</u>
Total Net Capital Assets	31,021,338	30,257,988
<b>OTHER NONCURRENT ASSETS</b>		
Unamortized bond issue costs	2,928	4,056
Reimbursement receivable - term portion	88,683	111,218
Foreign trade zone costs	33,224	33,224
Less: Accumulated amortization	<u>(16,058)</u>	<u>(14,951)</u>
Total Other Noncurrent Assets	108,777	133,547
<b>TOTAL ASSETS</b>	<b><u>\$ 44,207,641</u></b>	<b><u>\$ 41,396,142</u></b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Warrants payable	\$ 85,839	\$ 58,040
Accounts payable	601,808	230,520
Accrued interest payable	56,986	69,003
Accounts receivable credit balances	173,328	145,517
Deferred credits	170,451	179,648
Current portion of long-term obligations	<u>381,170</u>	<u>615,016</u>
Total Current Liabilities	1,469,582	1,297,744
<b>NONCURRENT LIABILITIES</b>		
General obligation bonds	1,250,000	1,525,000
Revenue bonds	2,320,726	3,383,182
CERB loans payable	<u>734,661</u>	<u>808,375</u>
Total Noncurrent Liabilities	4,305,387	5,716,557
<b>TOTAL LIABILITIES</b>	5,774,969	7,014,301
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	25,997,397	23,917,505
Restricted for debt service	421,204	528,196
Restricted for WSDOT	749,113	661,072
Unrestricted	<u>11,264,958</u>	<u>9,275,068</u>
Total Net Assets	38,432,672	34,381,841
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 44,207,641</u></b>	<b><u>\$ 41,396,142</u></b>

See the notes to the financial statements.

Grant County Port District #10  
Port of Moses Lake

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**

For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>		
Airport operations	\$ 1,625,972	\$ 1,097,281
Property lease/rental operations	4,455,122	3,202,623
General and administrative	1,285	4,310
Other: Expense reimbursement	396,134	254,935
Total Operating Revenues	6,478,513	4,559,149
<b>OPERATING EXPENSES</b>		
General operations	1,586,405	967,900
Maintenance	1,324,873	982,126
General and administrative	567,074	1,158,370
Depreciation	2,089,128	1,969,635
Total Operating Expenses	5,567,480	5,078,031
<b>OPERATING INCOME (LOSS)</b>	911,033	(518,882)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	270,135	208,157
Taxes levied for general purposes	2,096,566	1,852,225
Gain on disposition of assets	3,200	215
Interest expense	(270,630)	(390,182)
Total Nonoperating Revenues	2,099,271	1,670,415
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS</b>	3,010,304	1,151,533
Cash held for WSDOT	88,041	661,072
Capital contributions	952,486	305,229
<b>INCREASE IN NET ASSETS</b>	4,050,831	2,117,834
<b>NET ASSETS - BEGINNING OF PERIOD</b>	34,381,841	32,264,007
<b>NET ASSETS - END OF PERIOD</b>	<b>\$ 38,432,672</b>	<b>\$ 34,381,841</b>

See the notes to the financial statements.

Grant County Port District #10  
Port of Moses Lake

**STATEMENT OF CASH FLOWS**

For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 6,961,487	\$ 4,527,035
Payments to suppliers	(1,824,715)	(2,115,849)
Payments to employees	(1,191,660)	(1,407,095)
Internal activity - payments to other funds	<u>0</u>	<u>0</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,945,112	1,004,091
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sale of assets	3,200	215
Capital contributions	1,013,422	685,235
Purchases of capital assets	(2,851,370)	(1,239,558)
Bond issue costs	1,128	1,288
Principal paid on capital debt	(1,645,016)	(660,254)
Interest paid on capital debt	(282,647)	(387,541)
Taxes collected	<u>2,069,704</u>	<u>1,845,827</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,691,579)	245,212
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Recognition of cash held for others	0	762,128
Cash held for others - current year increase (decrease)	88,041	(101,056)
Expenditures reimbursed	21,402	20,327
Interest and dividends	<u>270,135</u>	<u>208,157</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>379,578</u>	<u>889,556</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,633,111	2,138,859
<b>BALANCES - BEGINNING OF YEAR</b>	<u>10,034,022</u>	<u>7,895,163</u>
<b>BALANCES - END OF YEAR</b>	<u><b>\$ 12,667,133</b></u>	<u><b>\$ 10,034,022</b></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating income(loss)	\$ 911,033	\$ (518,882)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,089,128	1,969,635
Change in assets and liabilities:		
Receivables, net	481,645	(66,828)
Prepaid expenses	73,417	(124,267)
Accounts and other payables	399,086	(286,446)
Accrued expenses	(10,526)	(3,835)
Rental deposits	<u>1,329</u>	<u>34,714</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>\$ 3,945,112</b></u>	<u><b>\$ 1,004,091</b></u>

See the notes to the financial statements.

Grant County Port District #10  
Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2011

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Grant County Port District #10 was incorporated on November 15, 1965, and operates under the laws of the State of Washington applicable to a Port District. The accounting and reporting policies of the Port conform to generally accepted accounting principles as applied to governments. The Port has elected to apply Financial Accounting Standards (FASB) guidance issued after November 20, 1989 to the extent that it does not conflict with or contradict Guidance of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

In June 1999, GASB approved Statement 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 Financial Statements).

A. Reporting Entity

The Port is a special purpose government and provides an airport, industrial park and rental land and buildings to the general public and is supported primarily through user charges (or where the governing body has decided that periodic determination of net income is needed).

The Port is governed by an elected 3 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 Presentation

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

Funds are accounted for on a cost of services or an economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position (or balance sheets). Their reported fund position is segregated into net investment in capital assets, restricted and unrestricted components of net position. Operating statements present increases (revenues and gains) and decrease (expenses and losses) in net position. The district discloses changes in cash flows by a separate statement that presents their 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. Fixed asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund(s).

Grant County Port District #10  
Port of Moses Lake**NOTES TO FINANCIAL STATEMENTS**

December 31, 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The district distinguishes between operating revenues and expenses from nonoperating ones. Operating revenues and expenses result from providing services in connection with the district's principal ongoing operations. The principal operating revenues of the district are charges to customers for rentals, landing fees, and airport services. The district also recognizes the operation of the wastewater facility as operating revenue. Operating expenses for the district include costs related to the maintenance of the Port's property, public safety services, administration of the district and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**C. Assets, Liabilities and Equities**1) Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2011, the Treasurer was holding \$12,477,986 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as a cash equivalent.

For purposes of the statements of cash flows, the Port considered all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

2) Temporary Investments - See Note 2

Grant County Port District #10  
 Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

3) Receivables

Taxes receivable consists of property taxes and related interest and penalties (see Note 3 - Property Taxes).

Customer accounts receivable consist of amounts owed from private individuals or organizations for services, including amounts owed for which billings have not been prepared. Notes receivable consist of amounts owed on open account from private individuals or organizations for services rendered.

It is the policy of the Port to write off bad debts as they occur. No accounts were written off in 2010. \$3,677 were considered to be uncollectible in 2011. Consequently, the allowance for uncollectible accounts required by generally accepted accounting principles is not considered to be material to the financial statements taken as a whole.

4) Amounts Due from Other Governmental Units

These accounts include amounts due from other Governments for rents and expense reimbursements.

5) Restricted Assets

Restricted Net Assets contain resources for debt service and cash held for others. They are composed of the following:

	<u>2011</u>	<u>2010</u>
Cash and Cash Equivalents - Debt Service	\$ 421,204	\$ 528,196
Cash and Cash Equivalents - WSDOT	<u>749,113</u>	<u>661,072</u>
	<u>\$1,170,317</u>	<u>\$1,189,268</u>

6) Capital Assets and Depreciation - See Note 4

7) Other Property and Investments - See Note 2

8) Compensated Absences

The Port records all accumulated unused vacation and vested sick leave. The expenses are accrued when incurred and the liability is recorded in the fund. Total accrued vacation and sick leave expenses were \$66,449.

Vacation pay, which may be accumulated up to the amount earned in 2 years of service is payable upon resignation, retirement or death. Sick leave may be accumulated up to 720 hours (940 public safety). Twenty-five percent of outstanding sick leave is payable upon termination, fifty percent upon retirement, or 100 percent upon death.

9) Long Term Debt - See Note 9



Grant County Port District #10  
 Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

**NOTE 2 - DEPOSITS AND INVESTMENTS**

DEPOSITS

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).

INVESTMENTS

As of December 31, 2011 and 2010, the Port had the following investments:

Investment	2011	2010
State investment pool	\$ 0	\$ 0
U.S. Treasuries	0	0
Banker's acceptance	0	0
Repurchase agreements	0	0
Grant County Treasurer's investment pool	12,477,986	9,959,707
Total	\$12,477,986	\$ 9,959,707

**NOTE 3 - PROPERTY TAXES**

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

Property Tax Calendar

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

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

The district may levy up to \$.45 per \$1,000 of assessed valuation for general governmental services. Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. The district may also levy taxes at a lower rate.

Grant County Port District #10  
Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2011

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**NOTE 3 - PROPERTY TAXES - continued**

The district's regular levy for 2011 was \$.45 per \$1,000 on an assessed valuation of \$4,127,527,321 for a total regular levy of \$2,082,693. In 2010 the regular tax levy was \$1,839,112.

**NOTE 4 - CAPITAL ASSETS AND DEPRECIATION**

- A. 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 or estimated market value for donated assets.

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

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of 10 to 40 years.

Grant County Port District #10  
 Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

**NOTE 4 - CAPITAL ASSETS AND DEPRECIATION - continued**

B. Capital assets activity for the year ended December 31, 2011 was as follows:

	Beginning Balance 01/01/11	Increases	Decreases	Ending Balance 12/31/11
Capital assets not being depreciated				
Land	\$ 348,604	\$ 0	\$ 0	\$ 348,604
Construction in progress	483,024	2,714,686	1,441,524	1,756,186
<b>Total capital assets, not being depreciated</b>	<u>\$ 831,628</u>	<u>\$ 2,714,686</u>	<u>\$ 1,441,524</u>	<u>\$ 2,104,790</u>
Capital assets, being depreciated:				
Buildings	\$37,158,537	\$ 708,922	\$ 0	37,867,459
Improvements other than	42,893,332	148,513	0	43,041,845
Machinery and equipment	4,879,597	720,773	0	5,600,370
Other	33,224	0	0	33,224
<b>Total capital assets being depreciated</b>	84,964,690	1,578,208	0	86,542,898
Less accumulated depreciation for:				
Buildings	20,980,348	760,686	0	21,741,034
Improvements other than	30,731,020	1,108,597	0	31,839,617
Machinery and equipment	3,793,737	218,738	0	4,012,475
Other	14,951	1,107	0	16,058
<b>Total accumulated depreciation</b>	<b>55,520,056</b>	<b>2,089,128</b>	<b>0</b>	<b>57,609,184</b>
<b>Total capital assets, being depreciated, net</b>	<b>\$29,444,634</b>	<b>\$ (510,920)</b>	<b>\$ 0</b>	<b>\$28,933,714</b>

Grant County Port District #10  
 Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

**NOTE 4 - CAPITAL ASSETS AND DEPRECIATION - continued**

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

	Beginning Balance 01/01/10	Increases	Decreases	Ending Balance 12/31/10
Capital assets not being depreciated				
Land	\$ 348,604	\$ 0	\$ 0	\$ 348,604
Construction in progress	2,049,014	1,038,356	2,604,346	483,024
<b>Total capital assets, not being depreciated</b>	<u>\$ 2,397,618</u>	<u>\$ 1,038,356</u>	<u>\$ 2,604,346</u>	<u>\$ 831,628</u>
Capital assets, being depreciated:				
Buildings	\$35,898,926	\$ 1,259,611	\$ 0	\$37,158,537
Improvements other than	41,545,549	1,347,783	0	42,893,332
Machinery and equipment	4,850,500	29,097	0	4,879,597
Other	33,224	0	0	33,224
<b>Total capital assets being depreciated</b>	82,328,199	2,636,491	0	84,964,690
Less accumulated depreciation for:				
Buildings	20,247,394	732,954	0	20,980,348
Improvements other than	29,675,195	1,055,825	0	30,731,020
Machinery and equipment	3,613,989	179,748	0	3,793,737
Other	13,843	1,108	0	14,951
<b>Total accumulated depreciation</b>	<b>53,550,421</b>	<b>1,969,635</b>	<b>0</b>	<b>55,520,056</b>
<b>Total capital assets, being depreciated, net</b>	<b>\$28,777,778</b>	<b>\$ 666,856</b>	<b>\$ 0</b>	<b>\$29,444,634</b>

Grant County Port District #10  
Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

**NOTE 4 - FIXED ASSETS AND DEPRECIATION - continued**

D. Construction Commitments

The Port has active construction projects as of December 31, 2011. The projects include: Reroofing, Warehouse Construction and a fire suppression system.

At December 31, 2011 the district's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
3401 Fire Suppression	\$ 438,957	\$ 1,583,369
Reroofing	594,572	44,752
Warehouse Building	0	700,000
Taxiway Repair	<u>7,090</u>	<u>26,219</u>
	\$ 1,040,619	\$ 2,354,340

The Port was required to raise the entire remaining commitment.

At December 31, 2010 the district's commitments with contractors were as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Warehouse Building	\$ 103,929	\$ 245,721
Reroofing	224,074	34,019
	\$ 328,003	\$ 279,740

The Port was required to raise the entire remaining commitment.

**NOTE 5 - REIMBURSEMENT RECEIVABLE**

In conjunction with the preparation of a warehouse building for a new tenant, a drive-through cooler and other improvements were installed in the building. The lease was renegotiated to account for the Port's cost of the additions. However, the tenant will assume ownership of the \$217,311 cooler. The cooler portion of the reimbursement is \$2,312 per month for 120 months including interest at 5.166%. The balance due at December 31, 2011 is \$111,217 of which \$27,752 is considered to be current.

**NOTE 6 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions.

Grant County Port District #10  
Port of Moses Lake**NOTES TO FINANCIAL STATEMENTS**December 31, 2011

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**NOTE 7 - PENSION PLANS**

Substantially all 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](http://www.drs.wa.gov). The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

**Public Employees' Retirement System (PERS) Plans 1, 2, and 3**Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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.

PERS members 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 exercised an option to transfer their membership to Plan 3. PERS members 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.

Grant County Port District #10  
Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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**NOTE 7 - PENSION PLANS - continued**

The Port no longer has any Plan 1 members.

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

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- # With a benefit that is reduced by 3 percent for each year before age 65.
- # With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

Effective June 7, 2006, PERS 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Grant County Port District #10  
Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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**NOTE 7 - PENSION PLANS - continued**

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- # If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- # If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2. PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.



Grant County Port District #10  
 Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

**NOTE 7 - PENSION PLANS - continued**

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	76,899
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,860
Active Plan Members Vested	105,521
Active Plan Members Non-vested	<u>51,005</u>
Total	<u>262,285</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 six 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.

Grant County Port District #10  
Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

**NOTE 7 - PENSION PLANS - continued**

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011 are as follows:

	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
Employer*	7.25%**	7.25%***
Employee	4.64%****	*****

- \* 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 employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.
- \*\*\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

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

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
2011	\$ 0	\$ 34,858	\$ 8,792
2010	\$ 0	\$ 27,431	\$ 7,822
2009	\$ 0	\$ 24,439	\$ 11,970

**Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2:**

The Port no longer has any LEOFF members.

The Port's required contributions for the years ended December 31 were as follows:

	<b>LEOFF Plan 1</b>	<b>LEOFF Plan 2</b>
2011	\$ 0	\$ 0
2010	\$ 0	\$ 0
2009	\$ 0	\$ 0

Grant County Port District #10  
 Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

**NOTE 8 - RISK MANAGEMENT**

The Port maintains insurance against most normal hazards except for unemployment insurance and property damage on Port buildings except the terminal and certain other buildings where it has elected to become self insured.

Based on managements estimates, the Port's estimated liability for probable losses at December 31, 2011 was as follows:

Unemployment	\$ 0
Building Loss/Damage	\$ 0

**NOTE 9 - LONG TERM DEBT**

The Port issued general obligation and revenue bonds to finance the construction of a new terminal building and in 2010, a warehouse. The Port is also liable for notes that were entered into for the purchase of fueling facility improvements.

Debt issue costs have been charged to the cost of the related project and will therefore be amortized over the estimated life of the asset.

A. <u>Limited Tax General Obligation Bonds</u>	<u>Outstanding</u>
LTGO Refunding Bonds, 2007 Series A (AMT) (REF 96A) - \$1,665,000, 4.25% Graduated annual principal and semi-annual interest payments through 12/01/13.	\$ 460,000
LTGO Refunding Bonds, 2007 Series B (BQ) (REF 96B) - \$1,065,000, 4.25% \$22,632 semi-annually (interest only) to 6/01/13 then graduated annual principal and semi-annual interest payments through 12/01/16	\$ 1,065,000

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

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 275.000	\$ 64.812
2013	290.000	53.125
2014	305.000	40.800
2015	320.000	27.837
2016	<u>335,000</u>	<u>14,238</u>
Total	<u>\$ 1,525,000</u>	<u>\$ 200,812</u>

Grant County Port District #10  
 Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

**NOTE 9 - LONG TERM DEBT - (continued)**

The refunding of the 1996 Series A and B Bonds was undertaken to reduce total debt service payments over 10 years by \$201,517 and resulted in an economic gain of \$172,291.

<u>B. Revenue Bonds</u>	<u>Outstanding</u>
1999 Series A, \$2,655,000, 6.50% - 7.75%, Graduated semi-annual interest payments and graduated annual principal payments through 12/1/14	\$ 0
1999 Series B, \$280,000, 6.00%, \$8,400 semi-annually (interest only) to 12/1/14. Graduated interest and principal payments through 12/1/15	\$ 0
1999 Series C, \$1,475,000, 5.75%, \$42,406 semi-annually (interest only) to 12/1/15. Graduated interest and principal payments through 12/1/19	\$ 1,475,000
2009 Series, \$1,003,100, 6.79%, \$61,204 semi-annual principal and interest payments through 8/1/2021	\$ 878,182

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

Year Ending December 31	Principal	Interest
2012	\$ 63.845	\$ 141.570
2013	68.254	137.035
2014	72.967	132.190
2015	148.006	126.673
2016	408.393	115.887
2017-21	<u>1,591,717</u>	<u>207,174</u>
Total	<u>\$ 2,353,182</u>	<u>\$ 860,529</u>

Grant County Port District #10  
 Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

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**NOTE 9 - LONG TERM DEBT - continued**

C. CERB Loans

In July 1999, the Port obtained a \$573,827 loan from the Community Economic Revitalization Board (CERB). The loan is to be repaid in 10 annual payments of \$70,648 including interest at 4 percent beginning June 1, 2001. The proceeds of the loan were utilized to finance a portion of the improvements to an industrial building located at the Port. The loan was paid in full at December 31, 2010.

In February 2000, the Port received \$1,000,000 from CERB to finance a portion of the wastewater facility. The loan is to be repaid in 20 annual payments of \$78,955 including interest at 4.81% beginning June 1, 2001. The loan balance at December 31, 2011 and 2010 were \$565,976 and \$615,334, respectively.

In June 2000, the Port received an additional \$425,000 from CERB for improvements to an industrial building located at the Port. The loan is to be repaid in 20 annual payments of \$34,103 including interest at 5% beginning June 1, 2001. The loan balances at December 31, 2011 and 2010 were \$242,399 and \$263,335.

The annual debt service requirements to maturity for CERB loans are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 73,715	\$ 39,343
2013	77,302	35,756
2014	81,064	31,994
2015	85,009	28,049
2016	89,147	23,911
2017-20	<u>402,138</u>	<u>50,093</u>
Total	<u>\$ 808,375</u>	<u>\$ 209,146</u>

Grant County Port District #10  
Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

**NOTE 9 - LONG TERM DEBT - continued**

D. Changes in Long-Term Liabilities

During the year ended December 31, 2011, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/11	Additions	Reductions	Ending Balance 12/31/11	Due Within One Year
Bonds payable:					
G.O. Bonds	\$1,785,000	\$ 0	\$ 260,000	\$1,525,000	\$ 275,000
Revenue Bonds	<u>3,667,904</u>	<u>0</u>	<u>1,314,722</u>	<u>2,353,182</u>	<u>63,845</u>
	5,452,904	0	1,574,722	3,878,182	338,845
CERB loans	878,669	0	70,294	808,375	73,715
Compensated absences	<u>76,975</u>	<u>0</u>	<u>10,526</u>	<u>66,449</u>	<u>66,449</u>
Total long-term	<u>\$6,408,548</u>	<u>\$ 0</u>	<u>\$1,655,542</u>	<u>\$4,753,006</u>	<u>\$ 479,009</u>

During the year ended December 31, 2010, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/10	Addition	Reductions	Ending Balance 12/31/10	Due Within One Year
Bonds payable:					
G.O. Bonds	\$2,035,000	\$ 0	\$ 250,000	\$1,785,000	\$ 260,000
Revenue Bonds	<u>3,943,000</u>	<u>0</u>	<u>275,196</u>	<u>3,667,904</u>	<u>284,722</u>
	5,978,000	0	525,196	5,452,904	544,722
CERB loans	1,013,727	0	135,058	878,669	70,294
Compensated absences	<u>80,811</u>	<u>8,572</u>	<u>12,408</u>	<u>76,975</u>	<u>76,975</u>
Total long-term liabilities	<u>\$7,072,538</u>	<u>\$ 8,572</u>	<u>\$ 672,662</u>	<u>\$6,408,548</u>	<u>\$ 691,991</u>

**NOTE 10 - POST-RETIREMENT BENEFITS OTHER THAN PENSION BENEFIT**

In addition to the pension benefits described in Note 8, the Port provides post-retirement health care benefits, in accordance with LEOFF 1. There were 3 prior employees eligible and participating in these benefits.

Grant County Port District #10  
Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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**NOTE 10 - POST-RETIREMENT BENEFITS OTHER THAN PENSION BENEFIT - continued**

The Port reimburses 100% of the amount of validated claims for medical and hospitalization costs incurred by pre-Medicare retirees and their dependents. The Port also reimburses a fixed amount of \$442 per month for Medicare B and Medicare supplements for each retiree eligible for Medicare. One prior employee, not eligible for Medicare, is reimbursed for his medical insurance premiums totaling \$1,477 per month.

Total long term care insurance premiums for the retirees averaged \$410 per month.

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

Expenses of \$46,183 for 2011 were recognized for post-retirement health care.

**NOTE 11 - CONTINGENCIES AND LITIGATION**

The Port has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the Port will have to make payment. In the opinion of management, the Port's insurance policies and/or self-insurance are adequate to pay all known or pending claims.

The Port participates in a number of federal-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Port management believes that such disallowances, if any, will be immaterial.

**NOTE 12 - CONTRIBUTED CAPITAL**

Contributed capital consists of contributed fixed assets or contributions for fixed asset acquisition from other Governments, customers and other sources. The Port amortizes contributed capital by amounts that equal the annual depreciation on assets acquired with that capital.

Grant County Port District #10  
Port of Moses Lake

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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**NOTE 13 - PORT OF MOSES LAKE PUBLIC CORPORATION**

In February 1982, the Port formed a public corporation for the purpose of issuing Industrial Development Bonds. Since the public corporation is a separate entity, no data pertaining to it is in these statements.

**NOTE 14 - RELATED PARTY TRANSACTIONS**

The Port of Moses Lake did not enter into any related party transactions in 2011.

**NOTE 15 - EXTRAORDINARY/SPECIAL ITEMS**

The Port of Moses Lake had no Extraordinary or Special items in 2011. An extraordinary event is one that is beyond the control of management (e.g.: an earthquake). A special item is one that is within the control of management (e.g.: discontinuing a line of business).

**NOTE 16 - CASH HELD FOR OTHERS**

The Port District acts as custodian of funds for 27 railroad grain cars owned and/or operated by the Washington State Department of Transportation (WSDOT). The Port of Moses Lake does not realize any income or expense from the operation of the grain cars. The balance of the cash equivalent held by the Port at January 1, 2011 was \$661,072. During 2011 grain car receipts were \$137,933, interest earned was \$18,717, and expenditures totaled \$68,609. The resulting excess receipts of \$88,041 resulted in the balance of \$749,113 reflected in these statements.



Grant County Port District #10  
Port of Moses Lake

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For Year Ended December 31, 2011

1	2	3	4	5			
Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			
				From Pass-Through Awards	From Direct Awards	Total	Foot-note Ref.
FAA	AIP	20.106	3-53-0039-36	-	663,815	663,815	2
FAA	AIP	20.106	3-53-0039-37	-	258,739	258,739	2
Total Department of Transportation				-	922,554	922,554	
Total Federal Awards Expended				0	922,554	922,554	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

Grant County Port District #10  
Port of Moses Lake

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

December 31, 2011

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**NOTE 1 - BASIS OF ACCOUNTING**

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

**NOTE 2 - PROGRAM COSTS**

The amounts shown as current year expenses represent only federal, state, or local grant portion of the program costs. Entire program costs, including the Port's portion, may be more than shown.

**NOTE 3 - NOT AVAILABLE (N/A)**

An identification number has not been assigned to this program.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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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.

**State Auditor**  
**Chief of Staff**  
**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**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
**Chuck Pfeil, CPA**  
**Larisa Benson**  
**Jim Brittain, CPA**  
**Jan Jutte, CPA, CGFM**  
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**Mike Murphy**  
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