

**Washington State Auditor's Office**  
**Accountability Audit Report**

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**Port District No. 1 of Chelan County**

Report Date  
**December 29, 2011**

**Report No. 1007102**

Issue Date  
**January 23, 2012**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

January 23, 2012

Board of Commissioners  
Port District No. 1 of Chelan County  
Wenatchee, Washington

***Report on Accountability***

We appreciate the opportunity to work in cooperation with your Port to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on the Port District No. 1 of Chelan County's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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December 29, 2011**

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# **Audit Summary**

## **Port District No. 1 of Chelan County December 29, 2011**

### ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of the Port District No. 1 of Chelan County from January 1, 2009 through December 31, 2010.

We evaluated internal controls and performed audit procedures on the activities of the Port. We also determined whether the Port complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Accounting/financial reporting
- Expenditures
- Procurement (bidding/prevaling wage)
- Financial condition

### ***RESULTS***

In the areas we examined, the Port's internal controls were adequate to safeguard public assets. The Port also complied with state laws and regulations and its own policies and procedures in the areas we examined.

## **Related Reports**

**Port District No. 1 of Chelan County  
December 29, 2011**

### ***FINANCIAL***

Our opinion on the Port's financial statements is provided in a separate report, which includes the Port's financial statements.

# **Description of the Port**

## **Port District No. 1 of Chelan County December 29, 2011**

### ***ABOUT THE PORT***

Port District No. 1 of Chelan County was incorporated in 1958. The Port mainly constructs industrial facilities it leases to manufacturers. An elected, three-member Board of Commissioners governs the Port. The Board appoints an executive Director to oversee the Port's daily operations and its 12 employees. For fiscal years 2009 and 2010, the Port had annual operating budgets of approximately \$3,414,913 and \$3,465,906, respectively.

### ***ELECTED OFFICIALS***

These officials served during the audit period:

Board of Commissioners:

JC Baldwin  
Mike Mackey  
Craig Larsen

### ***APPOINTED OFFICIALS***

Executive Director

Mark Urdahl

### ***PORT CONTACT INFORMATION***

Address: Port District No. 1 of Chelan County  
238 Olds Station Road, Suite A  
Wenatchee, WA 98801

Phone: (509) 663-5159

Website: [www.ccpd.com](http://www.ccpd.com)

### ***AUDIT HISTORY***

We audit the Port every two years. In the previous audit, we reported no findings. The Port has been responsive to our audit recommendations.



## **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**  
**Ivan Dansereau**  
**Mike Murphy**  
**Mindy Chambers**  
**Mary Leider**  
**(360) 902-0370**  
**(866) 902-3900**

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**Washington State Auditor's Office**  
**Financial Statements Audit Report**

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**Port District No. 1 of Chelan County**

Audit Period  
January 1, 2009 through December 31, 2010

Report No. 1007103

Issue Date  
January 23, 2012



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

January 23, 2012

Board of Commissioners  
Port District No. 1 of Chelan County  
Wenatchee, Washington

***Report on Financial Statements***

Please find attached our report on the Port District No. 1 of Chelan County's financial statements.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag".

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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January 1, 2009 through December 31, 2010**

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

## Port District No. 1 of Chelan County January 1, 2009 through December 31, 2010

Board of Commissioners  
Port District No. 1 of Chelan County  
Wenatchee, Washington

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Port District No. 1 of Chelan County, Washington, as of and for the years ended December 31, 2010 and 2009, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated December 29, 2011. Our report was modified to include a reference to other auditors.

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. Other auditors audited the financial statements of the Confluence Technology Center Condominium Association, as described in our audit report on the Port's financial statements. Those financial statements were not audited in accordance with *Government Auditing Standards*.

### **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 opinions 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 and the Board of Commissioners. 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

December 29, 2011

# Independent Auditor's Report on Financial Statements

## **Port District No. 1 of Chelan County January 1, 2009 through December 31, 2010**

Board of Commissioners  
Port District No. 1 of Chelan County  
Wenatchee, Washington

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Port District No. 1 of Chelan County, Washington, as of and for the years ended December 31, 2010 and 2009, which collectively comprise the Port's basic financial statements as listed on page 5. These financial statements are the responsibility of the Port's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Confluence Technology Center Condominium Association, which represents 100% of the assets, net assets and revenues of that discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Confluence Technology Center Condominium Association, is based on the reports of the other auditors.

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. The financial statements of the Confluence Technology Center Condominium Association were not audited in accordance with *Government Auditing Standards*. 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 and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Port District No. 1 of Chelan County, as of December 31, 2010 and 2009, and the respective changes in financial position and, where applicable, 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.

The management's discussion and analysis on pages 6 through 17 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors 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.

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

December 29, 2011

# Financial Section

## Port District No. 1 of Chelan County

January 1, 2009 through December 31, 2010

### ***REQUIRED SUPPLEMENTAL INFORMATION***

Management's Discussion and Analysis – 2010

Management's Discussion and Analysis – 2009

### ***BASIC FINANCIAL STATEMENTS***

Balance Sheet – 2010

Balance Sheet – 2009

Statement of Revenues, Expenses and Changes in Net Assets – 2010

Statement of Revenues, Expenses and Changes in Net Assets – 2009

Statement of Cash Flows – 2010

Statement of Cash Flows – 2009

Notes to Financial Statements – 2010

Notes to Financial Statements – 2009

## **Introduction**

The following is the Port of Chelan County's (the Port) Management Discussion and Analysis (MD&A) of financial activities and the performance for the calendar years ended December 31, 2010 and 2009. The discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Port and to identify any significant changes in financial position. Information contained in the MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and notes.

The notes to the financial statements are essential to a full understanding of data contained in the financial statements. This report also presents certain required supplementary information regarding capital assets and long-term debt activity during the year, including commitments made for capital expenditures.

## **Background**

The Port is a special purpose municipal government. The Port of Chelan County was established by the voters in 1958. It was originally established "to do all things necessary and proper to promote the extension of barge traffic to Rock Island and beyond, to prepare for the development of water transportation facilities and water recreation facilities, and to promote, develop, and encourage the industrial development of Chelan County." In 1958 this represented the most realistic avenue for economic growth and development in the north central Washington area. Severe environmental restrictions on the Columbia River, even at that time, prevented the development of water transportation efforts, as originally planned. Since that time the primary focus of the Port has been redirected to various avenues of economic development throughout Chelan County. This is reflected by a process of continuous evaluation of new economic development opportunities to capitalize on Chelan County's economic growth potential.

A three-member Port Commission governs the Port of Chelan County. All of the Commissioners are elected by voters within the district. All Commission members serve six-year terms that are staggered so one commissioner is elected every two years. Port Commission districts are identical to those of the Chelan County Commission. Each Commission district includes a significant portion of the Wenatchee urban area.

The Commission sets policy and delegates authority for the day-to-day operations of the Port District to its Executive Director and staff. The port office is located in the Olds Station Business Park at the outskirts of Wenatchee.

## **Background - continued**

With the exception of Pangborn Memorial Airport, the Port's real estate holdings are all located within Chelan County. Chelan County is the 3rd largest county (in land area) in the state of Washington, with population currently estimated at 73,300. Approximately 88% of the total land area within the county is under the ownership and control of the state and federal government. Additionally, much of the county is hilly or mountainous, concentrating major development along the Wenatchee and Columbia River valleys.

In the late 1960's the Port purchased then-orchard land in the Olds Station area at the north end of Wenatchee, eventually creating a 100-acre campus for business and industrial development at the confluence of the Wenatchee and Columbia Rivers. At the present time, 32 acres of the original property remains undeveloped. Additional properties have been purchased over recent years: the former Peshastin Mill, 61-acre site on the Wenatchee River near Leavenworth, west of Wenatchee; and 32.5 acres that was formerly the Cashmere Mill site, which was annexed into the City of Cashmere in April of 2010.

The Port of Chelan County also co-owns Pangborn Memorial airport with the Port of Douglas County. The Port of Chelan County manages the airside properties and aviation operations while the Port of Douglas County manages the non-aviation industrial property.

The Port began to acquire orchards and fruit industry-related property and warehouses in 1959 and continued to create an industrial campus by further acquisitions until 1996. Thirteen industrial, warehouse, and office facilities were then constructed on this property to attract tenants who would expand the local economy by direct investment and the creation of jobs primarily associated with the production of goods and services sold to consumers outside of the region.

The Port has been recognized as an early leader in recognizing the positive economic development benefits of tourism. The Tourism Action Group (TAG) was organized in 1989, comprised of working professionals within the tourism and hospitality industry charged with the goal of creating a county-wide promotional effort, including the communities of Chelan, Leavenworth, Cashmere, Wenatchee, and Entiat. The Port allocated as much as \$150,000 annually to this effort. This organization spawned greater efforts within each community to market their own communities more efficiently and effectively. As individual communities generated additional resources to promote tourism (in the form of significantly increasing lodging tax collections), the Port decreased its funding for TAG, and the group disbanded in the late 1990's.

## **Background - continued**

Chelan County Development Corporation (CCDC) - The Port formed the CCDC as a means to obtain industrial revenue bonding for qualifying manufacturing and processing businesses in the area. Examples of projects financed by IRB's include: Alcoa pollution control improvements, Manson Growers reconstruction and expansion, and Morel Foundry construction in Entiat. IRB's are rarely issued, but the corporation serves this economic development function as the opportunity arises.

Airports - In 1965, the city of Wenatchee (owner of Pangborn at the time) transferred ownership of the property to the Port of Chelan County. In 1974 the Port of Douglas County acquired an undivided, ½ interest in the airport after the runway had been extended to 5,500 feet. In terms of present day operation, the Port of Douglas operates and maintains the industrial property within airport boundaries, and the Port of Chelan County operates and maintains all airport operations and airside properties.

Lake Chelan Airport - The concept for an airport in Chelan was born in 1931 by the Chelan Chamber of Commerce. It was developed into a rugged airstrip and evolved into an FAA-approved operation, with the Port of Chelan County currently providing joint-funding. The airport primarily serves recreational aircraft in the resort community.

Miscellaneous - Throughout the 1970's, '80's, and early '90's, the Port partnered with the National Park Service and US Forest Service to construct and maintain a number of docks on the upper shores of Lake Chelan. These docks were vital to serving the tourism industry of the region where boating and camping are a vital part of the county economy. The Port also participated financially in a rafting put-in/take-out ramp on the Wenatchee River in Cashmere and in the development of Blackbird Island Park in Leavenworth.

## **Overview of the Financial Statements**

The Port of Chelan County falls under the control of the Governmental Accounting Standards Board (GASB). Since the Port is comprised of a single enterprise fund, no fund level financial statements are shown nor required.

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The basic financial statements include: the balance sheet, the statement of revenues, expenses and changes in net assets, and the statement of cash flows.

### **Overview of the Financial Statements - continued**

The balance sheet and the statement of revenues, expenses and changes in net assets provide the Port with an overall financial position and results of operations to assist the user in assessing whether that financial position has improved or deteriorated as a result of the annual activities. Over time, increases or decreases in net assets may serve as an indicator of whether the Port is financially stable or if there is a going concern.

The statement of revenues, expenses and changes in net assets show how the Port's net assets changed during the most recent year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows.

The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities. A reconciliation of the cash provided by operating activities to the Port's operating income as reflected on the statement of revenues, expenses and changes in net assets is also included.

The notes to the financial statements provide the reader additional detailed information that may not be apparent from the actual financial statements. The notes to the financial statements can be found immediately following the financial statements.

### **Financial Analysis of the Port**

In 2009 the Port sold its two oldest industrial buildings to the Wenatchee School District to enable the School District to establish a permanent home for its Technical Skill Center. The facilities had been leased by the Port to the School District, which precluded the School District from receiving future State funding for capital improvements to the buildings. The Port also closed on the transaction to purchase a 31 acre parcel of commercial/industrial land in Cashmere, Washington, and began site clearing and cleanup. Further, following a variety of engineering and feasibility studies, steps were taken that led to the acquisition in 2010 of a significant parcel of land located in the south node of the City of Wenatchee Waterfront Redevelopment Plan.

**An Overview of the Port Financial Position and Operations**

The Port's overall financial position and operations for the past two years are summarized in the following table based on the information included in the current and prior financial statements.

**TABLE 1  
 BALANCE SHEETS**

	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 5,713,480	\$ 8,173,831
Restricted assets	2,136	2,727
Capital assets	<u>25,390,923</u>	<u>23,769,851</u>
<b>Total assets</b>	<b><u>\$ 31,106,539</u></b>	<b><u>\$ 31,946,409</u></b>
Current liabilities	\$ 1,257,184	\$ 1,307,833
Noncurrent liabilities	<u>7,559,002</u>	<u>8,269,153</u>
<b>Total liabilities</b>	<b>8,816,186</b>	<b>9,576,986</b>
Invested in capital assets, net of related debt	17,112,803	14,840,573
Restricted net assets	2,136	2,727
Unrestricted net assets	<u>5,175,414</u>	<u>7,526,123</u>
<b>Total net assets</b>	<b><u>22,290,353</u></b>	<b><u>22,369,423</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 31,106,539</u></b>	<b><u>\$ 31,946,409</u></b>

**Total Assets**

The Port's total assets at December 31, 2010 decreased by \$839,870. This decrease is due to a reduction in cash which was used for capital purchases as well as debt reduction.

**Total Liabilities**

The Port's total liabilities decreased by \$760,800 during 2010. This decrease reflects annual payments on outstanding bonds as well as a decrease in accounts payable. In addition, six bonds were refunded during 2010 to take advantage of lower interest rates. See note 7 for a detailed description of all long-term debt.

**Total Net Assets**

The Port's financial position stayed consistent as net assets decreased by \$79,070 during 2010.

**TABLE 2**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	2010	2009
Revenues		
Operating revenue	\$ 2,105,772	\$ 2,250,869
Other operating revenues	106,920	133,836
Nonoperating revenue	2,500,845	3,752,329
Total revenues	4,713,537	6,137,034
Expenses		
Operating expenses	3,465,906	3,414,913
Nonoperating expenses	899,704	1,002,877
Other expenses	426,997	471,476
Total expenses	4,792,607	4,889,266
Change in net assets	\$ (79,070)	\$ 1,247,768

Major Factors Affecting the Statement of Revenue, Expenses and Change in Net Assets

Nonoperating revenue decreased significantly in 2010 as two industrial buildings were sold in 2009. In addition, nonoperating expenses also decreased as a stormwater system was transferred to the county in 2009. Other Port activities stayed consistent with prior years.

**Economic Factors**

Like most of the country, Chelan County and North Central Washington felt the impacts of the recession during 2010. The County experienced declining property values, although the Port was able to maintain its tax levy and levy collections during this period of economic downturn. A decline in property values can be offset by an increase in the levy rate, should the Commission find it necessary to do so. Chelan County's primary economic drivers, tree fruit and tourism, continue to do well in relation to the local economies of most of the country.

**Request for Information**

This financial report is designed to provide a general overview of the Port's finances and to show accountability of public funds. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Port District of Chelan County, Washington  
 Attn: Mark Urdahl, Executive Director  
 238 Olds Station Road, Suite A  
 Wenatchee, WA 98801

## **Introduction**

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## **Background - continued**

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Miscellaneous - Throughout the 1970's, '80's, and early '90's, the Port partnered with the National Park Service and US Forest Service to construct and maintain a number of docks on the upper shores of Lake Chelan. These docks were vital to serving the tourism industry of the region where boating and camping are a vital part of the county economy. The Port also participated financially in a rafting put-in/take-out ramp on the Wenatchee River in Cashmere and in the development of Blackbird Island park in Leavenworth.

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The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The basic financial statements include: the balance sheet, the statement of revenues, expenses and changes in net assets, and the statement of cash flows.

## **Overview of the Financial Statements - continued**

The balance sheet and the statement of revenues, expenses and changes in net assets provide the Port with an overall financial position and results of operations to assist the user in assessing whether that financial position has improved or deteriorated as a result of the annual activities. Over time, increases or decreases in net assets may serve as an indicator of whether the Port is financially stable or if there is a going concern.

The statement of revenues, expenses and changes in net assets show how the Port's net assets changed during the most recent year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows.

The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities. A reconciliation of the cash provided by operating activities to the Port's operating income as reflected on the statement of revenues, expenses and changes in net assets is also included.

The notes to the financial statements provide the reader additional detailed information that may not be apparent from the actual financial statements. The notes to the financial statements can be found immediately following the financial statements.

## **Financial Analysis of the Port**

In 2009 the Port sold its two oldest industrial buildings to the Wenatchee School District to enable the District to establish a permanent home for its Technical Skill Center. The facilities had been leased by the Port to the District, which precluded the District from receiving future State funding for capital improvements to the buildings. The Port also closed on the transaction to purchase a 31 acre parcel of commercial/industrial land in Cashmere, Washington, and began site clearing and cleanup. The first steps, in the form of a variety of engineering and feasibility studies, were taken that led to the acquisition in 2010 of a significant parcel of waterfront land located along the Columbia River in downtown Wenatchee.

The Port also completed several capital improvement projects related to existing Port facilities in the Olds Station Business and Industrial Park, including the replacement and upgrade of an HVAC system and roof on one of the major industrial buildings to increase the value of the facility for future tenants. A structure was also completed to accommodate maintenance and storage needs for the Confluence Technology Center, and the Port-developed Olds Station stormwater facility (and its associated liabilities) was transferred to the ownership of Chelan County during 2009.

**An Overview of the Port Financial Position and Operations**

The Port's overall financial position and operations for the past two years are summarized in the following table based on the information included in the current and prior financial statements.

**TABLE 1  
 BALANCE SHEETS**

	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 8,173,831	\$ 4,994,577
Restricted assets	2,727	1,197
Capital assets	<u>23,769,851</u>	<u>26,267,351</u>
Total assets	<u>\$ 31,946,409</u>	<u>\$ 31,263,125</u>
Current liabilities	\$ 1,307,833	\$ 1,210,516
Noncurrent liabilities	<u>8,269,153</u>	<u>8,930,954</u>
Total liabilities	9,576,986	10,141,470
Invested in capital assets, net of related debt	14,840,573	16,622,722
Restricted net assets	2,727	1,197
Unrestricted net assets	<u>7,526,123</u>	<u>4,497,736</u>
Total net assets	<u>22,369,423</u>	<u>21,121,655</u>
Total liabilities and net assets	<u>\$ 31,946,409</u>	<u>\$ 31,263,125</u>

Total Assets

The Port's total assets at December 31, 2009 increased by \$683,284. This increase is due to sale proceeds from industrial building #1 and #2, in addition to the purchase of the Cashmere Mill Site property. See note 4 for a detailed description of capital assets activity.

Total Liabilities

The Port's total liabilities decreased by \$564,484 during 2009. This decrease reflects annual payments on outstanding bonds as well as minimal changes in accounts payable and accrued liabilities during the year. See note 7 for a detailed description of all long-term debt.

Total Net Assets

The Port's financial position improved as net assets increased by \$1,247,768 during 2009. The change is primarily due to the sale of two industrial buildings to the Wenatchee School District, as described elsewhere within this statement and reduction in liabilities.

**TABLE 2  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	2009	2008
Revenues		
Operating revenue	\$ 2,250,869	\$ 1,931,992
Other operating revenues	133,836	366,832
Nonoperating revenue	3,752,329	2,453,036
	<hr/>	<hr/>
Total revenues	6,137,034	4,751,860
Expenses		
Operating expenses	3,414,913	3,494,112
Nonoperating expenses	1,002,877	659,437
Other expenses	471,476	307,944
	<hr/>	<hr/>
Total expenses	4,889,266	4,461,493
Change in net assets	<hr/> <hr/>	<hr/> <hr/>
	\$ 1,247,768	\$ 290,367

**Major Factors Affecting the Statement of Revenue, Expenses and Change in Net Assets**

The increase in net assets is primarily attributable to the sale of two industrial buildings to the Wenatchee School District. The Port Commission will identify other real estate opportunities for the reinvestment of those funds to both support economic development goals and to generate rental income for the Port.

**Economic Factors**

Like most of the country, Chelan County and North Central Washington felt the impacts of the recession during 2009. The Port lost one significant tenant, AcuPak, but added a new tenant, AgroFresh. The County did not experience declining property values, and the Port was able to maintain its tax levy and levy collections during this period of economic downturn. A decline in property values can be offset by an increase in the levy rate, should the Commission find it necessary to do so. Chelan County's primary economic drivers, tree fruit and tourism, continue to do very well in relation to the local economies of most of the country.

**Request for Information**

This financial report is designed to provide a general overview of the Port's finances and to show accountability of public funds. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Port District of Chelan County, Washington  
 Attn: Mark Urdahl, Executive Director  
 238 Olds Station Road, Suite A  
 Wenatchee, WA 98801

Port District of Chelan County, Washington

BALANCE SHEET

December 31, 2010

ASSETS

	Port District	Confluence Technology Center Condominium Association	Pangborn Memorial Airport
<b>CURRENT ASSETS</b>			
General investment fund [Note 2]	\$ 4,700,446	\$ -	\$ -
General fund	49,343	-	4,210
Bank accounts	17,615	56,217	51,028
Petty cash	100	-	1,500
Total unrestricted cash	<u>4,767,504</u>	<u>56,217</u>	<u>56,738</u>
Accounts receivable	109,967	29,354	51,252
Taxes receivable [Note 3]	146,174	-	-
Note receivable	70,092	-	-
Prepaid expenses	66,870	16,572	50,830
Total current assets	<u>5,160,607</u>	<u>102,143</u>	<u>158,820</u>
<b>NONCURRENT ASSETS</b>			
Restricted assets			
Bond redemption fund	2,136	-	-
Passenger facility fund	-	-	159,570
Total restricted assets	<u>2,136</u>	<u>-</u>	<u>159,570</u>
Capital assets [Note 4]			
Land and improvements	10,326,410	-	19,057,645
Buildings	22,336,466	-	6,101,128
Furniture and equipment	1,167,024	7,801	1,918,915
Construction in progress	147,533	-	1,033,952
Total	<u>33,977,433</u>	<u>7,801</u>	<u>28,111,640</u>
Less accumulated depreciation	<u>8,586,510</u>	<u>5,006</u>	<u>9,521,135</u>
Total capital assets	<u>25,390,923</u>	<u>2,795</u>	<u>18,590,505</u>
Other noncurrent assets			
Investment in Lake Chelan Airport [Note 9]	310,073	-	-
Reserves for CTC Condo Association	43,995	-	-
Accounts receivable	129,877	-	-
Unamortized loan fees	55,246	-	-
Other	13,682	-	-
Total other noncurrent assets	<u>552,873</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 31,106,539</u></u>	<u><u>\$ 104,938</u></u>	<u><u>\$ 18,908,895</u></u>

See accompanying notes to the financial statements

Port District of Chelan County, Washington  
BALANCE SHEET  
December 31, 2010

LIABILITIES AND NET ASSETS

	Port District	Confluence Technology Center Condominium Association	Pangborn Memorial Airport
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 268,010	\$ 57,411	\$ 548,612
Retainage in escrow	-	-	67,668
Compensated absences	37,253	-	22,996
Accrued taxes	57,318	-	-
Accrued interest	11,065	-	2,998
Long-term debt payable within one year [Note 7]	806,428	-	27,745
Operating note payable	-	-	30,141
Deferred revenue	77,110	40,209	-
Total current liabilities	1,257,184	97,620	700,160
 <b>NONCURRENT LIABILITIES</b>			
Long-term debt payable after one year [Note 7]	7,471,692	-	254,406
Discounts on bonds payable	(16,247)	-	-
Premiums on bonds payable	43,581	-	-
Lessee deposits	59,976	-	46,435
Total noncurrent liabilities	7,559,002	-	300,841
Total liabilities	8,816,186	97,620	1,001,001
 <b>NET ASSETS</b>			
Invested in capital assets, net of related debt	17,112,803	2,795	17,730,841
Restricted	2,136	-	159,570
Unrestricted	5,175,414	4,523	17,483
Total net assets	22,290,353	7,318	17,907,894
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 31,106,539</b>	<b>\$ 104,938</b>	<b>\$ 18,908,895</b>

See accompanying notes to the financial statements

Port District of Chelan County, Washington  
BALANCE SHEET  
December 31, 2009

ASSETS

	Port District	Confluence Technology Center Condominium Association	Pangborn Memorial Airport
<b>CURRENT ASSETS</b>			
General investment fund [Note 2]	\$ 7,206,482	\$ -	\$ -
General fund	80,830	-	9,902
Bank accounts	42,865	17,881	14,151
Petty cash	100	-	1,500
Total unrestricted cash	<u>7,330,277</u>	<u>17,881</u>	<u>25,553</u>
Accounts receivable	46,075	35,129	27,040
Taxes receivable [Note 3]	119,687	-	-
Note receivable	88,944	-	-
Prepaid expenses	<u>127,796</u>	<u>16,716</u>	<u>48,501</u>
Total current assets	7,712,779	69,726	101,094
<b>NONCURRENT ASSETS</b>			
Restricted assets			
Bond redemption fund	2,727	-	-
Passenger facility fund	<u>-</u>	<u>-</u>	<u>190,179</u>
Total restricted assets	2,727	-	190,179
Capital assets [Note 4]			
Land and improvements	8,229,857	-	18,842,001
Buildings	22,213,764	-	4,552,204
Furniture and equipment	1,079,996	7,801	1,879,516
Construction in progress	<u>58,940</u>	<u>-</u>	<u>1,816,590</u>
Total	31,582,557	7,801	27,090,311
Less accumulated depreciation	<u>7,812,706</u>	<u>4,226</u>	<u>8,793,685</u>
Total capital assets	23,769,851	3,575	18,296,626
Other noncurrent assets			
Investment in Lake Chelan Airport [Note 9]	176,356	-	-
Reserves for CTC Condo Association	48,999	-	-
Accounts receivable	148,673	-	-
Unamortized loan fees	74,669	-	-
Other	<u>12,355</u>	<u>-</u>	<u>-</u>
Total other noncurrent assets	<u>461,052</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 31,946,409</u></u>	<u><u>\$ 73,301</u></u>	<u><u>\$ 18,587,899</u></u>

See accompanying notes to the financial statements

Port District of Chelan County, Washington  
BALANCE SHEET  
December 31, 2009

LIABILITIES AND NET ASSETS

	Port District	Confluence Technology Center Condominium Association	Pangborn Memorial Airport
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 417,340	\$ 25,495	\$ 35,141
Retainage in escrow	-	-	128,785
Compensated absences	42,655	-	25,754
Accrued taxes	56,925	-	-
Accrued interest	40,014	-	3,197
Long-term debt payable within one year [Note 7]	676,085	-	26,575
Operating note payable	-	-	88,944
Deferred revenue	74,814	39,855	-
Total current liabilities	1,307,833	65,350	308,396
 <b>NONCURRENT LIABILITIES</b>			
Long-term debt payable after one year [Note 7]	8,253,193	-	282,151
Discount on bonds payable	(43,629)	-	-
Lessee deposits	59,589	-	46,445
Total noncurrent liabilities	8,269,153	-	328,596
Total liabilities	9,576,986	65,350	636,992
 <b>NET ASSETS</b>			
Invested in capital assets, net of related debt	14,840,573	3,575	17,859,115
Restricted	2,727	-	190,179
Unrestricted	7,526,123	4,376	(98,387)
Total net assets	22,369,423	7,951	17,950,907
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 31,946,409</b>	<b>\$ 73,301</b>	<b>\$ 18,587,899</b>

See accompanying notes to the financial statements

Port District of Chelan County, Washington  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 For the Year Ended December 31, 2010

	Port District	Confluence Technology Center Condominium Association	Pangborn Memorial Airport
<b>OPERATING REVENUE</b>			
Rentals [Note 8]	\$ 1,788,548	\$ -	\$ 488,548
Tenant reimbursements	317,224	-	-
Airport operations	-	-	174,699
Association dues	-	527,296	-
<b>Total operating revenue</b>	<b>2,105,772</b>	<b>527,296</b>	<b>663,247</b>
<b>OPERATING EXPENSES</b>			
Olds Station Business Park			
Property insurance	52,893	22,156	-
Maintenance and repairs	85,737	93,752	-
Utilities	48,610	131,963	-
Industrial marketing	198,774	-	-
Salaries	754,271	-	488,144
Commissioners' per diem	47,952	-	-
Employee benefits [Note 5]	164,501	-	131,721
Taxes - payroll	67,597	-	48,143
Depreciation	821,327	780	798,141
Condominium dues	352,714	-	-
Professional services			
Legal	105,047	1,293	31,346
Accounting	85,649	7,226	34,581
Engineering	12,294	-	-
Computer	177,175	23,744	-
Contract labor	-	141,082	3,260
Other consulting	225,541	150	11,350
Public relations	21,762	-	4,968
Conferences and meetings	27,641	-	7,846
Subscriptions and memberships	27,750	-	1,251
Land lease expense	-	-	32,125
Travel	23,101	1,777	-
Office expense	74,484	13,618	13,232
Maintenance and repairs	17,502	28,698	64,841
Utilities	38,147	10,598	50,782
Contract janitorial and supplies	-	50,328	18,814
Insurance	24,484	-	78,312
Auto expenses	9,142	-	25,819
Other expenses	1,811	828	45,269
<b>Total operating expenses</b>	<b>3,465,906</b>	<b>527,993</b>	<b>1,889,945</b>

See accompanying notes to the financial statements

Port District of Chelan County, Washington  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended December 31, 2010

	Port District	Confluence Technology Center Condominium Association	Pangborn Memorial Airport
OPERATING INCOME (LOSS) BEFORE OTHER OPERATING REVENUES AND EXPENSES	\$ (1,360,134)	\$ (697)	\$ (1,226,698)
OTHER OPERATING REVENUES			
Miscellaneous revenues	106,920	-	21,133
OPERATING INCOME (LOSS)	(1,253,214)	(697)	(1,205,565)
NONOPERATING REVENUE			
Taxes levied [Note 3]	2,269,342	-	-
Operating grants	64,050	-	415,013
Interest income	71,263	64	2,455
Security reimbursement agreement	-	-	47,232
Passenger facility charges	-	-	164,170
Leasehold & timber tax revenue	11,061	-	-
Income from Lake Chelan Airport [Note 9]	77,629	-	-
Gain on disposal of assets	7,500	-	1,457
Miscellaneous	-	-	49,756
Total nonoperating revenue	2,500,845	64	680,083
NONOPERATING EXPENSES			
Interest expense	496,223	-	20,170
Bond fees	56,727	-	-
Economic vitality projects	176,754	-	-
Contributions/grants	170,000	-	-
Total nonoperating expenses	899,704	-	20,170
INCOME (LOSS) BEFORE OTHER REVENUES (EXPENSES)	347,927	(633)	(545,652)
OTHER REVENUES (EXPENSES)			
Capital grants	-	-	502,639
Support of discrete component unit	(426,997)	-	-
Total other revenues (expenses)	(426,997)	-	502,639
CHANGE IN NET ASSETS	(79,070)	(633)	(43,013)
NET ASSETS - BEGINNING OF YEAR	22,369,423	7,951	17,950,907
NET ASSETS - END OF YEAR	<u>\$ 22,290,353</u>	<u>\$ 7,318</u>	<u>\$ 17,907,894</u>

See accompanying notes to the financial statements

Port District of Chelan County, Washington  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 For the Year Ended December 31, 2009

	Port District	Confluence Technology Center Condominium Association	Pangborn Memorial Airport
<b>OPERATING REVENUE</b>			
Rentals [Note 8]	\$ 1,914,533	\$ -	\$ 513,316
Tenant reimbursements	336,336	-	-
Airport operations	-	-	184,476
Association dues	-	722,325	-
Total operating revenue	<u>2,250,869</u>	<u>722,325</u>	<u>697,792</u>
<b>OPERATING EXPENSES</b>			
Olds Station Business Park			
Property insurance	65,733	21,009	-
Maintenance and repairs	130,813	292,942	-
Utilities	103,648	131,209	-
Industrial marketing	177,183	-	-
Salaries	715,231	-	470,173
Commissioners' per diem	47,640	-	-
Employee benefits [Note 5]	165,186	-	139,788
Taxes - payroll	59,472	-	48,863
Depreciation	861,943	781	715,667
Condominium dues	349,765	-	-
Professional services			
Legal	140,165	4,140	19,833
Accounting	77,031	10,588	22,782
Engineering	25,619	-	-
Computer	138,064	15,285	-
Contract labor	-	150,528	5,976
Other consulting	159,254	-	21,234
Public relations	13,680	-	8,532
Conferences and meetings	30,823	-	1,693
Subscriptions and memberships	20,593	-	1,529
Land lease expense	-	-	32,125
Travel	26,292	-	-
Office expense	25,574	13,492	14,350
Maintenance and repairs	16,694	26,696	92,798
Utilities	27,338	11,716	40,916
Contract janitorial and supplies	-	52,493	22,593
Insurance	22,907	-	74,289
Auto expenses	1,560	-	14,925
Bad debt expense	-	-	1,875
Other expenses	12,705	1,243	34,725
Total operating expenses	<u>3,414,913</u>	<u>732,122</u>	<u>1,784,666</u>

See accompanying notes to the financial statements

Port District of Chelan County, Washington  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended December 31, 2009

	Port District	Confluence Technology Center Condominium Association	Pangborn Memorial Airport
OPERATING INCOME (LOSS) BEFORE OTHER OPERATING REVENUES AND EXPENSES	\$ (1,164,044)	\$ (9,797)	\$ (1,086,874)
OTHER OPERATING REVENUES			
Miscellaneous revenues	133,836	5,101	-
OPERATING INCOME (LOSS)	(1,030,208)	(4,696)	(1,086,874)
NONOPERATING REVENUE			
Taxes levied [Note 3]	2,231,564	-	-
Operating grants	122,166	-	262,354
Interest income	84,846	118	1,508
Security reimbursement agreement	-	-	47,820
Passenger facility charges	-	-	199,827
Leasehold & timber tax revenue	8,702	-	-
Gain on disposal of assets	1,305,051	-	-
Miscellaneous	-	-	26,801
Total nonoperating revenue	3,752,329	118	538,310
NONOPERATING EXPENSES			
Interest expense	518,411	-	21,607
Bond fees	12,783	-	-
Loss from Lake Chelan Airport [Note 9]	53,486	-	-
Economic vitality projects	63,300	-	-
Contributions/grants	336,000	-	-
Election costs	18,897	-	-
Total nonoperating expenses	1,002,877	-	21,607
INCOME (LOSS) BEFORE OTHER REVENUES (EXPENSES)	1,719,244	(4,578)	(570,171)
OTHER REVENUES (EXPENSES)			
Capital grants	-	-	3,466,711
Support of discrete component unit	(471,476)	-	-
Total other revenues (expenses)	(471,476)	-	3,466,711
CHANGE IN NET ASSETS	1,247,768	(4,578)	2,896,540
NET ASSETS - BEGINNING OF YEAR	21,121,655	12,529	15,054,367
NET ASSETS - END OF YEAR	\$ 22,369,423	\$ 7,951	\$ 17,950,907

See accompanying notes to the financial statements

Port District of Chelan County, Washington  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2010

	Port District	Confluence Technology Center Condominium Association	Pangborn Memorial Airport
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,063,359	\$ 533,425	\$ 660,158
Payments to suppliers	(2,087,392)	(495,153)	(663,480)
Payments to employees	(807,625)	-	(490,902)
Other receipts	106,920	-	-
Net cash provided (used) by operating activities	(724,738)	38,272	(494,224)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Taxes collected for Port operations	2,253,916	-	-
Cash paid to Pangborn Memorial Airport	(426,997)	-	-
Cash paid to Lake Chelan Airport	(56,088)	-	-
Payments for other noncapital projects	(346,754)	-	-
Receipt of passenger facility charges	-	-	164,170
Operating grants	64,050	-	415,013
Security reimbursement agreement	-	-	47,232
Miscellaneous	-	-	49,756
Net cash provided by noncapital financing activities	1,488,127	-	676,171
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfer from bond redemption fund	591	-	-
Capital passenger facility fund	-	-	30,609
Capital grants received	-	-	502,639
Borrowings on operating note payable	-	-	135,629
Payments on operating note payable	-	-	(194,571)
Proceeds from bonds issued	1,558,877	-	-
Payments on bonds issued	(2,192,176)	-	-
Payments on long-term debt	(53,909)	-	(26,575)
Interest and loan fees paid	(455,463)	-	(20,230)
Acquisition of capital assets	(2,286,701)	-	(582,175)
Proceeds from disposal of assets	7,500	-	1,457
Net cash used by capital and related financing activities	(3,421,281)	-	(153,217)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	71,263	64	2,455
Transfer from condo association reserve	5,004	-	-
Advances on note receivable	(135,718)	-	-
Collections on note receivable	154,570	-	-
Net cash provided by investing activities	95,119	64	2,455
<b>NET INCREASE (DECREASE) IN CASH</b>	(2,562,773)	38,336	31,185
<b>CASH AT BEGINNING OF YEAR</b>	7,330,277	17,881	25,553
<b>CASH AT END OF YEAR</b>	\$ 4,767,504	\$ 56,217	\$ 56,738

See accompanying notes to the financial statements

Port District of Chelan County, Washington  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2010

	Port District	Confluence Technology Center Condominium Association	Pangborn Memorial Airport
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (1,253,214)	\$ (697)	\$ (1,205,565)
Non-cash expenses			
Depreciation	821,327	780	798,141
(Increase) decrease in operating assets			
Receivables	(45,096)	5,775	(24,212)
Prepaid expenses	60,926	144	(2,329)
Other assets	(1,327)	-	-
Increase (decrease) in operating liabilities			
Accounts payable	(305,028)	31,916	3,626
Retainage in escrow	-	-	(61,117)
Compensated absences	(5,402)	-	(2,758)
Accrued taxes	393	-	-
Deferred revenue	2,296	354	-
Lessee deposits	387	-	(10)
Net cash provided (used) by operating activities	<u>\$ (724,738)</u>	<u>\$ 38,272</u>	<u>\$ (494,224)</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Acquisition of capital assets included in accounts payable	<u>\$ 66,720</u>	<u>\$ -</u>	<u>\$ 170,182</u>
Bonds refunded	<u>\$ 4,479,823</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements

Port District of Chelan County, Washington  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2009

	Port District	Confluence Technology Center Condominium Association	Pangborn Memorial Airport
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,335,522	\$ 740,000	\$ 777,931
Payments to suppliers	(1,447,872)	(754,694)	(654,692)
Payments to employees	(767,535)	-	(468,792)
Other receipts	133,836	-	-
Net cash provided (used) by operating activities	253,951	(14,694)	(345,553)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Taxes collected for Port operations	2,206,571	-	-
Cash paid to Pangborn Memorial Airport	(471,476)	-	-
Cash paid to Lake Chelan Airport	(54,750)	-	-
Payments for other noncapital projects	(418,197)	-	-
Receipt of passenger facility charges	-	-	199,827
Operating grants	122,166	-	262,354
Security reimbursement agreement	-	-	47,820
Miscellaneous	-	-	26,801
Net cash provided by noncapital financing activities	1,384,314	-	536,802
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfer to bond redemption fund	(1,530)	-	-
Capital passenger facility fund	-	-	(106,717)
Capital grants received	-	-	3,466,711
Borrowings on operating note payable	-	-	59,191
Payments on operating note payable	-	-	(30,247)
Payments on bonds issued	(660,442)	-	-
Payments on long-term debt	(53,909)	-	(25,480)
Interest and loan fees paid	(515,227)	-	(21,987)
Acquisition of capital assets	(1,299,793)	-	(3,577,463)
Proceeds from disposal of assets	4,028,534	-	-
Net cash provided (used) by capital and related financing activities	1,497,633	-	(235,992)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	84,846	118	1,508
Transfer to condo association reserve	(14,972)	-	-
Advances on note receivable	(59,191)	-	-
Collections on note receivable	30,247	-	-
Net cash provided by investing activities	40,930	118	1,508
<b>NET INCREASE IN CASH</b>	<b>3,176,828</b>	<b>(14,576)</b>	<b>(43,235)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>4,153,449</b>	<b>32,457</b>	<b>68,788</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 7,330,277</b>	<b>\$ 17,881</b>	<b>\$ 25,553</b>

See accompanying notes to the financial statements

Port District of Chelan County, Washington  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2009

	Port District	Confluence Technology Center Condominium Association	Pangborn Memorial Airport
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (1,030,208)	\$ (4,696)	\$ (1,086,874)
Non-cash expenses			
Depreciation	861,943	781	715,667
(Increase) decrease in operating assets			
Receivables	73,121	12,302	80,999
Prepaid expenses	(31,744)	3,798	(3,278)
Other assets	23,622	-	-
Increase (decrease) in operating liabilities			
Accounts payable	351,096	(27,151)	(154,170)
Retainage in escrow	-	-	101,582
Compensated absences	(4,664)	-	1,381
Accrued taxes	(747)	-	-
Deferred revenue	4,979	272	-
Lessee deposits	6,553	-	(860)
Net cash provided (used) by operating activities	\$ 253,951	\$ (14,694)	\$ (345,553)
 <b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Acquisition of capital assets included in accounts payable	\$ 222,418	\$ -	\$ -

See accompanying notes to the financial statements

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port District of Chelan County, Washington was incorporated by consent of the voters within Chelan County in November, 1958, and operates under the laws of the state of Washington applicable to port districts. The financial statements of the Port District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The Port District has elected to apply Financial Accounting Standards Board (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). The 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 District is a special purpose government that provides industrial park, airport, tourism and economic development services to the general public, and is supported primarily through user charges. The Port also receives funds from tax levies which are used primarily for debt service and capital improvements.

The Port District is governed by an elected three member commission. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. These financial statements present the Port District (the primary government) and its component units. The component units discussed below are included in the district's reporting entity because of the significance of their operational or financial relationships with the Port District.

### Component Units

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

#### *Blended component units –*

The Chelan County Development Corporation (CCDC), an entity legally separate from the Port District, is governed by a three-member board comprised of the commissioners of the Port District. For financial reporting purposes, CCDC is reported as if it were part of the Port District's operations because it shares the same governing body as the Port District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

A. Reporting Entity - continued

Component Units - continued

*Discretely presented component units –*

The Confluence Technology Center Condominium Association, an entity legally separate from the Port District, is governed by a three member board: two members are appointed by the Port District (one of which is a Commissioner), and one member is appointed by the Chelan County Public Utility District. The Association is fiscally dependent on the Port District because the Association's operational budget is subject to Port District approval. The Association is reported in a separate column to emphasize that it is legally separate from the Port District. In 2010, the Port District paid \$352,714 in condominium association dues to the Confluence Technology Center.

Pangborn Memorial Airport, an entity legally separate from the Port District, is governed by the three Commissioners of the Port of Chelan County and the three Commissioners of the Port of Douglas County. In addition, the Airport is fiscally dependent on the Port District because the Airport's operational and capital budgets are subject to Port District approval. The Airport is reported in a separate column to emphasize that it is legally separate from the Port District. In 2010, the Port District provided \$426,997 in capital and operating contributions to the Airport.

Complete financial statements of the individual component units can be obtained directly from their administrative offices:

Chelan County Development Corporation  
238 Olds Station Road, Suite A  
Wenatchee, WA 98801

Confluence Technology Center Condominium Association  
238 Olds Station Road, Suite A  
Wenatchee, WA 98801

Pangborn Memorial Airport  
One Pangborn Drive  
East Wenatchee, WA 98802

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Accounting and Reporting

The accounting records of the Port District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The Port District 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 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. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net total assets. The Port 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 District 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 fund.

The district distinguishes between operating revenues and expenses from nonoperating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a district's principal ongoing operations. The principal operating revenues of the district are charges to tenants for the leasing of land and buildings. Operating expenses for the district include insurance, repairs and maintenance, administrative expenses and marketing. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities and Equities

1. Cash and cash equivalents

It is the Port District's policy to invest cash reserves. The Port's cash reserves are allocated by the Port Commission for a variety of purposes, including land acquisition, facilities and infrastructure construction, airport operations and capital projects, reserves related to the financing of the CTC, and an emergency operations and maintenance reserve. At December 31, 2010, the Chelan County Treasurer was holding \$4,700,446 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as unrestricted cash, although it has been internally reserved to fund Pangborn operating and capital needs, as well as property purchases and infrastructure improvements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Assets, Liabilities and Equities - continued

1. Cash and cash equivalents - continued

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

2. Short-term investments

See Note 2

3. Receivables

Taxes receivable consist of property taxes and related interest and penalties (See Note 3). Because property taxes are considered liens on property, no estimated uncollectible amounts are established.

Accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. The Port District utilizes the reserve method for recording bad debts. All of the accounts included in the balance sheet are considered collectible and, therefore, no allowance for doubtful accounts is presented. Accounts receivable over 90 days as of December 31, 2010 totaled \$38.

4. Inventories

Inventories are valued at cost using the first-in, first-out method, which approximates the market value. Inventories at December 31, 2010, are not material, therefore no inventories are presented.

5. Compensated absences

Compensated absences are absences for which employees will be paid, such as vacation. The district records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay, which may be accumulated up to 30 days, is payable upon resignation, retirement, or death. Sick leave may accumulate up to 60 days, and is not payable upon termination of employment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

6. Deferred compensation

On December 20, 1983, the Chelan County Commissioners adopted the Washington State employees deferred compensation plan for Port employees, effective March, 1984. The annual contribution limits are the lesser of \$16,500 or 100% of the employee's gross salary.

7. Use of estimates

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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The Port District's deposits and certificates of deposit are 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 required by state law, all investments of the Port Districts investment fund are obligations of the U. S. Government, U. S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities (the State Treasurer's Investment Pool), bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions. All temporary investments are stated at fair value. Other property and investments are shown on the balance sheet at historical cost.

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction the Port District would not be able to recover the value of the investment or collateral securities. All of the Port District's investments are held by the Chelan County Treasurer or FDIC insured; therefore, there is no custodial credit risk.

### 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 Port 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 Port District may also levy taxes at a lower rate.

The Port District's regular levy for 2010 was \$0.23907 per \$1,000 on an assessed valuation of \$9,512,545,285 for a total regular levy of \$2,274,191. In 2009, the regular tax levy was \$2,246,222. Over the past few years, the Port's property tax levy rate has been declining annually due to the expansion of the Chelan County tax base.

### NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

- A. Major expenses 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 District 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 District has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable account.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION - continued

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method. Buildings and improvements are assigned lives of 15-40 years; equipment 5-10 years; and furniture and fixtures 3-10 years.

B. 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	\$ 5,944,069	\$ 2,088,018	\$ -	\$ 8,032,087
Construction in progress	58,940	147,533	58,940	147,533
<b>Total capital assets not being depreciated</b>	<b>\$ 6,003,009</b>	<b>\$ 2,235,551</b>	<b>\$ 58,940</b>	<b>\$ 8,179,620</b>
Capital assets, being depreciated:				
Buildings	\$ 22,213,764	\$ 122,702	\$ -	\$ 22,336,466
Improvements other than buildings	2,285,788	8,535	-	2,294,323
Machinery and equipment	1,079,996	134,551	47,523	1,167,024
<b>Total capital assets being depreciated</b>	<b>25,579,548</b>	<b>265,788</b>	<b>47,523</b>	<b>25,797,813</b>
Less accumulated depreciation for:				
Buildings	5,941,061	568,018	-	6,509,079
Improvements other than buildings	1,250,581	107,238	-	1,357,819
Machinery and equipment	621,064	146,071	47,523	719,612
<b>Total accumulated depreciation</b>	<b>7,812,706</b>	<b>821,327</b>	<b>47,523</b>	<b>8,586,510</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 17,766,842</b>	<b>\$ (555,539)</b>	<b>\$ -</b>	<b>\$ 17,211,303</b>

C. Construction in Progress

The Port District has several active projects, and the following were being capitalized as of December 31, 2010:

Fees paid for a feasibility study to assist with potential uses of the Peshastin mill site property.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION - continued

In addition, \$69,600 has been paid in architecture and construction fees toward an auto fire detection system in industrial building #5. It is expected that an additional \$1,880 will be spent on this project.

NOTE 5 - PENSION PLANS

Substantially all Port District 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 Statement 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

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 currently 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 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 exercise 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.

NOTE 5 - PENSION PLANS - continued

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.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is two percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased by three percent annually. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is two percent of the AFC for each year of service reduced by two percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance is granted at age 66 based upon years of service times the COLA amount (based on the Consumer Price Index), capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

NOTE 5 - PENSION PLANS - continued

PERS Plan 1 members can receive credit for military service while actively serving the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

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 two percent of the AFC per year of service. (The 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 three 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 three 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. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in *Operation Enduring Freedom* or *Persian Gulf*, *Operation Iraqi Freedom*.

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 one percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

NOTE 5 - PENSION PLANS - continued

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.

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 three 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 two percent of the AFC per year of service. For Plan 3, the monthly benefit amount is one 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 three 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.

NOTE 5 - PENSION PLANS - continued

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.

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 1,189 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	<u>53,896</u>
 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 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 Director of the Department of Retirement Systems sets Plan 3 employee contribution rates. Six rate options are available

NOTE 5 - PENSION PLANS - continued

ranging from 5 percent 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, 2010 were 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	6.00%****	3.90%****	*****

\*\* 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 District and the employees made the required contributions. The Port District's required contributions for the years ended December 31 were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2010	\$ 4,005	\$ 18,418	\$ 16,271
2009	8,297	23,641	16,837
2008	8,542	23,012	16,398

#### NOTE 6 - RISK MANAGEMENT

Port of Chelan County 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 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 insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers employee dishonesty 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) - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$749,000 on liability loss;
- \$1,000,000 deductible on liability loss (1/1/10-8/31/10) - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss;
- \$250,000 deductible on property loss - the member is responsible for the first \$5,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$245,000 on property loss. Enduris is responsible for \$0 deductible on boiler and machinery loss.

NOTE 6 - RISK MANAGEMENT - continued

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.

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

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

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

Settlement claims have not exceeded insurance coverage for any of the past three years.

The Port District does not maintain Washington State unemployment insurance, where it has elected to become self-insured. The estimated liability for probable unemployment losses was \$0 at December 31, 2010.

NOTE 7 - LONG-TERM DEBT

Bonds were issued in 1993 to fund the development of industrial building #7, occupied by Pacific Coast Technologies. \$1,205,000 of the original issuance of \$1,800,000 was currently refunded in 2003. The bonds are being retired by annual installments ranging from \$25,000 to \$140,000 in the years from 2003 to 2013, plus interest ranging from 1.70% to 4.15%. The bonds are not subject to redemption prior to their scheduled maturities.

\$ 395,000

NOTE 7 - LONG-TERM DEBT - continued

General obligation bonds were issued in 2004 to refinance the contract on the Peshastin real estate. The issuance of \$1,000,000 is being retired by annual installments of \$20,000 in 2004 to \$70,000 in 2018, plus interest ranging from 3.0% to 5.75%. The bonds may be called in full on or after December 1, 2014. \$ 475,000

A tax-exempt bond was issued in 2008 to fund the purchase of the Cashmere mill site. The issuance of \$750,000 is to be retired by installments of \$32,157 commencing on June 1, 2011, and semi-annually thereafter (including interest). Interest only, at 4.65%, is due semi-annually starting June 1, 2008. The bonds may be prepaid in whole or in part on or after January 8, 2018. 750,000

Bonds were issued in 1996 to fund the development of industrial building #9. The original issuance of \$1,245,000 was refunded in 2010. The new issuance of \$420,000 is being retired by annual installments ranging from \$100,000 in 2010 to \$110,000 in 2013, plus interest at 2%. The bonds are not subject to redemption prior to their scheduled maturities. 320,000

Bonds were issued in 1996 to fund the construction of a storm water drainage system and 1997 to refund 1991 bonds. The original issuances of \$365,000 and \$770,000 were refunded in 2010. The new issuance of \$1,145,000 is being retired by annual installments ranging from \$25,000 in 2010 to \$125,000 in 2016, plus interest ranging from 2.0% to 3.0%. The bonds are not subject to redemption prior to their scheduled maturities. 1,120,000

NOTE 7 - LONG-TERM DEBT - continued

Bonds were issued in 2002 to fund construction of the Confluence Technology Center Building. The original issuance of \$3,396,163 was refunded in 2010. The new issuance of \$2,592,516 is being retired by semi-annual installments of \$171,250, including interest ranging from 3.5% to 4.6%. The bonds may be prepaid, in whole or in part, at any time.

\$ 2,592,516

A tax-exempt bond was issued in 2002 to fund construction of the Confluence Technology Center building. The original issuance of \$1,132,054 was refunded in 2010. The new issuance of \$1,134,202 is to be retired by installments of \$135,883 commencing on June 1, 2020, and \$184,860 semi-annually thereafter (including interest). Interest only ranging from 2.4% to 5.0% is due semi-annually starting June 1, 2011. The bonds may be prepaid, in whole or in part, at any time.

1,134,202

A taxable bond was issued in 2008 to fund the purchase of the Cashmere mill site. The original issuance of \$777,273 was refunded in 2010. The new issuance of \$783,032 is being retired by semi-annual installments of \$32,380, including interest ranging from 3.5% to 5.6%. The bonds may be prepaid, in whole or in part, at any time.

783,032

A non-interest bearing general obligation loan was issued in 2002, by the Washington State Community Economic Revitalization Board to fund construction of the Confluence Technology Center building. The \$825,000 loan is to be retired by annual installments of \$48,529 in the years from 2007 through 2023.

630,882

An LUD for sewer improvements, payable to the Chelan County Public Utility District, was assumed in the purchase of Peshastin real estate. The contract is being retired by annual payments of \$1,510, plus interest at 5.5%

27,177

Port District of Chelan County, Washington  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2010

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NOTE 7 - LONG-TERM DEBT - continued

A non-interest bearing note is payable through an interlocal agreement to the Port of Douglas County for the extension of sewer services to Pangborn Memorial Airport. The \$73,531 note is being retired by annual payments of \$3,870.

	<u>\$ 50,311</u>
Total long-term debt	8,278,120
Long-term debt payable within one year	<u>806,428</u>
Long-term debt payable after one year	<u>\$ 7,471,692</u>

Annual debt service requirements to maturity are as follows:

Year ending December 31,	Principal	Interest
2011	\$ 806,428	\$ 244,152
2012	827,426	230,858
2013	859,565	205,545
2014	737,152	178,810
2015	743,145	172,959
2016-2020	2,523,317	602,384
2021-2025	1,534,084	202,749
2026-2028	<u>247,003</u>	<u>16,230</u>
Total	<u>\$ 8,278,120</u>	<u>\$ 1,853,687</u>

Unamortized debt issue costs are recorded as deferred charges. Annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

Federal arbitrage regulations do not apply to the Port District.

Under RCW 53.36.030 the non-voted debt capacity of the Port District is 1/4 of 1% of the assessed valuation of taxable property. The 2010 debt limit is \$23,781,363 and the remaining non-voted debt capacity is \$15,707,934.

#### NOTE 8 - LONG-TERM LEASES

The Port District operates an industrial park at Olds Station in Chelan County. Long-term operating leases with tenants are as follows:

Agbase, Inc. is leasing an office in the CTC building for a twelve month term ending November 30, 2011. Rent is fixed at \$586 per month.

Agrofresh, Inc. is leasing space in industrial building #9 for a seven year term ending July 31, 2016. Rent is currently \$7,539 per month. The rent is adjusted on August 1<sup>st</sup> of each year based upon the Consumer Price Index.

Cascade Powder Coating is leasing building #2 West for a period beginning May 1, 2005 and ending April 30, 2012. Rent is currently \$2,053 per month. The rent is adjusted on May 1<sup>st</sup> of each year based upon the Consumer Price Index.

Chateau Faire Le Pont, LLC is leasing industrial building #11 for a term beginning May 1, 2003, and ending April 30, 2013. Monthly rent was fixed at \$1,000 during the initial five years, with the base rent during the first three years being deferred and collected in years four through ten. The tenant has the option to purchase the building during the term of the lease at the appraised fair value.

Confluence Technology Center Condominium Association is leasing an office in the CTC building for a term ending January 31, 2014. Current rent is \$1,646 per quarter. The rent is adjusted on February 1st of each year based upon the Consumer Price Index.

Edge Strategies LLC is leasing an office in the CTC building for a term ending March 31, 2011. Rent is currently at \$387 per month.

GCI Communication Corp is leasing a unit in the CTC building for a term ending February 28, 2012, with rent fixed at \$376 per month.

Genesis Distributing LLC is leasing a unit in the CTC building for a term ending July 31, 2011. Rent is fixed at \$467 per month.

M & M Productions is leasing a portion of industrial building #5 on a month to month tenancy. Monthly rent is \$748.

Pacific Aerospace and Electronics, Inc. is leasing building #7, building #8, and a house for a seven year term ending December 31, 2014. Monthly rent is \$49,932, with annual increases based on the Consumer Price Index.

NOTE 8 - LONG-TERM LEASES - continued

Pregis Innovative Packaging, Inc. is leasing building #4 for a term ending April 30, 2013. Rent is currently \$12,926 per month, with scheduled increases on November 1<sup>st</sup> of each year.

Public Utility District No. 1 of Chelan County is leasing a unit in the CTC building for a five year term ending July 30, 2011. Rent is currently \$748 per month. The rent is adjusted on August 1st of each year based upon the Consumer Price Index.

Sinclair Systems International, Inc. is leasing half of building #9 for a five-year term ending August 31, 2011. Current monthly rent is \$7,961. The rent is adjusted on September 1st of each year based upon the Consumer Price Index.

Webb Accountancy Corporation, P.S. is leasing building #13 for a five year term ending March 31, 2012. Current monthly rent is \$5,176, with scheduled Consumer Price Index increases beginning April 1, 2009.

Wenatchee School District is leasing industrial building #6 for a term ending August 31, 2012. Monthly rent is currently \$1,183. The rent is adjusted on August 1st of each year based upon the Consumer Price Index.

Yahoo! Inc. is leasing several units in the CTC building for a ten year period ending in February, 2016. Monthly rent is currently \$52,789. The lease includes scheduled annual increases beginning on March 1, 2007.

Minimum future rentals on long-term leases for the five years succeeding December 31, 2010, and in total are as follows:

2011	\$	1,712,988
2012		1,593,061
2013		1,472,232
2014		1,435,080
2015		864,312
Thereafter		<u>183,052</u>
Total	\$	<u><u>7,260,725</u></u>

NOTE 8 - LONG-TERM LEASES - continued

The following schedule provides an analysis of the Port District's investment in property held for lease as of December 31, 2010:

Industrial buildings	\$ 20,897,824
Land	1,324,273
	<u>22,222,097</u>
Less accumulated depreciation	<u>6,030,641</u>
Total	<u><u>\$ 16,191,456</u></u>

NOTE 9 - INVESTMENT IN LAKE CHELAN AIRPORT

On January 1, 1986, the Port District entered into an agreement with the City of Chelan to transfer the operation of the Lake Chelan Airport to an airport board consisting of five members, two appointed from each respective parent municipality and one by joint resolution of both the parent municipalities. An undivided one-half interest was conveyed to the Port District by quitclaim deed at the inception of the agreement. The agreement was restated in 1999, with the primary change being the Chelan City Council serving as the Airport Board. The agreement was amended in 2007 in response to comments received from the Federal Aviation Administration. Each of the parent municipalities owns an undivided one-half interest in the Airport.

Funding of the Airport is shared by the two municipalities on the basis of the following percentage calculations:

1. The City of Chelan's annual share shall be thirty percent.
2. The Port District's annual share shall be seventy percent.

The Port District accounts for the joint venture investment on the equity method. Under this method, investments are added to the equity account and losses from operations are charged against the equity accounts. The details of the Port District joint venture investment during the current year are as follows:

Investment balance, January 1	\$ 176,356
Contributions	56,088
Profit recognized	<u>77,629</u>
Investment balance, December 31	<u><u>\$ 310,073</u></u>

NOTE 9 - INVESTMENT IN LAKE CHELAN AIRPORT - continued

Summarized financial information from the unaudited financial statement of Lake Chelan Airport as of December 31, 2010, is as follows:

Current assets	\$	212,467
Non-current assets		882,050
Current liabilities		4,357
Net assets		1,090,160
Operating revenue		166,698
Operating expenses		231,974
Depreciation		34,584
Non-operating revenue		290,885

Complete financial statements of the Lake Chelan Airport can be obtained directly from their administrative offices:

Lake Chelan Airport  
32 Airport Way  
Chelan, WA 98816

NOTE 10 - CONTINGENCIES

The Port District and Pangborn Memorial Airport participate in a number of 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 Port District and the Airport management believe that such disallowances, if any, will not be material.

NOTE 11 - SUBSEQUENT EVENTS

The Port has evaluated subsequent events through August 24, 2011, the date which the financial statements were available to be issued.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port District of Chelan County, Washington was incorporated by consent of the voters within Chelan County in November, 1958, and operates under the laws of the state of Washington applicable to port districts. The financial statements of the Port District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The Port District has elected to apply Financial Accounting Standards Board (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). The 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 District is a special purpose government that provides industrial park, airport, tourism and economic development services to the general public, and is supported primarily through user charges. The Port also receives funds from tax levies which are used primarily for debt service and capital improvements.

The Port District is governed by an elected three member commission. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. These financial statements present the Port District (the primary government) and its component units. The component units discussed below are included in the district's reporting entity because of the significance of their operational or financial relationships with the Port District.

### Component Units

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

#### *Blended component units –*

The Chelan County Development Corporation (CCDC), an entity legally separate from the Port District, is governed by a three-member board comprised of the commissioners of the Port District. For financial reporting purposes, CCDC is reported as if it were part of the Port District's operations because it shares the same governing body as the Port District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

A. Reporting Entity - continued

Component Units - continued

*Discretely presented component units –*

The Confluence Technology Center Condominium Association, an entity legally separate from the Port District, is governed by a three member board: two members are appointed by the Port District (one of which is a Commissioner), and one member is appointed by the Chelan County Public Utility District. The Association is fiscally dependent on the Port District because the Association's operational budget is subject to Port District approval. The Association is reported in a separate column to emphasize that it is legally separate from the Port District. In 2009, the Port District paid \$349,765 in condominium association dues to the Confluence Technology Center.

Pangborn Memorial Airport, an entity legally separate from the Port District, is governed by the three Commissioners of the Port of Chelan County and the three Commissioners of the Port of Douglas County. In addition, the Airport is fiscally dependent on the Port District because the Airport's operational and capital budgets are subject to Port District approval. The Airport is reported in a separate column to emphasize that it is legally separate from the Port District. In 2009, the Port District provided \$471,476 in capital and operating contributions to the Airport.

Complete financial statements of the individual component units can be obtained directly from their administrative offices:

Chelan County Development Corporation  
238 Olds Station Road, Suite A  
Wenatchee, WA 98801

Confluence Technology Center Condominium Association  
238 Olds Station Road, Suite A  
Wenatchee, WA 98801

Pangborn Memorial Airport  
One Pangborn Drive  
East Wenatchee, WA 98802

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Accounting and Reporting

The accounting records of the Port District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The Port District 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 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. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net total assets. The Port 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 District 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 fund.

The district distinguishes between operating revenues and expenses from nonoperating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a district's principal ongoing operations. The principal operating revenues of the district are charges to tenants for the leasing of land and buildings. Operating expenses for the district include insurance, repairs and maintenance, administrative expenses and marketing. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Port District has elected to follow subsequent private-sector guidance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Assets, Liabilities and Equities

1. Cash and cash equivalents

It is the Port District's policy to invest cash reserves. The Port's cash reserves are allocated by the Port Commission for a variety of purposes, including land acquisition, facilities and infrastructure construction, airport operations and capital projects, reserves related to the financing of the CTC, and an emergency operations and maintenance reserve. At December 31, 2009, the Chelan County Treasurer was holding \$7,206,482 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as unrestricted cash.

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

2. Short-term investments

See Note 2

3. Receivables

Taxes receivable consist of property taxes and related interest and penalties (See Note 3). Because property taxes are considered liens on property, no estimated uncollectible amounts are established.

Accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. The Port District utilizes the reserve method for recording bad debts. All of the accounts included in the balance sheet are considered collectible and, therefore, no allowance for doubtful accounts is presented. Accounts receivable over 90 days as of December 31, 2009 totaled \$1,558.

4. Inventories

Inventories are valued at cost using the first-in, first-out method, which approximates the market value. Inventories at December 31, 2009, are not material, therefore no inventories are presented.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

5. Compensated absences

Compensated absences are absences for which employees will be paid, such as vacation. The district records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay, which may be accumulated up to 30 days, is payable upon resignation, retirement, or death. Sick leave may accumulate up to 60 days, and is not payable upon termination of employment.

6. Deferred compensation

On December 20, 1983, the Chelan County Commissioners adopted the Washington State employees deferred compensation plan for Port employees, effective March, 1984. The annual contribution limits are the lesser of \$16,500 or 100% of the employee's gross salary.

7. Use of estimates

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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The Port District's deposits and certificates of deposit are partially covered by Federal Depository Insurance Corporation (FDIC). No funds were invested in the Washington Public Deposit Protection Commission (PDPC) at year end.

Investments

As required by state law, all investments of the Port Districts investment fund are obligations of the U. S. Government, U. S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities (the State Treasurer's Investment Pool), bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions. All temporary investments are stated at fair value. Other property and investments are shown on the balance sheet at historical cost.

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

Investments - continued

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction the Port District would not be able to recover the value of the investment or collateral securities. All of the Port District's investments are held by the Chelan County Treasurer or FDIC insured, therefore there is no custodial credit risk.

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 Port 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 Port District may also levy taxes at a lower rate.

The Port District's regular levy for 2009 was \$0.25576 per \$1,000 on an assessed valuation of \$8,782,568,505 for a total regular levy of \$2,246,222. In 2008, the regular tax levy was \$2,158,146. Over the past few years, the Port's property tax levy rate has been declining annually due to the expansion of the Chelan County tax base.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

A. Major expenses 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.

Port District of Chelan County, Washington  
 NOTES TO FINANCIAL STATEMENTS  
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NOTE 4 - CAPITAL ASSETS AND DEPRECIATION - continued

All capital assets are valued at historical cost or estimated market value for donated assets.

The Port District 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 District 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. Buildings and improvements are assigned lives of 15-40 years; equipment 5-10 years; and furniture and fixtures 3-10 years.

B. Capital assets activity for the year ended December 31, 2009, was as follows:

	Beginning Balance 1/1/2009	Increases	Decreases	Ending Balance 12/31/2009
Capital assets, not being depreciated:				
Land	\$ 5,395,473	\$ 577,749	\$ 29,153	\$ 5,944,069
Construction in progress	192,891	58,940	192,891	58,940
<b>Total capital assets not being depreciated</b>	<b>\$ 5,588,364</b>	<b>\$ 636,689</b>	<b>\$ 222,044</b>	<b>\$ 6,003,009</b>
Capital assets, being depreciated:				
Buildings	\$ 25,404,431	\$ 516,521	\$ 3,707,188	\$ 22,213,764
Improvements other than buildings	3,192,214	-	906,426	2,285,788
Machinery and equipment	966,187	124,486	10,677	1,079,996
<b>Total capital assets being depreciated</b>	<b>29,562,832</b>	<b>641,007</b>	<b>4,624,291</b>	<b>25,579,548</b>
Less accumulated depreciation for:				
Buildings	7,066,056	614,155	1,739,150	5,941,061
Improvements other than buildings	1,320,144	113,692	183,255	1,250,581
Machinery and equipment	497,645	134,096	10,677	621,064
<b>Total accumulated depreciation</b>	<b>8,883,845</b>	<b>861,943</b>	<b>1,933,082</b>	<b>7,812,706</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 20,678,987</b>	<b>\$ (220,936)</b>	<b>\$ 2,691,209</b>	<b>\$ 17,766,842</b>

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION - continued

D. Construction in Progress

The Port District has several active projects, and the following were being capitalized as of December 31, 2009:

Fees paid for site assessment and feasibility study to assist with determination if Pybus property will be purchased.

In addition, \$21,158 has been paid in engineering and architecture fees toward tenant improvements in industrial building #9. It is expected that an additional \$15,250 will be spent on this project.

NOTE 5 - PENSION PLANS

Substantially all Port District 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 Statement 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

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 currently 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.

NOTE 5 - PENSION PLANS - continued

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 state statute and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) This annual benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased by three percent annually. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS 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 with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced 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 three percent annually.

NOTE 5 - PENSION PLANS - continued

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 benefit calculated at one percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, 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. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with ten years of service. PERS Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice 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.

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 Employee Retirement Benefits Board.

There are 1,192 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and beneficiaries receiving benefits	73,122
Terminated plan members entitled to but not yet receiving benefits	27,267
Active plan members vested	105,212
Active plan members non-vested	<u>56,456</u>
Total	<u><u>262,057</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 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

NOTE 5 - PENSION PLANS - continued

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, 2009, were 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	6.00%****	3.90%****	*****

\* 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 District and the employees made the required contributions. The Port District's required contributions for the years ended December 31 were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2009	\$ 8,297	\$ 23,641	\$ 16,837
2008	8,542	23,012	16,398
2007	6,612	16,606	9,567

#### NOTE 6 - RISK MANAGEMENT

Port of Chelan County 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 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, 2009, there are 444 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 insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers employee dishonesty coverage up to a liability limit of \$100,000.

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

- \$500,000 deductible on liability loss (9/1/08-12/31/08) - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$499,000 on liability loss;
- \$750,000 deductible on liability loss (1/1/09-8/31/09) - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$749,000 on liability loss;
- \$100,000 deductible on property loss (9/1/08-6/30/09) - the member is responsible for the first \$5,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$95,000 on property loss. Enduris is responsible for \$0 deductible on boiler and machinery loss;
- \$250,000 deductible on property loss (7/1/09-8/31/09) - the member is responsible for the first \$5,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$245,000 on property loss. Enduris is responsible for \$0 deductible on boiler and machinery loss.

NOTE 6 - RISK MANAGEMENT - continued

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.

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

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

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

Settlement claims have not exceeded insurance coverage for any of the past three years.

The Port District does not maintain Washington State unemployment insurance, where it has elected to become self-insured. The estimated liability for probable unemployment losses was \$0 at December 31, 2009.

NOTE 7 - LONG-TERM DEBT

Bonds were issued in 1993 to fund the development of industrial building #7, occupied by Pacific Coast Technologies. \$1,205,000 of the original issuance of \$1,800,000 was currently refunded in 2003. The bonds are being retired by annual installments ranging from \$25,000 to \$140,000 in the years from 2003 to 2013, plus interest ranging from 1.70% to 4.15%. The bonds are not subject to redemption prior to their scheduled maturities.

\$ 515,000

NOTE 7 - LONG-TERM DEBT - continued

Bonds were issued in 1996 to fund the development of industrial building #9, occupied by Sinclair Systems International, Inc. The issuance of \$1,245,000 is being retired by seventeen annual installments ranging from \$50,000 in 1997 to \$110,000 in 2013, plus interest ranging from 4.0% to 6.1%. The bonds normally may be called in full on or after December 1, 2006. In the extraordinary event that actions of the Port or its tenants cause these bonds to lose their status as tax-exempt private activity bonds, the bonds will be called immediately.	\$ 400,000
Bonds were issued in 1996 to fund the construction of a storm water drainage system. The issuance of \$365,000 is being retired by three annual installments ranging from \$115,000 in 2014 to \$130,000 in 2016, plus interest of 6.0%. The bonds may be called in full on or after December 1, 2006.	365,000
Bonds were issued in 1997 to advance refund \$685,000 of 1991 bonds. The issuance of \$770,000 is being retired by annual installments ranging from \$140,000 in 2011 to \$170,000 in 2015, plus interest ranging from 5.20% to 5.25%. The bonds may be called in full on or after December 1, 2007.	770,000
A taxable bond was issued in 2002 to fund construction of the Confluence Technology Center building. The issuance of \$3,396,163 is being retired by semi-annual installments of \$182,801, including interest 6.58%. The bonds may be prepaid on any installment payment date without penalty.	2,757,671

NOTE 7 - LONG-TERM DEBT - continued

A tax-exempt bond was issued in 2002 to fund construction of the Confluence Technology Center building. The issuance of \$1,132,054 is to be retired by installments of \$177,995 commencing on December 1, 2020, and \$212,517, semi-annually thereafter (including interest). Interest only, at 5.25%, is due semi-annually starting December 1, 2002. The bonds may be prepaid on any installment payment date without penalty.	\$ 1,132,054
General obligation bonds were issued in 2004 to refinance the contract on the Peshastin real estate. The issuance of \$1,000,000 is being retired by annual installments of \$20,000 in 2004 to \$70,000 in 2018, plus interest ranging from 3.0% to 5.75%. The bonds may be called in full on or after December 1, 2014.	700,000
A taxable bond was issued in 2008 to fund the purchase of the Cashmere mill site. The issuance of \$777,273 is to be retired by installments of \$40,411 commencing on June 1, 2011, and semi-annually thereafter (including interest). Interest only, at 7.35%, is due semi-annually starting June 1, 2008. The bonds may be prepaid in whole or in part on or after January 8, 2011.	777,273
A tax-exempt bond was issued in 2008 to fund the purchase of the Cashmere mill site. The issuance of \$750,000 is to be retired by installments of \$32,157 commencing on June 1, 2011, and semi-annually thereafter (including interest). Interest only, at 4.65%, is due semi-annually starting June 1, 2008. The bonds may be prepaid in whole or in part on or after January 8, 2018.	750,000
A non-interest bearing general obligation loan was issued in 2002, by the Washington State Community Economic Revitalization Board to fund construction of the Confluence Technology Center building. The \$825,000 loan is to be retired by annual installments of \$48,529 in the years from 2007 through 2023.	679,412

Port District of Chelan County, Washington  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2009

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NOTE 7 - LONG-TERM DEBT - continued

An LUD for sewer improvements, payable to the Chelan County Public Utility District, was assumed in the purchase of Peshastin real estate. The contract is is being retired by annual payments of \$1,510, plus interest at 5.5%	\$ 28,687
A non-interest bearing note is payable through an interlocal agreement to the Port of Douglas County for the extension of sewer services to Pangborn Memorial Airport. The \$73,531 note is being retired by annual payments of \$3,870.	<u>54,181</u>
Total long-term debt	8,929,278
Long-term debt payable within one year	<u>676,085</u>
Long-term debt payable after one year	<u><u>\$ 8,253,193</u></u>

Annual debt service requirements to maturity are as follows:

Year ending December 31,	Principal	Interest
2010	\$ 676,085	\$ 475,077
2011	717,513	441,289
2012	754,076	404,349
2013	801,733	364,776
2014	690,558	322,255
2015-2019	2,816,771	1,064,432
2020-2024	2,074,227	359,124
2025-2028	<u>398,315</u>	<u>43,975</u>
Total	<u><u>\$ 8,929,278</u></u>	<u><u>\$ 3,475,277</u></u>

Unamortized debt issue costs are recorded as deferred charges. Annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

Federal arbitrage regulations do not apply to the Port District.

Under RCW 53.36.030 the non-voted debt capacity of the Port District is 1/4 of 1% of the assessed valuation of taxable property. The 2009 debt limit is \$21,956,421 and the remaining non-voted debt capacity is \$13,265,346.

#### NOTE 8 - LONG-TERM LEASES

The Port District operates an industrial park at Olds Station in Chelan County. Long-term operating leases with tenants are as follows:

Agbase, Inc. is leasing an office in the CTC building for a twelve month term ending November 30, 2010. Rent is fixed at \$580 per month.

Agrofresh, Inc. is leasing space in industrial building #9 for a seven year term ending July 31, 2016. Rent is currently \$7,500 per month. The rent is adjusted on August 1<sup>st</sup> of each year based upon the Consumer Price Index.

Cascade Powder Coating is leasing building #2 West for a period beginning May 1, 2005 and ending April 30, 2012. Rent is currently \$2,021 per month. Beginning May 1, 2008 and each year thereafter, the rent will be adjusted based upon the Consumer Price Index.

Chateau Faire Le Pont, LLC is leasing industrial building #11 for a term beginning May 1, 2003, and ending April 30, 2013. Monthly rent was fixed at \$1,000 during the initial five years, with the base rent during the first three years being deferred and collected in years four through ten. The tenant has the option to purchase the building during the term of the lease at the appraised fair value.

Confluence Technology Center Condominium Association is leasing an office in the CTC building for a term ending January 31, 2014. Current rent is \$1,641 per quarter. The rent is adjusted on February 1st of each year based upon the Consumer Price Index.

Edge Strategies LLC is leasing an office in the CTC building for a term ending March 31, 2011. Rent is currently at \$376 per month, with a scheduled increase to \$387 on April 1, 2010.

GCI Communication Corp is leasing a unit in the CTC building for a six month term ending February 29, 2010 with rent fixed at \$365 per month. The lease was renewed through February 28, 2011 at \$376 per month.

Genesis Distributing LLC is leasing a unit in the CTC building for a term ending July 31, 2010. Rent is fixed at \$467 per month.

M & M Productions is leasing a portion of industrial building #5 on a month to month tenancy. Monthly rent is \$712.

NOTE 8 - LONG-TERM LEASES - continued

Pacific Aerospace and Electronics, Inc. is leasing building #7, building #8, and a house for a seven year term ending December 31, 2014. Monthly rent is \$49,706, with annual increases based on the Consumer Price Index.

Pregis Innovative Packaging, Inc. is leasing building #4 for a term ending April 30, 2013. Rent is currently \$11,752 per month. The lease includes scheduled increases beginning November 1, 2010.

Public Utility District No. 1 of Chelan County is leasing a unit in the CTC building for a five year term ending July 30, 2011. Rent is currently \$748 per month. The rent is adjusted on August 1st of each year based upon the Consumer Price Index.

Sinclair Systems International, Inc. is leasing half of building #9 for a five-year term ending August 31, 2011. Current monthly rent is \$7,939. The rent is adjusted on September 1st of each year based upon the Consumer Price Index.

Webb Accountancy Corporation, P.S. is leasing building #13 for a five year term ending March 31, 2012. Current monthly rent is \$5,072, with scheduled Consumer Price Index increases beginning April 1, 2009.

Wenatchee School District is leasing industrial building #6 for a term ending July 31, 2010. Monthly rent is currently \$1,183. The rent is adjusted on August 1st of each year based upon the Consumer Price Index.

Yahoo! Inc. is leasing several units in the CTC building for a ten year period ending in February, 2016. Monthly rent is currently \$50,758. The lease includes scheduled annual increases beginning on March 1, 2007.

Minimum future rentals on long-term leases for the five years succeeding December 31, 2009, and in total are as follows:

2010	\$	1,703,929
2011		1,680,624
2012		1,576,446
2013		1,466,352
2014		1,429,236
Thereafter		<u>1,042,405</u>
Total	\$	<u><u>8,898,992</u></u>

NOTE 8 - LONG-TERM LEASES - continued

The following schedule provides an analysis of the Port District's investment in property held for lease as of December 31, 2009:

Industrial buildings	\$ 20,795,879
Land	1,324,273
	<u>22,120,152</u>
Less accumulated depreciation	<u>5,499,141</u>
Total	<u><u>\$ 16,621,011</u></u>

NOTE 9 - INVESTMENT IN LAKE CHELAN AIRPORT

On January 1, 1986, the Port District entered into an agreement with the City of Chelan to transfer the operation of the Lake Chelan Airport to an airport board consisting of five members, two appointed from each respective parent municipality and one by joint resolution of both the parent municipalities. An undivided one-half interest was conveyed to the Port District by quitclaim deed at the inception of the agreement. The agreement was restated in 1999, with the primary change being the Chelan City Council serving as the Airport Board. The agreement was amended in 2007 in response to comments received from the Federal Aviation Administration. Each of the parent municipalities owns an undivided one-half interest in the Airport.

Funding of the Airport is shared by the two municipalities on the basis of the following percentage calculations:

3. The City of Chelan's annual share shall be thirty percent.
4. The Port District's annual share shall be seventy percent.

The Port District accounts for the joint venture investment on the equity method. Under this method, investments are added to the equity account and losses from operations are charged against the equity accounts. The details of the Port District joint venture investment during the current year are as follows:

Investment balance, January 1	\$ 175,092
Contributions	54,750
Loss recognized	<u>(53,486)</u>
Investment balance, December 31	<u><u>\$ 176,356</u></u>

NOTE 9 - INVESTMENT IN LAKE CHELAN AIRPORT - continued

Summarized financial information from the unaudited financial statement of Lake Chelan Airport as of December 31, 2009, is as follows:

Current assets	\$	217,213
Non-current assets		718,273
Current liabilities		36,350
Net assets		899,136
Operating revenue		168,292
Operating expenses		249,051
Depreciation		35,385
Non-operating revenue		117,950

Complete financial statements of the Lake Chelan Airport can be obtained directly from their administrative offices:

Lake Chelan Airport  
32 Airport Way  
Chelan, WA 98816

NOTE 10 - CONTINGENCIES

The Port District and Pangborn Memorial Airport participate in a number of 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 Port District and the Airport management believe that such disallowances, if any, will not be material.

NOTE 11 - SUBSEQUENT EVENTS

The Port has evaluated subsequent events through September 5, 2010, the date which the financial statements were available to be issued.



## **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.

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