Washington State Auditor's Office

Financial Statements Audit Report

Port of Camas-Washougal
Clark County

Audit Period
January 1, 2009 through December 31, 2010

Report No. 1005836

Issue Date
June 6, 2011

WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Washington State Auditor
Brian Sonntag

June 6, 2011

Board of Commissioners
Port of Camas-Washougal
Washougal, Washington

Report on Financial Statements

Please find attached our report on the Port of Camas-Washougal's financial statements.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • TDD Relay (800) 833-6388
FAX (360) 753-0646 • http://www.sao.wa.gov

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Clark County
January 1, 2009 through December 31, 2010

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Clark County
January 1, 2009 through December 31, 2010

Board of Commissioners
Port of Camas-Washougal
Washougal, Washington

We have audited the basic financial statements of the Port of Camas-Washougal, Clark County, Washington, as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 15, 2011.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the Port's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 15, 2011

Independent Auditor's Report on Financial Statements

Port of Camas-Washougal
Clark County
January 1, 2009 through December 31, 2010

Board of Commissioners
Port of Camas-Washougal
Washougal, Washington

We have audited the accompanying basic financial statements of the Port of Camas-Washougal, Clark County, Washington, as of and for the years ended December 31, 2010 and 2009, 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Camas-Washougal, as of December 31, 2010 and 2009, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 6 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 15, 2011

Financial Section

Port of Camas-Washougal
Clark County
January 1, 2009 through December 31, 2010

REQUIRED SUPPLEMENTAL INFORMATION

BASIC FINANCIAL STATEMENTS

Our discussion and analysis of the Port of Camas-Washougal's ("Port") financial performance provides an overview of the Port's financial activities for the year ended December 31, 2010 and 2009. We present this information in conjunction with the financial statements and the notes attached thereto, which immediately follow this discussion and analysis.

The overall condition of the Port has improved over the prior year, for both 2010 and 2009, as evidenced by the 2010 increase in total net assets of $1,559,099 and the 2009 increase in total net assets of $895,119.

Financial Highlights

* Current assets increased by $1,155,459 in 2010 and decreased by $511,422 in 2009.
* Current liabilities decreased by $339,599 in 2010 and increased by $7,280 in 2009.
* Noncurrent liabilities decreased by $227,951 in 2010 and decreased by $544,000 in 2009 (refer to bond activity mentioned below).
* Net income in 2010 and 2009 was, respectively, $1,559,099 and $895,119.
* Net cash and cash equivalents increased by $1,103,801 in 2010 and decreased by $545,586 in 2009 (includes restricted and unrestricted).

Overview of the Financial Statements

The Port's financial statements include two components; 1) the Port's basic financial statements and 2) the notes to the financial statements. This discussion and analysis is intended to serve as an introduction to the Port's basic financial statements, which account for the entire operations of the Port on an accrual basis, excepting only the Public Industrial Corporation, which has it's own financial statement and assets under $400 in 2010 and under $4,400 in 2009.

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

The following condensed financial information provides an overview of the Port for the years indicated.

Condensed Comparative Financial Data

NET ASSETS	2010	2009	2008
Assets:			
Current and other assets	$ 7,705,566	$ 6,637,482	$ 7,186,828
Restricted assets	432,097	391,712	389,357
Capital assets, net	22,031,957	22,148,879	21,243,490
Total Assets	30,169,620	29,178,073	28,819,675
Liabilities:			
Other liabilities	612,808	952,406	945,126
Noncurrent liabilities	4,213,049	4,441,000	4,985,000
Total Liabilities	4,825,857	5,393,406	5,930,126
Net Assets:			
Invested in capital assets, net of related debt	17,818,908	17,707,881	15,683,490
Unrestricted	7,524,855	6,076,786	7,206,059
Total Net Assets	25,343,763	23,784,667	22,889,549

As previously noted, changes in net assets over time can be a good indicator of the Port's financial position. The Port's increase in net assets for 2010 was $1,559,099 (6.6%) and in 2009 was $895,119 (3.9%) from the previous year.

Of the Port's $25,343,763 in total net assets for 2010, 70% ($17,818,908) reflects its investment in capital assets, less any outstanding debt used to acquire these assets. The remaining 30% ($7,524,855) in unrestricted net assets may be used in the Port's continuing operations.

2010 total assets increased $991,547 (3.4%) from the prior year. This increase is due to the following additions of net capital assets: completion of clearing liehr property buildings (Airport); upgrading two heaters at Westlie Ford building (Industrial Park); East Industrial Park Development Standards (Industrial Park); purchase of two riding mowers; and installation of ceiling projector and screen in board room.

2009 total assets increased $358,398 (1.2%) from the prior year. This increase is due to the following additions of net capital assets: completion of the launch ramp floats (Marina); security camera purchases (Airport & Marina); completion of the breakwater and dredging projects (Marina); purchase of Liehr property (Airport), and East Industrial Park Development Standards (Industrial Park).

2010 liabilities decreased $567,549, due mostly to bond principal payments.

2009 liabilities decreased $536,720, due mostly to bond principal payments.

CHANGE IN NET ASSETS	2010	2009	2008
REVENUES			
Operating Revenues:			
Airport	$ 326,750	$ 334,065	$ 354,826
Industrial Park	1,235,095	1,227,133	1,186,201
Marina	660,418	699,450	692,540
Total Operating Revenues	2,222,263	2,260,648	2,233,567
Non-operating Revenues:			
Property taxes	2,120,636	2,154,365	2,073,246
Gain on sale of land	232,198	-	-
Investment income	54,935	92,870	259,376
Interest on land sales contracts	36,177	37,765	40,596
State grant revenue	1,783	4,857	8,792
Federal grant revenue	86,219	166,112	104,924
All other revenue	54,935	113,982	14,987
Total Non-operating Revenues	2,586,883	2,569,951	2,501,921
Total Revenues	4,809,146	4,830,599	4,735,488
EXPENSES			
Operating Expenses:			
Airport	364,932	396,007	444,419
Industrial Park	1,051,474	965,761	911,136
Marina	685,910	751,191	767,641
Depreciation	794,154	768,699	776,066
Total Operating Expenses	2,896,470	2,881,658	2,899,262
Non-operating Expenses:			
Interest expense	239,694	272,207	299,572
Cost of discontinued project	-	-	292,124
Bond retirement costs	-	-	-
Bond issuance expense	66,731	18,566	19,068
Election expense	24,792	-	8,465
All other non-operating expense	22,362	763,049	239,420
Total Non-operating Expenses	353,579	1,053,822	858,649
Total Expenses	3,250,049	3,935,480	3,757,911
Change in Net Assets	1,559,097	895,119	977,577
Total Net Assets - Beginning	23,784,664	22,889,545	21,911,968
Total Net Assets - Ending	$ 25,343,761	$ 23,784,664	$ 22,889,545

The table above summarizes the operations of the Port for the fiscal (and calendar) years of 2010, 2009, and 2008. This schedule shows how the net assets of the Port changed, and are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Accordingly, some of the revenue and expense reported will affect future cash flows, evidenced by amounts held at year end as funds to be collected in Accounts Receivable and amounts remaining to be paid in Accounts Payable.

As noted directly above, the net assets of the Port increased by $1,559,097 in 2010 and by $895,119 in 2009, thereby contributing to the ongoing improvement of the Port's already healthy financial position.

2010 operating revenues decreased $38,385 (1.7%). This amounted to a 2.2% decrease at the airport due to a decrease in fuel sales, a 0.6% increase at the Industrial Park due to new tenants in Buildings 4 & 10; and a 5.6% decrease at the marina due to a decrease in fuel sales, a decrease in mooring tenants and a decrease in launch ramp tickets/permits due to a restricted fishing season and prolonged spring rain season.

2009 operating revenues increased $27,081 (1.2%). This amounted to a 5.9% decrease at the airport due to a decrease in fuel sales, a 3.5% increase at the Industrial Park due to a full year's revenue for new tenant Columbia Resources, and a 1% increase at the marina.

2010 non-operating revenues increased $16,932 (0.7%). A property sale of $232,198 was the biggest proponent of this revenue increase, however this revenue source was offset with lower federal and state grant revenues compared to 2009 grant revenues and a 2009 insurance claim for building 10.

2009 non-operating revenues increased $68,030 (2.7%). An increase in property taxes and federal grant revenues were the contributors to this increase.

2010 operating expenses in total increased $14,812 (0.5%). This amounted to a 7.8% decrease at the airport due to reduced fuel costs and outside services expense; a 8.9% increase at the industrial park due to increased payroll and utility expenses, and a 8.7% decrease at the marina due to decreased payroll expenses.

2009 operating expenses in total decreased $17,604 (-0.6%). This amounted to a 10.9% decrease at the airport due to reduced fuel costs and outside services expense; a 6% increase at the industrial park due to increased payroll and utility expenses, and a 2.1% decrease at the marina due to decreased G&A expenses. Depreciation decreased by -0.9%.

2010 non-operating expenses decreased $700,243 (-66%) due to Riverwalk legal fees of $22,362 compared to 2009 legal fees of $763,049.

2009 non-operating expenses increased $195,173 (23%) due to Riverwalk legal fees.

Capital Asset and Long-Term Debt Activity

CAPITAL ASSETS, NET OF DEPRECIATION	2010	2009	2008
Land	$ 6,997,870	$ 6,988,070	$ 6,584,360
Structures	13,841,330	14,427,509	12,723,560
Vehicles	19,760	24,369	28,977
Equipment and furniture	131,660	148,936	163,129
Construction in progress	1,041,337	559,997	1,743,464
	$ 22,031,957	$ 22,148,881	$ 21,243,490

Additional information about the Port's capital assets can be found in Note 4 to the financial statements. For 2010, structures decreased due to depreciation and the removal of the airport mobile home; vehicles decreased due to depreciation; equipment and vehicles decreased due to depreciation although there were additions for the two riding mowers and the board room projector and screen. Projects still remaining in Construction in Progress are Chinook Memorial Phase II, Airport Environmental Assessment, IP Pole Barn, Building 10 remodel, Levee Certification and Vegetation removal, East Industrial Park Stormwater Design, A row remodel, and G&H row design.

For 2009, land increased due to the purchase of the Liehr property; structures increased from the completion of Building 14, marina dredging, breakwater repair, launch float replacement, re-roofing of Building 5, and the completion of Phase I Chinook Memorial; and equipment and vehicles decreased due to depreciation. Projects still remaining in Construction in Progress are Chinook Memorial Phase II, Airport Environmental Assessment, East Industrial Park Design, IP Pole Barn, and Building 10 remodel.

LONG-TERM DEBT

In 2010, debt reduction reduced bonds payable by $575,000 on December 1, 2010. On December 2, 2010 the port undertook a bond refunding to reduce total debt service payments over the next 11 years by $288,931. Additional information about the Port's bond refunding can be found in Note 7 to the financial statement. The Port also reduced its land purchase contract by $24,000.

In 2009, debt reduction reduced bonds payable by $575,000 and a land purchase contract by $24,000.

Potential Litigation

The attempt to exercise a purported option to lease by Riverwalk LLC was contested by the Port in 2007 given that the LLC failed to meet several conditions. Legal action was initiated in March 2008 by Riverwalk LLC through an arbitration request. Conclusion of the arbitration occurred on April 15, 2009 with a decision on May 29, 2009 by the arbitration panel that denied the claims of Riverwalk and the Port declared the prevailing party for purposes of Section 20 of the Option Agreement. The Port pursued Riverwallk LLC for reimbursement of legal fees during the end of 2009 and beginning of 2010. This attempt was unsuccessful.

Requests for Information

This financial report is intended to provide a general overview of the Port of Camas-Washougal's financial position. Questions concerning this report or requests for more information should be addressed to the Port of Camas-Washougal, Director of Finance, 24 South "A" Street, Washougal, WA 98671.

ASSETS

	DECEMBER 31, 2010	DECEMBER 31, 2009
CURRENT ASSETS		
Cash and Cash Equivalents	$ 6,809,868	$ 5,746,452
Investments	-	-
Restricted Assets		
Cash and Cash Equivalents	432,097	391,712
Investments	-	-
Interest Receivable	-	-
Other	-	-
Taxes receivable	132,267	147,857
Accounts receivable	89,726	46,312
Interest receivable	-	-
Notes receivable	-	-
Contracts receivable	19,070	19,070
Other receivable	-	-
Due from other goverments	-	-
Inventory	41,769	32,236
Prepaids	109,795	95,494
Other current assets	-	-
Total Current Assets	7,634,592	6,479,133
NONCURRENT ASSETS		
Restricted Assets		
Cash and Cash Equivalents	-	-
Investments	-	-
Interest Receivable	-	-
Other	-	-
Capital assets not being depreciated		
Land	6,997,870	6,988,070
Construction in progress	1,041,337	559,997
Capital assets being depreciated		
Equipment	500,076	487,969
Structures and improvements	24,661,349	24,529,513
Vehicles	157,147	157,147
Less: accumulated depreciation	11,325,822	10,573,817
Total Net Capital Assets	22,031,957	22,148,879
Other noncurrent assets		
Intangible assets	-	-
Other property investments, net	-	-
Notes receivable	-	-
Contracts receivable	421,787	442,498
Deferred charges	81,285	107,563
Other debits	-	-
Total Other Noncurrent Assets	503,072	550,061
TOTAL ASSETS	$ 30,169,621	$ 29,178,073

See accompanying notes to financial statements.

LIABILITIES

	DECEMBER 31, 2010	DECEMBER 31, 2009
CURRENT LIABILITIES		
Warrants payable	$ 20,653	$ 66,651
Accounts payable	225,175	226,604
Accrued interest payable	12,642	20,641
Notes payable	-	-
Contracts payable	-	-
Payable from restricted assets	-	-
Deferred credits	104,337	118,510
Current portion of long-term obligations	250,000	520,000
Other current liabilities	-	-
Total Current Liabilities	612,807	952,406
NONCURRENT LIABILITIES		
General obligation bonds	4,195,000	4,365,000
Revenue bonds	-	-
Capital leases	-	-
Notes payable	-	-
Contracts payable	52,000	76,000
Payable from restricted assets	-	-
Employee leave benefits	-	-
Other postemployment benefits	-	-
Other noncurrent liabilities	(33,951)	-
Deferred credits	-	-
Total Noncurrent Liabilities	4,213,049	4,441,000
TOTAL LIABILITIES	4,825,856	5,393,406
NET ASSETS		
Invested in capital assets, net of related debt	17,818,908	17,707,881
Restricted	-	-
Unrestricted	7,524,857	6,076,786
TOTAL NET ASSETS	25,343,765	23,784,667
TOTAL LIABILITIES AND NET ASSETS	$ 30,169,621	$ 29,178,073

See accompanying notes to financial statements.

PORT OF CAMAS-WASHOUGAL
STATEMENT OF REVENUE, EXPENSE AND CHANGES IN FUND NET ASSETS

	DECEMBER 31 2010	DECEMBER 31 2009
OPERATING REVENUES:		
Airport operations	$ 326,750	$ 334,065
Marina operations	$ 660,418	$ 699,450
Property lease/rental operations	1,235,095	1,227,133
General and administrative	-	-
Total Operating Revenue	2,222,263	2,260,648
OPERATING EXPENSE		
General operations	943,410	993,743
Maintenance	46,777	65,623
General and administrative	1,112,128	1,053,593
Depreciation	794,154	768,699
Total Operating Expense	2,896,469	2,881,658
Operating Income (Loss)	(674,206)	(621,010)
NON-OPERATING REVENUE (EXPENSE)		
Investment income	54,935	92,870
Taxes levied for:		
General purposes	1,347,353	1,315,329
Debt service principal/interest	773,283	839,036
Gain (loss) on disposition of assets	232,198	-
Interest expense	(239,694)	(272,207)
Election expense	(24,792)	-
Other nonoperating revenues (expenses)	72,174	(566,805)
Total Non-Operating Revenue (Expense)	2,215,457	1,408,223
Extraordinary items	17,848	107,906
Increase (decrease) in net assets	1,559,099	895,119
Net assets - beginning of period	23,784,664	22,889,545
Net assets - end of period	$ 25,343,763	$ 23,784,664

See accompanying notes to financial statements.

PORT OF CAMAS-WASHOUGAL
COMPARATIVE STATEMENT OF CASH FLOWS

	DECEMBER 31, 2010	DECEMBER 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 2,175,714	$ 2,221,833
Payments to suppliers	(1,422,459)	(1,293,125)
Payments to employees	(762,159)	(728,876)
Other receipts (payments)	(45,055)	(761,460)
Net cash provided (used) by operating activities	(53,959)	(561,628)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies and transfers to other funds	1,397,931	1,297,209
Net cash provided (used) by noncapital financing activities	1,397,931	1,297,209
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	773,283	839,036
Capital contributions	105,850	279,664
Purchases of capital assets	(677,232)	(1,674,089)
Principal paid on capital debt	(440,000)	(575,000)
Interest paid on capital debt	(288,147)	(276,555)
Other receipts (payments)	174,247	(24,000)
Net cash provided (used) by capital and related financing a(	(351,999)	(1,430,944)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	20,712	19,142
Interest and dividends	91,112	130,635
Net cash provided by investing activities	111,824	149,777
Net increase (decrease) in cash and cash equivalents	1,103,797	(545,586)
Balances - beginning of the year	6,138,164	6,683,750
Balances - end of the year	$ 7,241,961	$ 6,138,164
Reconciliation to statement of net assets		
Cash and cash equivalents - unrestricted	$ 6,809,868	$ 5,746,452
Cash and cash equivalents - restricted	432,097	391,712
Cash and cash equivalents - restricted for capital	-	-
Cash and cash equivalents - restricted in escrow	-	-
Cash and cash equivalents - December 31	$ 7,241,965	$ 6,138,164

See accompanying notes to financial statements.

	DECEMBER 31, 2010	DECEMBER 31, 2009
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ (674,210)	$ (621,010)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	794,154	768,699
Change in assets and liabilities:		
Receivables, net	(57,716)	(34,397)
Inventories	(9,533)	22,032
Accounts and other payables	(106,654)	(696,952)
Total adjustments	620,251	59,382
Net cash provided by operating activities	$ (53,959)	$ (561,628)
Non cash transactions		
Loan contract on sale of property	$ 52,000	$ 76,000

See accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

The Port of Camas-Washougal was incorporated in 1935 and operates under the laws of the State of Washington applicable to a port district. The financial statements of the Port of Camas-Washougal have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

During 2004, the Port implemented GASB 34, *Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments* ("MDA") and GASB 38, *Certain Financial* Statement Note Disclosures. The Port changed the format of its financial statements, renaming retained earnings "net assets," included the MDA in its report, and made prescribed changes in the financial statement footnotes.

A. Reporting Entity - The Port of Camas-Washougal is a special purpose government that provides airport hangar rentals, moorage, land and industrial development, and public recreation facilities to the general public and is supported primarily through user charges and the property tax levy.

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

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

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

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

The Port accounts for business operating revenues and expenses as "operating revenue and expense." Operating revenues are derived from airport, marina and industrial park fees and rents. Operating expenses are the direct expenses incurred while conducting these activities. General and administrative costs are those that relate to the Port as a whole, including staff compensation and benefits, commissioner compensation and benefits, membership fees and dues, communication costs, legal fees, marketing, and other indirect costs.

The Port accounts for all other revenue and expense as non-operating revenue or expense. Included are property and other tax receipts, interest income on investments, bond interest expense and other non-operating revenue and expense.

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Assets -

- **Cash and Cash Equivalents** - It is the Port's policy to invest all temporary cash surpluses. At December 31, 2010 and 2009, the treasurer was holding $7,241,965 and $6,138,164 in short-term investments of surplus cash. These amounts are classified in the *Comparative Statement of Net Assets* as *Cash and Cash Equivalents* as either unrestricted or restricted. See Note 2.

  For the purposes of the *Comparative Statement of Cash Flows* , the Port considers all highly liquid investments (including restricted assets), with a maturity of three months or less when purchased, to be cash equivalents.

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

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

  Contracts receivable consists of amounts owed from private individuals or organizations under contract for land sales.

- **Inventories** - Inventories are valued by the first-in, first-out method, which approximates market value. Inventory consists of fuel held for sale at the marina and airport.

- **Prepaid expenses** - Expense items of a nature which will benefit future periods are recognized as prepaid expenses and expensed over their useful lives.

- **Restricted assets** - In accordance with bond resolutions (and certain related agreements), separate restricted accounts are required. Identified in Note 7, $430,097 is resticted as bond reserves while $2,000 is restricted to reimbursement of deposits held, for total resticted assets of $432,097.

  These accounts contain resources for debt service and, when applicable, project construction. The current portion of related liabilities are shown as accrued interest and current portion of long-term debt. Specific debt service reserve requirements are described in Note 7.

- **Capital assets** - Capital assets are stated at cost. Depreciation of capital assets is computed using the straight-line method, based on estimated useful lives. See Note 4.

- **Prepaid bond issuance costs and original issue discount** - Costs relating to the sale of bonds are deferred and amortized over the lives of the various bonds. The bond issuance cost and the original issue discount for bonds issued was $66,731 and $18,566 for 2010 and 2009, respectively.

- **Employee leave benefits** - Employee absences are funded from current revenues when taken. Unused vacation time may be carried forward so long as total hours earned do not exceed 240. Costs are expensed when vacation is earned, and is accrued on a monthly basis. Sick leave is accumulated at the rate of one day for each full month of service up to a maximum of 120 days and is forfeited upon termination, except in the case of death or retirement, when all unused sick leave may be exchanged for compensation at the rate of 2 sick days for 1 day of compensation.

- **Long-term debt** - See Note 7.

Note 1 - Summary of Significant Accounting Policies (Continued)

- **Deferred revenues** - These amounts are not recognized as revenue until the revenue recognition criteria has been met.

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

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

Note 2 - Deposits and Investments

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

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

Regulatory oversight is provided by the Finance Committee, which by statute consists of the Treasurer, the Auditor, and the Chairman of the Board of County Commissioners. The committee approves the investment policy and makes all appropriate rules and regulations to carry out the provisions of RCW 36.48.010 through 36.48.060.

The Clark County Investment Pool does not report any securities at amortized cost. All securities are reported at fair market value. The investment pool is not SEC registered. Authority to manage the Investment Pool is derived from the Revised Code of Washington ("RCW") in RCW 36.29.022.

The Clark County Investment Pool reduces credit risk by purchasing securities rated at the highest quality by credit rating organizations such as Moody's, Standard & Poor's, or Fitch. As of December 31, 2010, 36.1% of the portfolio was invested in securities rated 'AAA', 55.2% invested in the State LGIP, 3.0% in US Treasury Securities, and 4.0% in CDs and overnight bank deposits collateralized by the Washington Public Deposit Protection Commission and/or insured by the Federal Deposit Insurance Corporation and 1.7% in other short term money market instruments.

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

	2010		
	Unrestricted	Restricted	Total
Deposits	$ 5,250	$ 2,000	$ 7,250
Clark County Investment Pool	6,804,618	430,097	7,234,715
	$ 6,809,868	$ 432,097	$ 7,241,965

	2009		
	Unrestricted	Restricted	Total
Deposits	$ 2,250	$ 2,000	$ 4,250
Clark County Investment Pool	5,744,202	389,712	6,133,914
	$ 5,746,452	$ 391,712	$ 6,138,164

Cash and cash equivalents by source/use of funds:

	2010	2009
General Unrestricted Use	$ 6,809,868	$ 5,746,452
Deposit Reimbursement Fund	2,000	2,000
General Obligation Bond Reserve Fund	430,097	389,710
Revenue Bond Reserve Fund	-	1
Cash in Escrow	-	-
	$ 7,241,965	$ 6,138,164

Note 3 - Property Taxes

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

The property tax calendar is as follows:

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

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

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

The Port's regular levy for 2010 was $.263 per $1,000 on an assessed valuation of $5,112,442,910 for a total regular levy of $1,345,378. In addition, the Port's bond fund levy was $.150 per $1,000 for a total of $767,345. The total levy for 2010 was $.413 per $1,000 resulting in a total tax levy of $2,112,723.

The Port's regular levy for 2009 was $.221 per $1,000 on an assessed valuation of $6,036,032,824 for a total regular levy of $1,337,386. In addition, the Port's bond fund levy was $.141 per $1,000 for a total of $849,553. The total levy for 2009 was $.362 per $1,000 resulting in a total tax levy of $2,186,939.

Note 4 - Capital Assets

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

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method, with useful lives of 3 to 80 years.

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

	Beginning Balance 1/1/2010	Increases	Decreases	Ending Balance 12/31/2010
Capital assets, not being depreciated				
Land and land rights	$ 6,988,069	$ 10,800	$ 1,000	$ 6,997,869
Construction in progress	559,998	644,262	162,922	$ 1,041,338
Capital capital assets, not being depreciated	7,548,067	655,062	163,922	8,039,207
Capital assets, being depreciated				
Structures and improvements	24,529,512	170,875	39,039	24,661,348
Vehicles	157,147	-	-	157,147
Equipment, furniture and fixtures	487,970	21,403	9,296	- 500,077
Total capital assets, being depreciated	25,174,629	192,277	48,334	25,318,571
Less accumulated depreciation for:				
Structures and improvements	(10,102,004)	30,380	(748,395)	(10,820,019)
Vehicles	(132,779)	-	(4,608)	(137,387)
Equipment, furniture and fixtures	(339,034)	9,296	(38,677)	(368,416)
Total accumulated depreciation	(10,573,816)	39,676	(791,680)	(11,325,821)
Net capital assets	$ 22,148,879	$ 887,015	$ (579,424)	$ 22,031,957

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 and land rights	$ 6,584,360	$ 403,747	$ 38	$ 6,988,069
Construction in progress	1,743,464	1,264,979	2,448,445	$ 559,998
Capital capital assets, not being depreciated	8,327,824	1,668,726	2,448,483	7,548,067
Capital assets, being depreciated				
Structures and improvements	22,097,944	2,431,568	-	24,529,512
Vehicles	157,147	-	-	157,147
Equipment, furniture and fixtures	471,609	23,069	6,708	- 487,970
Total capital assets, being depreciated	22,726,700	2,454,637	6,708	25,174,629
Less accumulated depreciation for:				
Structures and improvements	(9,374,384)	-	(727,620)	(10,102,004)
Vehicles	(128,170)	-	(4,609)	(132,779)
Equipment, furniture and fixtures	(308,480)	5,917	(36,471)	(339,034)
Total accumulated depreciation	(9,811,034)	5,917	(768,699)	(10,573,816)
Net capital assets	$ 21,243,490	$ 4,129,280	$ 1,686,492	$ 22,148,879

Note 5 - Construction In Progress

For 2010, construction in progress of $644,262 represents expense of ongoing year-end projects for which authorizations total $1,098,935. The Chinook Memorial Phase II, Airport Environmental Assessment, Levee Certification and Vegetation removal, East Industrial Park Stormwater Design, IP Pole Barn, Building 10 remodel, A row remodel, and G&H row design are projects that will continue into 2011.

For 2009, construction in progress of $1,264,979 represents expense of ongoing year-end projects for which authorizations total $1,196,000. The Chinook Memorial Phase II, Airport Environmental Assessment, East Industrial Park Design, IP Pole Barn and Building 10 remodel projects will continue into 2010.

Note 6 - Pension Plans

Substantially all of the Port's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be donwloaded from the DRS website at 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 27.

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

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

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

PERS 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 at any age after 30 years of service, or at the age of 60 with five years of service, or at the

Note 6 - Pension Plans (Continued)

age 55 with 25 years of service. The monthly benefit is 2 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 3 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 3 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 2 percent of the AFC for each year of service reduced by 2 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 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in 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 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

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

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

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

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

Note 6 - 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 monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

Effective June 7, 2006, PERS Plan 3 members are vested in their 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 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

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

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

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

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

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

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

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

Note 6 - Pension Plans (Continued)

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	53,896
Total	262,166

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 rate. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The empoyer 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 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, 2010, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
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%.
** Plan 3 defined benefit portion only.
*** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2010	$ -	$ 28,527	$ 11,396
2009	$ -	$ 37,616	$ 12,775
2008	$ -	$ 36,675	$ 11,119

Note 7 - Long-Term Debt

A. Long-Term Debt

The Port issues general obligation and revenue bonds to finance the purchase and construction of capital assets. Bonded indebtedness has also been entered into, in prior years, to advance refund general obligation and revenue bonds. Long-term debt also includes a note payable in connection with a property acquired in 2004.

Note payable currently outstanding:

Purpose	Maturity	Interest Rate	Original Amount	Amount of Annual Installment
Property acquisition	2013	None	$ 238,000	$ 24,000

The annual debt service to maturity for the note payable is as of December 31, 2010:

Year Ending December 31,	Principal	Interest
2011	24,000	-
2012	24,000	-
2013	4,000	-
Total	$ 52,000	$0

The annual debt service to maturity for the note payable is as of December 31, 2009:

Year Ending December 31,	Principal	Interest
2010	24,000	-
2011	24,000	-
2012	24,000	-
2013	4,000	-
Total	$ 76,000	$0

General obligation bonds currently outstanding as of December 31, 2010 are as follows:

Purpose	Maturity	Interest Rate	Original Amount	Amt of Annual Installment
2004 Series A Refunding, industrial additions	2012	1.3 to 4.5%	$2,510,000	From $344,000 to $199,000
2004 Series B Refunding, industrial additions	2023	3.65 to 4.5%	$1,650,000	From $68,000 to $120,000
2010 Series A Refunding 1999C and 2001B	2021	1.75 to 3.5%	$1,045,000	From $85,000 to $205,000
2010 Series B Refunding 1999B and 2001A	2019	1.5% to 4.5%	$1,385,000	From $75,000 to $180,000

Note 7 - Long-Term Debt cont.

General obligation bonds currently outstanding as of December 31, 2009 are as follows:

Purpose	Maturity	Interest Rate	Original Amount	Amt of Annual Installment
2004 Series A Refunding, industrial additions	2012	1.3 to 4.5%	$2,510,000	From $344,000 to $199,000
2004 Series B Refunding, industrial additions	2023	3.65 to 4.5%	$1,650,000	From $68,000 to $120,000
2001 Series A Industrial additions	2019	5.0 to 6.5%	$1,840,000	From $190,000 to $91,000
2001 Series B Industrial additions	2021	5.00%	$500,000	From $25,000 to $215,000
1999 Series B Refunding, industrial additions	2013	5.75%	$355,000	From $20,000 to $115,000
1999 Series C Refunding, industrial additions	2019	5.7 to 5.75%	$495,000	From $28,000 to $95,000

The annual debt service to maturity for general obligation bonds as of December 31, 2010 are as follows:

Year Ending December 31,	Principal	Interest
2011	250,000	151,706
2012	390,000	143,333
2013	385,000	131,383
2014	450,000	120,465
2015	450,000	107,520
2016 - 2023	2,520,000	354,803
Total	$ 4,445,000	$ 1,009,209

The annual debt service to maturity for general obligation bonds as of December 31, 2009 are as follows:

Year Ending December 31,	Principal	Interest
2010	520,000	247,693
2011	345,000	223,005
2012	365,000	205,160
2013	380,000	185,888
2014	410,000	167,458
2015 - 2023	2,865,000	596,629
Total	$ 4,885,000	$ 1,625,832

The Port has no Revenue Bonds outstanding as of December 31, 2009. The Port paid off its 2001 Revenue Refunding Bond on December 1, 2009 for $71,837.50.

Note 7 - Long-Term Debt cont.

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

B. Refunded Debt
The Port had $2,350,000 of refunded debt outstanding as of December 31, 2010. $1,850,000 of this debt is expected to retire on January 4, 2011 and the remaining $500,000 will retire on December 1, 2011.

The advance refunding was undertaken to reduce total debt service payments and resulted in an economic gain of $288,931.

C. Changes in Long-Term Liabilities
During the year ended December 31, 2010, the following changes occurred in long-term liabilities:

Description of Long-term Liabilities	Beginning Balance 1/1/2010	Additions	Reductions	Ending Balance 12/31/2010	Due Within One Year
Note payable	$ 76,000		$ 24,000	$ 52,000	$ 24,000
Bonds payable:					
1999 Series B	$ 195,000		$ 195,000	$ -	-
1999 Series C	$ 495,000		$ 495,000	$ -	-
2001 Series A	$ 1,315,000		$ 1,315,000	$ -	-
2001 Series B	$ 500,000		$ 500,000	$ -	-
2004 Series A	$ 730,000		$ 365,000	$ 365,000	$ 175,000
2004 Series B	$ 1,650,000		$ -	$ 1,650,000	-
2010 Series A	$ -	$ 1,045,000	$ -	$ 1,045,000	-
2010 Series B	$ -	$ 1,385,000	$ -	$ 1,385,000	$ 75,000
Less deferred amounts:					
For issuance discounts on refunding	$ -	$ (33,951)	$ -	(33,951)	(3,086)
Total bonds payable:	$ 4,885,000	$ 2,396,049	$ 2,870,000	$ 4,411,049	$ 246,914
Total long-term liabilities	$ 4,961,000	$ 2,396,049	$ 2,894,000	$ 4,463,049	$ 270,914

During the year ended December 31, 2009, the following changes occurred in long-term liabilities:

Description of Long-term Liabilities	Beginning Balance 1/1/2009	Additions	Reductions	Ending Balance 12/31/2009	Due Within One Year
Commission payable	$ -			$ -	$ -
Note payable	$ 100,000		$ 24,000	$ 76,000	$ 24,000
Bonds payable:					
G. O. bonds	5,390,000		505,000	$ 4,885,000	520,000
Revenue bonds	70,000		70,000	$ -	-
Total bonds payable	5,460,000		575,000	4,885,000	520,000
Total long-term liabilities	$ 5,560,000	$ -	$ 599,000	$ 4,961,000	$ 544,000

Note 8 - Risk Management

The Port of Camas-Washougal is a member of Enduris. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entity to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. Enduris was formed July 10, 1987, when two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2008, there are 427 Enduris members representing a broad range of special purpose districts.

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

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

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

Insurance carriers cover all losses over the deductible 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.

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

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

Note 9 - Operations

The Port's airport, industrial property and marina operations are summarized below:

	YEAR ENDED DECEMBER 31, 2010			
	Airport	Industrial	Marina	Total
Operating revenues	$ 326,750	$ 1,235,095	$ 660,418	$ 2,222,263
Operating and general admin. expenses				
Operations	364,933	1,051,475	685,910	$ 2,102,318
Depreciation	113,427	437,843	242,884	$ 794,154
Total operating expenses	478,360	1,489,318	928,794	$ 2,896,472
Operating gain/(loss)	$ (151,610)	$ (254,223)	$ (268,376)	(674,209)
Net non-operating revenue (expenses)				2,233,305
Net income				$ 1,559,096

	YEAR ENDED DECEMBER 31, 2009			
	Airport	Industrial	Marina	Total
Operating revenues	$ 334,065	$ 1,227,133	$ 699,450	$ 2,260,648
Operating and general admin. expenses				
Operations	396,007	965,761	751,191	$ 2,112,959
Depreciation	116,322	432,180	220,197	$ 768,699
Total operating expenses	512,329	1,397,941	971,388	$ 2,881,658
Operating gain/(loss)	$ (178,264)	$ (170,808)	$ (271,938)	(621,010)
Net non-operating revenue (expenses)				1,516,129
Net income				$ 895,119

Note 10 - Lease Revenue

As part of its normal operations, the Port of Camas-Washougal leases land and buildings to tenants who intend to utilize the property to generate direct benefits within the community. The Port's objective is that lease terms be for a length of time that will assist in insuring economic stability and a fair return on the value of the facilities being leased. Lease terms, including options for renewal, run from 1 to 35 years. In addition, there are properties that are rented on a month-to-month basis. All leases are accounted for as operating leases.

Note 11 - Lease Income

Noncancelable lease payments with terms exceeding one year as of December 31, 2010 are as follows:

Year ending December 31,	Land	Facilities	Total
2011	350,261	814,815	1,165,076
2012	340,105	794,546	1,134,651
2013	346,980	654,540	1,001,519
2014	354,846	598,000	952,846
2015	362,542	402,844	765,386
2016 - 2020	1,481,169	1,307,221	2,788,390
2021 - 2025	760,366	1,481,822	2,242,188
2026 - 2030	800,757	1,686,192	2,486,949
2031 - 2035	486,231	1,919,819	2,406,050
2036 - 2040	417,711	1,277,801	1,695,512
2041 - 2045	418,136	-	418,136
	$ 6,119,103	$ 10,937,598	$ 17,056,701

Noncancelable lease payments with terms exceeding one year as of December 31, 2009 are as follows:

Year ending December 31,	Land	Facilities	Total
2010	351,347	777,959	1,129,306
2011	341,922	697,714	1,039,636
2012	329,057	578,836	907,893
2013	335,677	409,813	745,490
2014	342,219	417,400	759,619
2015 - 2019	1,578,124	1,334,421	2,912,546
2020 - 2024	692,536	1,546,960	2,239,496
2025 - 2029	722,183	1,793,351	2,515,534
2030 - 2034	547,892	2,078,985	2,626,877
2035 - 2039	417,386	1,729,253	2,146,639
2040 - 2044	418,136	-	418,136
	$ 6,076,480	$ 11,364,693	$ 17,441,173

Note 12 - Contingent Liabilities

The Port of Camas-Washougal records all material liabilities in its financial statements.
The attempt to exercise a purported option to lease by Riverwalk LLC was contested by the Port in 2007 given that the LLC failed to meet several conditions. Legal action was initiated in March 2008 by Riverwalk LLC through an arbitration request. Conclusion of the arbitration occurred on April 15, 2009 with a decision on May 29, 2009 by the arbitration panel that denied the claims of Riverwalk and the Port declared the prevailing party for purposes of Section 20 of the Option Agreement. The Port pursued Riverwallk LLC for reimbursement of legal fees during the end of 2009 and beginning of 2010. This attempt was unsuccessful.

Note 13 - Other Post-employment Benefit Plans

In addition to pension benefits as described in Note 6, the Port, through the Health Care Authority (HCA), provides an agent multiple-employer other post-employment benefit plan (OPEB). Per RCW 41.05.065,

Note 13 - Other Post-employment Benefit Plans cont.

the Public Employees Benefits Board (PEBB) created within the Health Care Authority, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 52 of the state's K-12 schools and educational service districts (ESDs), and 200 political subdivisions including the Port. Additionally, the PEBB plan is available to the retirees of the remaining 249 K-12 schools and ESDs. As of December 2010, membership in the PEBB plan consisted of the following:

	Active Employees	Retirees[1]	Total
State	108,893	28,319	137,212
K-12 Schools and ESDs	2,203	28,591	30,794
Political Subdivisions	11,584	1148	12,732
Total	122,680	58,058	180,738

[1] Retirees include retired employees, surviving spouses, and terminated members entitled to a benefit.

	Active Employees	Retirees	Total
Port of Camas-Washougal	14	2	16

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by th employers and plan members. This understanding is based on communications between the HCA, employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to PEBB plans depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, and Higher Education.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's Non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the Non-Medicare risk pool receive an implicit subsidy. The implicit susbsidy exists because retired members pay a premium based on a claims experience for active employees and other Non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the Health Care Authority administrator recommends an amount for the next calendar year's explicit subsidy for includsion in the Governor's budget.

Note 13 - Other Post-employment Benefit Plans cont.

Administrative costs as well as implicit and explicit subsidies are funded by required contributions from participating employers. The subsidies provide monetary assistance for medical and life instrance benefits.

Contributions are set each biennium as part of the state's budget process.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan and actuarial methods and assumptions used. The PEBB OPEB plan is accounted for as an agency fund on an accrual basis. The plan has no investments or other assets. The

PEBB OPEB plan does not issue a publicly available financial report. For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to: http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm

Annual OPEB Cost and Net OPEB Obligation

The Port's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following tables show the components of the Port's annual OPEB cost for Fiscal Year 2010, the amount actually contributed to the plan, and changes in the net OPEB obligation (NOO):

Annual OPEB Cost	2010	2009
Annual Required Contribution (ARC)	$48,339	$44,909
Interest on NOO	1,705	0
Amortization of NOO	-2326	0
Annual OPEB Cost	$47,718	$44,909

Net OPEB Obligation	2010	2009
NOO Beginning of Year	$37,896	$0
Annual OPEB Cost	$47,718	$44,909
Contribution Made	7,654	0
NOO End of Year	$77,960	$44,909

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2010 was as follows:

Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
$47,718	16%	$77,960

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2009 was as follows:

Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
$44,909	0%	$44,909

Note 13 - Other Post-employment Benefit Plans cont.

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2010 was as follows:

Unfunded Actuarial Accrued Liability (UAAL)	
Actuarial Accrued Liability (AAL)	$353,991
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	$353,991

UUAL / Covered Payroll	
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	1,060,743
UUAL as a Percentage of Covered Payroll	33%

The funded status of the plan as of December 31, 2009 was as follows:

Unfunded Actuarial Accrued Liability (UAAL)	
Actuarial Accrued Liability (AAL)	$322,164
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	$322,164

UUAL / Covered Payroll	
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	1,077,430
UUAL as a Percentage of Covered Payroll	30%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject ot continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

We have used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 62.20 was assumed for all active members to determine the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the PERS 2 rates used in the June 30, 2007 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Mercer and used by OSA in the state-wide PEBB study performed in 2008. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the AAL was Projectd Unit Credit. The AAL and NOO are amortized on an open bases as a level dollar over 30 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

Note 14 - Other Disclosures

1. Extraordinary and/or Special Items

The Port incurred property damage to Building 10 on December 29, 2008. Deep freeze temperature created a break in the bathroom water line that caused flooding throughout the building. This is an event the Port would not reasonably expect to recur in the foreseeable future. The Port filed a property loss claim with Enduris on December 30, 2008 and was awarded $107,906 on May 7, 2009 to refurbish Building 10, with a final payment of $17,847.92 on November 10, 2010 once project was complete.

Note 15 - Public Industrial Corporation

During 1982, the Port of Camas-Washougal authorized the establishment of the Public Industrial Corporation pursuant to the provision of Chapter 39.84 RCW. The purpose of the corporation is to facilitate the economic development and employment opportunities within the Port by various means including the issuance of revenue bonds for the purpose of financing industrial development facilities. Revenue bonds issued for this purpose are payable from revenues of the financed facilities and do not represent a liability or contingent liability of the Port. The affairs of the corporation are governed by a three member board of directors. Currently, the Port of Camas-Washougal Board of Commissioners is also the Public Industrial Corporation's Board of Directors. The corporation had authorized and issued bonds totaling $10,900,000 in 1982. In 1993, the corporation refunded the entire 1982 bond for $10,300,000 with a maturity date of April 1, 2023.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation 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 our 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 continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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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Chief of Staff	**Ted Rutt**
Deputy Chief of Staff	**Doug Cochran**
Chief Policy Advisor	**Jerry Pugnetti**
Director of Audit	**Chuck Pfeil, CPA**
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Local Government Liaison	**Mike Murphy**
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