

ANNUAL REPORT CERTIFICATION

Port of Orcas

(Official Name of Government)

1755

MCAG No.

Submitted pursuant to RCW 43.09.230 to the Washington State Auditor's Office

For the Fiscal Year Ended 12/31/2022

GOVERNMENT INFORMATION:

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AUDIT CONTACT or PREPARER INFORMATION and CERTIFICATION:

Audit Contact or Preparer Name and Title Kim Kimple Airport Manager

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I certify 30th day of June, 2023, that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to ensure accurate financial reporting, comply with applicable laws and safeguard public resources, including controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.

Signatures

Kim Kimple (orcasairport@rockisland.com)

Port of Orcas
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		401 Operations
Beginning Cash and Investments		
308	Beginning Cash and Investments	1,887,992
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	257,037
320	Licenses and Permits	1,910
330	Intergovernmental Revenues	1,654,714
340	Charges for Goods and Services	268,640
350	Fines and Penalties	-
360	Miscellaneous Revenues	178,124
Total Revenues:		2,360,425
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	1,929,643
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		1,929,643
Excess (Deficiency) Revenues over Expenditures:		430,782
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	15,000
397	Transfers-In	1,362,646
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	11,197
Total Other Increases in Fund Resources:		1,388,843
Other Decreases in Fund Resources		
594-595	Capital Expenditures	1,713,039
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		1,713,039
Increase (Decrease) in Cash and Investments:		106,586
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	1,994,577
50841	Committed	-
50851	Assigned	-
50891	Unassigned	-
Total Ending Cash and Investments		1,994,577

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING 12/31/2022**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Port of Orcas reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budget, Accounting and Reporting System (BARS)* manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The Port of Orcas is a special purpose government (municipal corporation) which provides the essential public service of owning, operating and maintaining the Orcas Island Airport (a commercial service airport, and part of NIPIAS) for the general public and is supported primarily through property taxes and user fees. The District was incorporated on September 9, 1958 and operates under Chapter 53 RCW and other laws of the state of Washington applicable to port districts.

The Port of Orcas uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

-The accounts of the Port of Orcas are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The Port of Orcas resources are allocated to and accounted for in individual funds depending on their intended purpose. The following fund type is used by the Port of Orcas.

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Capital Projects Fund

These funds account for the financial resources that are committed or assigned to expenditures for the acquisition or construction of capital facilities or other capital assets.

b. Basis of Accounting

-Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

-In accordance with state law, the Port of Orcas also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

-Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

-The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the USA.

c. Budgets

-The Port of Orcas adopts annual appropriated budgets for general and capital projects funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriated budgets for these funds lapse at the fiscal year end.

-Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

<u>Fund</u>	<u>Final Appropriated Amounts</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	257,690.00	267.82	-257,422.18
Capital	400,000.00	1,713,038.71	1,313,038.71
Airport Ops	602,404.00	816,729.57	214,325.57

Budgeted amounts are authorized to be transferred between line items within and between funds; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the port's commissioners.

- d. Cash
It is the port's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.
- e. Deposits
The port's deposits are covered by the FDIC.
- f. Investments (See Note #2)
- g. Capital Assets
Capital assets are long-lived assets of the Port of Orcas and are recorded as expenditures when purchased.
- h. Compensated Absences
Vacation pay may be accumulated up to 1.5 times the current annual rate and is payable upon separation or retirement.

Sick leave may accumulate up to 60 days (480 hours). Upon separation or retirement employees do not receive payment for unused sick leave.
- i. Long-Term Debt
The Port of Orcas has no outstanding debt of any form.
- j. Risk Management (See Schedule 21)

NOTE 2 - INVESTMENTS

-The port's investments are held by the port or its agent (San Juan County Treasurer) in the port's name.
-Investments by type at December 31, 2022 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
L.G.I.P. (General Fund)	\$0.00
L.G.I.P. (Capital Fund)	\$25,000.00
L.G.I.P (Airport Ops Fund)	\$895,000.00

NOTE 3 – PROPERTY TAX

-The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.
-Property tax revenues are recognized when cash is received by the Port of Orcas. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.
-The Port of Orcas regular levy for the year 2022 was 0.0825866946 per \$1,000 on an assessed valuation of \$3,116,461,814, for a total levy of \$266,428.42

NOTE 4 – INTERFUND LOANS AND ADVANCES

-The following table displays interfund loan activity during 2022:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2018</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2022</u>
OIPRD	PoO-General	\$108,000.00		\$10,000.00	\$0.00
OIPRD	PoO-General	\$15,000.00		\$15,000.00	\$0.00

See additional information at Note 7.

NOTE 5 – PENSION PLANS

-Substantially all of the port's full-time and qualifying part-time employees participate in PERS 1, 2, or 3 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the port's financial statements.
-Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.
-Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
POB 48380
Olympia WA 98504-8380

NOTE 6 – CONSTRUCTION FINISHED

-The construction project which has triggered the federal one audit was completed, with all agencies notified and all retainage returned. The federal one audit is scheduled and underway as this is written.

NOTE 7---CONTINGENCIES AND LITIGATIONS

-NOT APPLICABLE

NOTE 8 – COMPLIANCE AND ACCOUNTABILITY

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

-There have been no expenditures exceeding legal appropriations in any of the funds of the Port of Orcas.

Port of Orcas

Schedule 01

For the year ended December 31, 2022

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1755	401	Operations	3083100	Restricted Cash and Investments - Beginning	\$1,887,992
1755	401	Operations	3084100	Committed Cash and Investments - Beginning	\$0
1755	401	Operations	3085100	Assigned Cash and Investments - Beginning	\$0
1755	401	Operations	3111000	Property Tax	\$257,037
1755	401	Operations	3218000	Concessions	\$1,910
1755	401	Operations	3312000	Federal Direct Grant from Department of Transportation	\$1,654,361
1755	401	Operations	3370000	Local Grants, Entitlements and Other Payments	\$353
1755	401	Operations	3445000	Sales of Fuel	\$240,253
1755	401	Operations	3446000	Airports and Ports Services	\$28,387
1755	401	Operations	3614000	Other Interest	\$540
1755	401	Operations	3620000	Rents and Leases	\$141,606
1755	401	Operations	3670000	Contributions and Donations from Nongovernmental Sources	\$1,661
1755	401	Operations	3699100	Miscellaneous Other Operating	\$34,317
1755	401	Operations	5460010	Airports and Ports	\$146,431
1755	401	Operations	5460020	Airports and Ports	\$36,347
1755	401	Operations	5460030	Airports and Ports	\$246,343
1755	401	Operations	5460040	Airports and Ports	\$1,500,522
1755	401	Operations	5083100	Restricted Cash and Investments - Ending	\$1,994,577
1755	401	Operations	5084100	Committed Cash and Investments - Ending	\$0
1755	401	Operations	5085100	Assigned Cash and Investments - Ending	\$0
1755	401	Operations	3918000	Intergovernmental Loans	\$15,000
1755	401	Operations	3951000	Proceeds from Sales of Capital Assets (Cash Basis Only)	\$11,197
1755	401	Operations	3970000	Transfers-In	\$1,362,646
1755	401	Operations	5914670	Debt Repayment - Airports and Ports	\$0
1755	401	Operations	5944660	Capital Expenditures/Expenses - Airports and Ports	\$1,713,039

**Port of Orcas
Schedule of Liabilities
For the Year Ended December 31, 2022**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Pension Liability		33,615	-	14,347	19,268
	Total Revenue and Other (non G.O.) Debt/Liabilities:		33,615	-	14,347	19,268
	Total Liabilities:		33,615	-	14,347	19,268

**Port of Orcas
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	1,721,037	1,721,037	-	
		Total Federal Awards Expended:		-	1,721,037	1,721,037	-	

The accompanying notes are an integral part of this schedule.

PORT OF ORCAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

Notes 1, 2 and 7 are required for all entities. Disclose other notes only if applicable to the government's circumstances.

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Port of Orcas' financial statements. The Port of Orcas uses the Cash Accounting Basis.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Port of Orcas portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 7 – Indirect Cost Rate

The amount expended includes \$ -0- claimed as an indirect cost recovery using an approved indirect cost rate of N/A percent. The Port of Orcas has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

OTHER NOTES

There is a discrepancy of \$10,830.00 between 2022 expenditures processed and 2022 expenditures reimbursed. This discrepancy can be found in Grant #3-53-0023-017-2020 RFR 06. A single line on a batch of CARES reimbursements from 2021 (Grant #3-53-0023-017-2020 RFR 05) was miscalculated. The request for reimbursement at that time was supposed to be \$108.30 but was recorded as \$10,830.00. This error was discovered in the next request for reimbursement, in 2022, and was backed out of that batch in whole. As such, the total reimbursed for 2022 expenditures in 2022 was \$1,721,036.85