Washington State Auditor's Office

Financial Statements Audit Report

Port of Camas-Washougal

Clark County

Audit Period

January 1, 2011 through December 31, 2011

Report No. 1011073

Issue Date

December 31, 2013

WASHINGTON
TROY KELLEY
STATE AUDITOR

Washington State Auditor
Troy Kelley

December 31, 2013

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,

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

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Clark County
January 1, 2011 through December 31, 2011

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Port of Camas-Washougal
Clark County
January 1, 2011 through December 31, 2011

Board of Commissioners
Port of Camas-Washougal
Washougal, Washington

We have audited, 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, the financial statements of the Port of Camas-Washougal, Clark County, Washington, as of and for the year ended December 31, 2011, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated December 6, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Port's financial statements are free from 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*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

December 6, 2013

Independent Auditor's Report on Financial Statements

Port of Camas-Washougal
Clark County
January 1, 2011 through December 31, 2011

Board of Commissioners
Port of Camas-Washougal
Washougal, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Camas-Washougal, Clark County, Washington, as of and for the year ended December 31, 2011, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 5.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2011, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

December 6, 2013

Financial Section

Port of Camas-Washougal
Clark County
January 1, 2011 through December 31, 2011

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, 2011 and 2010. We present this information in conjunction with the financial statements and the notes attached thereto, which immediately follow this discussion and analysis.

The overall condition of the Port has improved over the prior year, for both 2011 and 2010, as evidenced by the 2011 increase in the change in net position of $1,456,826 and the 2010 increase in the change in net position of $1,559,138.

Financial Highlights

* Current assets increased by $1,199,476 in 2011 and increased by $1,155,459 in 2010.
* Current liabilities increased by $200,091 in 2011 and decreased by $339,599 in 2010.
* Noncurrent liabilities decreased by $372,657 in 2011 and decreased by $227,951 in 2010 (refer to bond activity mentioned below).
* Change in Net position in 2011 and 2010 was, respectively, $1,456,826 and $1,559,138.
* Net cash and cash equivalents increased by $1,236,206 in 2011 and increased by $1,103,801 in 2010 (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 $100 in 2011 and under $400 in 2010.

The Statement of Net Position presents information concerning the Port's assets, liabilities and net position. Net position is the difference between assets and liabilities. Increases or decreases in the net position 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 POSITION	2011	2010	2009
Assets:			
Current and other assets	$ 9,306,447	$ 7,705,607	$ 6,637,482
Restricted assets	-	432,097	391,712
Capital assets, net	22,147,480	22,031,957	22,148,879
Total Assets	31,453,927	30,169,661	29,178,073
Liabilities:			
Other liabilities	812,898	612,808	952,406
Noncurrent liabilities	3,840,392	4,213,049	4,441,000
Total Liabilities	4,653,290	4,825,857	5,393,406
Net Position:			
Net investment in capital assets	17,955,340	17,818,908	17,707,881
Unrestricted	8,845,297	7,524,897	6,076,786
Total Net Position	26,800,637	25,343,805	23,784,667

As previously noted, changes in net position over time can be a good indicator of the Port's financial position. The Port's increase in net position for 2011 was $1,456,826 (5.7%) and in 2010 was $1,559,138 (6.6%) from the previous year.

Of the Port's $26,800,637 in total net position for 2011, 67% ($17,955,340) reflects its investment in capital assets, less any outstanding debt used to acquire these assets. The remaining 33% ($8,845,297) in unrestricted net position may be used in the Port's continuing operations.

2011 total assets increased $1,284,266 (4.3%) from the prior year. This increase is due to $1,168,743 in cash; and $115,523 in the following additions of net capital assets: completion of energy efficient lighting in the marina and industrial park; completion of the Industrial Park wash rack and material shed; completion of A Row fingers in the marina; purchase of Kubota mini excavator, 4x4 tractor and 2011 Ford Econoline Van E-250; and purchase of the marina LRTM machine.

2010 total assets increased $991,588 (3.3%) 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.

2011 liabilities decreased $172,567, due mostly to bond principal payments.

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

CHANGE IN NET POSITION	2011	2010	2009
REVENUES			
Operating Revenues:			
Airport	$ 333,703	$ 326,750	$ 334,065
Industrial Park	1,209,356	1,235,095	1,227,133
Marina	836,010	660,418	699,450
Total Operating Revenues	2,379,069	2,222,263	2,260,648
Non-operating Revenues:			
Property taxes	2,148,398	2,120,636	2,154,365
Gain on sale of land	-	232,198	-
Investment income	34,857	54,935	92,870
Interest on land sales contracts	34,458	36,177	37,765
State grant revenue	56,003	1,783	4,857
Federal grant revenue	36,175	86,219	166,112
All other revenue	19,178	54,935	113,982
Total Non-operating Revenues	2,329,069	2,586,883	2,569,951
Total Revenues	4,708,138	4,809,146	4,830,599
EXPENSES			
Operating Expenses:			
Airport	384,873	364,902	396,007
Industrial Park	993,660	1,051,456	965,761
Marina	884,020	685,917	751,191
Depreciation	820,632	794,154	768,699
Total Operating Expenses	3,083,185	2,896,429	2,881,658
Non-operating Expenses:			
Interest expense	154,095	239,694	272,207
Cost of discontinued project	-	-	-
Bond retirement costs	-	-	-
Bond issuance expense	14,032	66,731	18,566
Election expense	-	24,792	-
All other non-operating expense	-	22,362	763,049
Total Non-operating Expenses	168,127	353,579	1,053,822
Total Expenses	3,251,312	3,250,008	3,935,480
Change in Net Position	1,456,826	1,559,138	895,119
Total Net Position - Beginning	25,343,802	23,784,664	22,889,545
Total Net Position - Ending	$ 26,800,628	$ 25,343,802	$ 23,784,664

The table above summarizes the operations of the Port for the fiscal (and calendar) years of 2011, 2010, and 2009. This schedule shows how the net position 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 change in net position of the Port increased by $1,456,826 in 2011 and by $1,559,138 in 2010, thereby contributing to the ongoing improvement of the Port's already healthy financial position.

2011 operating revenues increased $156,806 (7.1%). This amounted to a 2.1% increase at the airport due to an increase in fuel sales, a 2.1% decrease at the Industrial Park due to Riverside Marine tenant revenue being reallocated to marina operations; and a 26.6% increase at the marina due to an increase in fuel sales from DOE's work on the Davey Crockett, reallocated Riverside Marine tenant revenue, and new lease with PSU.

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.

2011 non-operating revenues decreased $257,814 (10%). A property sale in 2010 of $232,198 was the largest cause of the decrease in revenue along with decreases in federal grant revenue and investment income due to lower interest rates in 2011.

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.

2011 operating expenses in total increased $186,756 (6.4%). This amounted to a 5.5% increase at the airport due to increased fuel costs and outside services expense; a 5.5% decrease at the industrial park due to decreased payroll expense, and a 28.9% increase at the marina due to increased fuel and payroll expenses.

2010 operating expenses in total increased $14,771 (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.

2011 non-operating expenses decreased $185,452 (-52%) due to decreased interest expense on bonds, and election and bond retirement cost expenses that occurred in 2010 but not in 2011.

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

Capital Asset and Long-Term Debt Activity

CAPITAL ASSETS, NET OF DEPRECIATION	2011	2010	2009
Land	$ 6,664,671	$ 6,997,870	$ 6,988,070
Structures	14,353,315	13,841,330	14,427,509
Vehicles	53,069	19,760	24,369
Equipment and furniture	288,830	131,660	148,936
Construction in progress	787,596	1,041,337	559,997
	$ 22,147,481	$ 22,031,957	$ 22,148,881

Additional information about the Port's capital assets can be found in Note 4 to the financial statements. For 2011, structures increased due to the project completion of the industrial park material shed and the marina A Row project; equipment increased from the purchase of energy efficient lighting in industrial park buildings, a mini excavator, load trailer, a Kubota 4x4 tractor, and the purchase of an LRTM machine at the marina; and vehicles increased due to the purchase of a 2011 Ford Econoline Van E-250 and new floats for th port barge. Projects still remaining in Construction in Progress are Chinook Memorial Phase II, Design & Permitting of H Row, Existing Tree & Vegetation Removal, East Industrial Park Stormwater Design, Levee Certification, Hydrology Study, Upgrade Pump House Electrical, Integrated Planning Grant, and Carpeting Administration Office.

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.

LONG-TERM DEBT

In 2011, debt reduction reduced bonds payable by $250,000 and a land purchase contract by $24,000.

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.

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
For the Year Ended December 31, 2011

CURRENT ASSETS		
Cash and Cash Equivalents	$	8,478,171
Investments		-
Restricted Assets		
Cash and Cash Equivalents		-
Investments		-
Interest Receivable		-
Taxes receivable		111,270
Accounts receivable		62,944
Interest receivable		-
Notes receivable		-
Contracts receivable		15,711
Due from other goverments		-
Inventory		50,206
Prepaids		115,766
Other current assets		-
Total Current Assets		8,834,068
NONCURRENT ASSETS		
Restricted Assets		
Cash and Cash Equivalents		-
Investments		-
Interest Receivable		-
Capital assets not being depreciated:		
Land		6,664,671
Construction in progress		787,596
Capital assets being depreciated:		
Equipment		571,330
Structures and improvements		26,047,760
Vehicles		184,782
Less: accumulated depreciation		12,108,659
Other noncurrent assets		
Intangible assets		-
Other property investments, net		-
Notes receivable		-
Contracts receivable		402,716
Deferred charges		69,663
Other debits		-
Total Noncurrent Assets		22,619,859
TOTAL ASSETS	$	31,453,927

See accompanying notes to financial statements.

LIABILITIES
For the Year Ended December 31, 2011

CURRENT LIABILITIES	
Warrants payable	$ 14,460
Accounts payable	305,156
Accrued interest payable	11,944
Notes payable	-
Contracts payable	-
Payable from restricted assets	-
Deferred credits	91,338
Current portion of long-term obligations	390,000
Other current liabilities	-
Total Current Liabilities	812,898
NONCURRENT LIABILITIES	
General obligation bonds	3,805,000
Revenue bonds	-
Capital leases	-
Notes payable	-
Contracts payable	28,000
Payable from restricted assets	-
Employee leave benefits	38,257
Other postemployment benefits	-
Other noncurrent liabilities	(30,865)
Deferred credits	-
Total Noncurrent Liabilities	3,840,392
TOTAL LIABILITIES	4,653,290
NET POSITION	
Net investment in capital assets	17,955,340
Restricted	-
Unrestricted	8,845,297
TOTAL NET POSITION	26,800,637
TOTAL LIABILITIES AND NET POSITION	$ 31,453,927

See accompanying notes to financial statements.

For the Year Ended December 31, 2011

OPERATING REVENUES:		
Airport operations	$	333,703
Marina operations	$	836,010
Property lease/rental operations		1,209,356
General and administrative		-
Total Operating Revenue		2,379,069
OPERATING EXPENSE:		
General operations		1,072,478
Maintenance		77,787
General and administrative		1,112,286
Depreciation		820,631
Total Operating Expense		3,083,182
Operating Income (Loss)		(704,113)
NON-OPERATING REVENUE (EXPENSES):		
Investment income		34,857
Taxes levied for:		
General purposes		1,556,583
Debt service principal/interest		591,815
Gain (loss) on disposition of assets		-
Interest expense		(154,095)
Election expense		-
Other nonoperating revenues (expenses)		131,782
Total Non-Operating Revenue (Expenses)		2,160,942
Extraordinary items		-
Increase (decrease) in net position		1,456,829
Net position - beginning of period		25,343,802
Net position - end of period	$	26,800,631

See accompanying notes to financial statements.

For the Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 2,397,893
Payments to suppliers	(1,025,533)
Payments to employees	(1,144,384)
Other receipts (payments)	1,571
Net cash provided (used) by operating activities	229,547
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating subsidies and transfers to other funds	1,595,187
Net cash provided (used) by noncapital financing activities	1,595,187
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Levy revenue for bond principal and interest payments	591,815
Capital contributions	92,178
Purchases of capital assets	(1,209,158)
Principal paid on capital debt	(250,000)
Interest paid on capital debt	(157,203)
Other receipts (payments)	252,091
Net cash provided (used) by capital and related financing activities	(680,277)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	22,430
Interest and dividends	69,315
Net cash provided by investing activities	91,745
Net increase (decrease) in cash and cash equivalents	1,236,202
Balances - beginning of the year	7,241,965
Balances - end of the year	$ 8,478,167
Reconciliation to statement of net assets	
Cash and cash equivalents - unrestricted	$ 8,476,171
Cash and cash equivalents - restricted	2,000
Cash and cash equivalents - restricted for capital	-
Cash and cash equivalents - restricted in escrow	-
Cash and cash equivalents - December 31	$ 8,478,171

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	$ (704,115)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	820,631
Change in assets and liabilities:	
Receivables, net	26,782
Inventories	(8,437)
Accounts and other payables	94,688
Total adjustments	933,664
Net cash provided by operating activities	$ 229,549

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.

In 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. These and consecutive statements are reflected in the accompanying financial statements (including notes to financial statements).

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 a three-member Board of Commissioners, elected by Port district voters. 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 - The 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 position (or balance sheet). Their reported fund postion (total net assets) is segregated into net investment in capital assets, restricted and unrestricted components of net position. Operating statement presents increases (revenues and gains) and decreases (expenses and losses) in net position. 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 distinguishes between operating revenues and expenses from nonoperating ones. Operating revenues are derived from airport, marina and industrial park fees and lease rents. Operating expenses are the direct expenses incurred while conducting these activities. Operating expenses for the Port include the cost of sales and services, general and administrative expenses, staff compensation and benefits, commissioner compensation and benefits, membership fees and dues, communication costs, legal fees, marketing, utilities, insurance, other indirect costs, and depreciation on capital assets.

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 Position -

- Cash and Cash Equivalents - It is the Port's policy to invest all temporary cash surpluses. At December 31, 2011, the treasurer was holding $8,478,171 in short-term investments of surplus cash. This amount is classified on the statement of net position as cash and cash equivalents as either unrestricted or restricted. See Note 2.

  For purposes of the 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. This account consists of the Radial Investments, LLC land sale in July 2003 in the amount of $630,000 with $63,000 down payment accruing an interest rate of eight percent and monthly payments of $4,740.68 for ten years. On July 1, 2013 the entire unpaid balance of principle and interest shall be paid in full. As of December 31, 2011 the outstanding balance is $418,432.14.

- 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. This account consists of insurance and broker commission expense.

- Restricted assets - In accordance with bond resolutions (and certain related agreements), separate restricted accounts are required.

- 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 $69,663 for 2011.

- Compensated Absences - 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.

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, 2011, 56.4% of the portfolio was invested in Federal Agencies, 35.7% invested in the State LGIP, 4.1% in US Treasury Securities, and 3.8% in other short term money market instruments.

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

	2011		
	Unrestricted	Restricted	Total
Deposits	$ 7,400	$ -	$ 7,400
Clark County Investment Pool	8,470,771	-	8,470,771
	$ 8,478,171	$ -	$ 8,478,171

Cash and cash equivalents by source/use of funds:

	2011
General Unrestricted Use	$ 7,857,308
Deposit Reimbursement Fund	2,000
General Obligation Bond Fund	618,862
Revenue Bond Reserve Fund	-
Cash in Escrow	-
	$ 8,478,171

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 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 2011 was $.326 per $1,000 on an assessed valuation of $4,650,480,523 for a total regular levy of $1,516,692. In addition, the Port's bond fund levy was $.122 per $1,000 for a total of $568,005. The total levy for 2011 was $.448 per $1,000 resulting in a total tax levy of $2,084,697.

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, 2011 was as follows:

	Beginning Balance 1/1/2011	Increases	Decreases	Ending Balance 12/31/2011
Capital assets, not being depreciated:				
Land and land rights	$ 6,997,869	$ 11,974	$ 345,172	$ 6,664,671
Construction in progress	1,041,338	824,880	1,078,622	$ 787,596
Total capital assets, not being depreciated	8,039,207	836,854	1,423,794	7,452,267
Capital assets, being depreciated:				
Structures and improvements	24,661,348	1,708,451	322,041	26,047,758
Vehicles	157,147	27,651	15	184,782
Equipment, furniture and				-
fixtures	500,077	79,794	8,540	571,330
Total capital assets, being depreciated	25,318,572	1,815,895	330,597	26,803,871

Less accumulated depreciation for:				
Structures and improvements	(10,820,019)	52,865	(761,397)	(11,528,552)
Vehicles	(137,387)	-	(34,710)	(172,097)
Equipment, furniture and fixtures	(368,416)	4,727	(44,322)	(408,011)
Total accumulated depreciation	(11,325,822)	57,592	(840,429)	(12,108,659)
Net capital assets	$ 22,031,957			$ 22,147,479

Note 5 - Construction Commitments

The Port has active construction projects as of December 31, 2011. The projects include:

Project	Spent to Date	Remaining Commitment
Chinook Memorial Phase II	$ 13,850.92	$ 11,149.08
Design & Permitting of H Row	$ 54,926.40	$ -
Carpeting Administration Office	$ 45.35	$ 9,954.65
Upgrade Pump House Electrical	$ 7,145.53	$ 17,854.47
Existing Tree & Vegetation Removal	$ 55,432.39	$ 74,567.61
Levee Certification	$ 407,721.51	$ -
Stormwater Design	$ 17,122.30	$ 50,000.00
Hydrology Study	$ 38,751.08	$ -
Integrated Planning Grant	$ 192,600.09	$ 43,402.72

The Port has the funding available to pay all Port commitments listed.

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.

Public Employee's Retirement System (PERS) Plans 1, 2, and 3

Plan Description
The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals and Superior courts (other than judges 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 retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

Note 6 - Pension Plans (Continued)

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they 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. 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 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 age 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) was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may 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 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 was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may 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 members can receive credit for military service. 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. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

Note 6 - Pension Plans (Continued)

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.

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 contributions and 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 1 percent of the AFC per year of service.

Note 6 - Pension Plans (Continued)

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.

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

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

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 Plan 3 employee contribution rates range from 5 to 15 percent, based on member choice. 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.

Note 6 - Pension Plans (Continued)

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.25%	7.25%	7.25%**
Employee	6.00%	4.64%	***

* 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
2011	$ -	$ 34,081	$ 10,677
2010	$ -	$ 28,527	$ 11,396
2009	$ -	$ 37,616	$ 12,775

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, 2011:

Year Ending December 31,	Principal	Interest
2012	24,000	-
2013	4,000	-
Total	$ 28,000	$0

General obligation bonds currently outstanding as of December 31, 2011 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 (Continued)

The annual debt service to maturity for general obligation bonds as of December 31, 2011 are as follows:

Year Ending December 31,	Principal	Interest
2012	390,000	143,333
2013	385,000	131,383
2014	450,000	120,465
2015	450,000	107,520
2016	470,000	94,008
2017 - 2023	2,050,000	260,795
Total	$ 4,195,000	$ 857,503

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, 2011, the following changes occurred in long-term liabilities:

Description of Long-term Liabilities	Beginning Balance 1/1/2011	Additions	Reductions	Ending Balance 12/31/2011	Due Within One Year
Note payable	$ 52,000	-	$ 24,000	$ 28,000	$ 24,000
Bonds payable:					
2004 Series A	$ 365,000	-	$ 175,000	$ 190,000	$ 190,000
2004 Series B	$ 1,650,000	-	$ -	$ 1,650,000	-
2010 Series A	$ 1,045,000	$ -	$ -	$ 1,045,000	-
2010 Series B	$ 1,385,000	$ -	$ 75,000	$ 1,310,000	$ 200,000
Less deferred amounts:					
For issuance discounts on refunding	$ (33,951)	$ -	$ (3,086)	(30,865)	(3,086)
Total bonds payable:	$ 4,411,049	$ -	$ 246,914	$ 4,164,135	$ 386,914
Total long-term liabilities	$ 4,463,049	$ -	$ 270,914	$ 4,192,135	$ 410,914

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, 2011, there are 468 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":

$1,000,000 deductible on liability loss - 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, 2011			
	Airport	Industrial	Marina	Total
Operating revenues	$ 333,703	$ 1,209,356	$ 836,010	$ 2,379,069
Operating and general admin. expenses				
Operations	384,872	993,659	884,020	$ 2,262,551
Depreciation	111,448	472,306	236,878	$ 820,632
Total operating expenses	496,320	1,465,965	1,120,898	$ 3,083,183
Operating gain/(loss)	$ (162,617)	$ (256,609)	$ (284,888)	(704,114)
Net non-operating revenue (expenses)				2,160,943
Net income				$ 1,456,829

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, 2011 are as follows:

Year ending December 31,	Land	Facilities	Total
2012	367,540	960,124	1,327,664
2013	374,944	756,154	1,131,098
2014	379,969	688,511	1,068,480
2015	386,642	457,030	843,672
2016	384,253	272,237	656,490
2017 - 2021	1,272,836	1,355,872	2,628,708
2022 - 2026	767,896	1,542,615	2,310,511
2027 - 2031	796,942	1,756,061	2,553,003
2032 - 2036	416,636	2,000,147	2,416,783
2037 - 2041	418,011	876,113	1,294,124
2042 - 2046	418,136	-	418,136
	$ 5,983,805	$ 10,664,864	$ 16,648,669

Note 12 - Contingent Liabilities

The Port's financial statements included all material liabilities. There are not material contingent liabilities to record.

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, 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 2011, membership in the PEBB plan consisted of the following:

	Active Employees	Retirees[1]	Total
State	109,598	31,156	140,754
K-12 Schools and ESDs	2,536	22,571	25,107
Political Subdivisions	11,863	1,684	13,547
Total	123,997	55,411	179,408

[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.

Note 13 - Other Post-employment Benefit Plans (Continued)

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.

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 2011, the amount actually contributed to the plan, and changes in the net OPEB obligation (NOO):

Annual OPEB Cost	2011	2010	2009
Annual Required Contribution (ARC)	$44,268	$48,339	$44,909
Interest on NOO	3,508	1,705	0
Amortization of NOO	(4,786)	(2,326)	-
Annual OPEB Cost	$42,990	$47,718	$44,909

Net OPEB Obligation	2011	2010	2009
NOO Beginning of Year	$77,960	$37,896	$0
Annual OPEB Cost	$42,990	$47,718	$44,909
Contribution Made	4,508	7,654	0
NOO End of Year	$116,442	$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 2011 was as follows:

Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
$42,990	10%	$116,442

Note 13 - Other Post-employment Benefit Plans (Continued)

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2011 was as follows:

Unfunded Actuarial Accrued Liability (UAAL)	
Actuarial Accrued Liability (AAL)	$336,434
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	$336,434

UUAL / Covered Payroll	
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	1,010,689
UUAL as a Percentage of Covered Payroll	33%

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 - 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.

We 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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