

ANNUAL REPORT
PORT OF WALLA WALLA

SUBMITTED PURSUANT TO RCW 43.09.230
TO THE DIVISION OF MUNICIPAL CORPORATIONS
STATE AUDITOR'S OFFICE

FISCAL YEAR ENDED DECEMBER 31, 2010

Certified correct this 26th day of May 2011, to the best of my knowledge and belief.

NAME: James M. Keenly

TITLE: Executive Director

PREPARED BY: LarsonAllen LLP

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Port of Walla Walla
MCAG No. 1764

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ACCOUNTANTS' COMPILATION REPORT

Commissioners
Port of Walla Walla
Walla Walla, Washington

We have compiled the accompanying statement of net assets of the Port of Walla Walla as of December 31, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, and the supplementary information presented herein, included in the accompanying prescribed form. We have not audited or reviewed the accompanying financial statements and supplementary information and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary information are in accordance with the form prescribed by the State of Washington.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary information in accordance with requirements prescribed by the State of Washington and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements and supplementary information.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements and supplementary information.

These financial statements (including related disclosures) and the supplementary information are presented in accordance with the requirements of the State of Washington, which differ from accounting principles generally accepted in the United States of America. This report is intended solely for the information and use of the State of Washington and is not intended to be and should not be used by anyone other than this specified party.

LarsonAllen LLP
LarsonAllen LLP

Walla Walla, Washington
May 26, 2011

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Management's Discussion and Analysis

Introduction

The following is the Port of Walla Walla's (the Port) Management Discussion and Analysis (MD&A) of financial activities and performance for the calendar years ended December 31, 2010 and 2009. It provides an introduction to the Port's 2010 financial statements. Information contained in this MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and the notes.

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

Overview of the Financial Statements

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

The statement of net assets and the statement of revenues, expenses, and changes in net assets tell us if the Port as a whole is better or worse off as a result of the year's activities. The statement of net assets presents information on all of the Port's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the Port is improving or deteriorating. The statement of revenues, expenses, and changes in net assets shows how the Port's net assets changed during the most recent year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Port uses only one fund, an enterprise fund, which is a type of proprietary fund. An enterprise fund reports business-type activities.

Financial Report

Financial Highlights

The assets of the Port exceeded its liabilities at close of calendar year 2010 by \$59,390,425. Of this amount, \$53,981,303 was invested in capital assets, net of related debt, \$4,605,100 was unrestricted assets, \$644,574 was restricted for debt service, and \$159,448 was restricted for WSDOT grain cars. As a comparison, net assets totaled \$59,501,837 at the end of calendar year 2009, with \$55,457,857 invested in capital assets, net of related debt, \$3,387,711 in unrestricted assets, \$509,634 restricted for debt service, and \$146,635 restricted for WSDOT grain cars.

The Port's net assets (as restated) increased by \$168,564 in 2010 compared to a \$1,961,800 increase in 2009 figures. This lower rate of increase was largely attributable to fixed asset disposals, the most significant of which was the write-off of the Gen-X Building, which was destroyed by a fire. Due to a prior period adjustment, 2010 beginning net assets were \$279,976 lower than 2009 ending net assets (see note 13).

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Management's Discussion and Analysis

Financial Report (continued)

Financial Position Summary

The statement of net assets presents the financial position of the Port at the close of calendar year 2010. The statement includes all Port assets and liabilities. Net assets serve as an indicator of the Port's financial position. A summarized comparison of the Port's assets, liabilities, and net assets at December 31, 2010 and 2009, follows:

Statements of Net Assets

	2010	2009
Current assets	\$ 5,608,584	\$ 3,137,662
Investments	225,000	1,225,000
Restricted assets – investments	232,062	364,610
Net capital assets	61,306,956	63,110,898
Other assets	<u>168,493</u>	<u>180,831</u>
Total assets	<u>67,541,095</u>	<u>68,019,001</u>
Current liabilities	1,215,159	1,104,273
Long-term liabilities	<u>6,935,511</u>	<u>7,412,891</u>
Total liabilities	<u>8,150,670</u>	<u>8,517,164</u>
Net assets:		
Invested in capital assets, net of debt	53,981,303	55,457,857
Restricted for debt service	644,574	509,634
Restricted for WSDOT grain cars	159,448	146,635
Unrestricted	<u>4,605,100</u>	<u>3,387,711</u>
Total net assets	<u>\$59,390,425</u>	<u>\$59,501,837</u>

Financial Operation Highlights

As noted earlier, the Port uses only one fund, an enterprise fund to comply with Washington State mandated reporting requirements. The following summary compares the 2010 and 2009 operating results to budget and prior years.

Revenues – Year-to-date operating revenues of \$3,924,683 were down by 0.6% as compared to 2009 revenues of \$3,951,700. All categories of operating revenues remained mostly constant.

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Management's Discussion and Analysis

Financial Report (continued)

Financial Operation Highlights (continued)

Expenses – Year-to-date operating expenses of \$3,965,824 were down 4.6% as compared to 2009 expenses of \$4,160,119. The decrease in operating expenses is due to decreases in administrative payroll costs and maintenance expenses on certain properties.

Nonoperating – Year-to-date nonoperating revenue for 2010 was \$2,876,193 as compared to \$2,302,035 for 2009. This increase is due to various insurance settlements received in 2010.

A summarized comparison of the Port's statements of revenues, expenses, and changes in net assets for the years ended December 31, 2010 and 2009 were as follows:

Statements of Revenues, Expenses, and Changes in Net Assets

	2010	2009
Operating revenues	\$ 3,924,683	\$ 3,951,700
Operating expenses before depreciation	(3,965,824)	(4,160,119)
Depreciation	<u>(2,937,248)</u>	<u>(2,962,767)</u>
Operating loss	<u>(2,978,389)</u>	<u>(3,171,186)</u>
Nonoperating revenues:		
Ad valorem tax revenues	1,812,519	1,761,772
Interest expense	(288,644)	(400,188)
Other, net	<u>1,352,318</u>	<u>940,451</u>
Total nonoperating revenues	<u>2,876,193</u>	<u>2,302,035</u>
Decrease in net assets, before capital contributions	(102,196)	(869,151)
Capital contributions	<u>270,760</u>	<u>2,830,951</u>
Increase in net assets	168,564	1,961,800
Net assets, beginning of year (as restated)	<u>59,221,861</u>	<u>57,540,037</u>
Net assets, end of year	<u>\$59,390,425</u>	<u>\$59,501,837</u>

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Management's Discussion and Analysis

Financial Report (continued)

Financial Operation Highlights (continued)

Capital Assets – The Port's investment in capital assets for its business activities as of December 31, 2010, amounted to \$61,306,956 (net of accumulated depreciation) which represents a 2.8% decrease over 2009. This investment in capital assets includes land, buildings, improvements, machinery, equipment, and construction in progress. Net capital assets at December 31, 2009, totaled \$63,110,898, an increase of 9.8% over 2008.

Major capital asset events during 2010 include the following:

Completed rehabilitation of the north aviation ramp at a total cost of \$1,954,671 (2010 cost was \$137,448). The Federal Aviation Administration provided 95% of the funding.

Completed the repair of a portion of the Crown Building roof at a cost of \$309,523.

Completed upgrade of the Port-owned Dodd Road Water System pumping capacity at a total cost of \$599,400 (2010 cost was \$267,278).

Debt Administration

Long-Term Debt – At December 31, 2010, the Port's total long-term outstanding debt was \$6,835,653 (excluding employee leave benefits). Of this amount, \$5,594,586 comprises debt backed by the full faith and credit of the Port. The remainder of the Port's debt is secured solely by specified revenue sources. At December 31, 2009, the total long-term debt was \$8,049,159, with \$5,870,814 being general obligation debt.

The Port issued the following long-term debt in 2010:

On November 10, 2010, the Port refunded its "Port of Walla Walla, Washington, Limited Tax General Obligation Bonds, 1999 Series B issued October 1, 1999" bonds with an outstanding amount of \$2,085,000 and issued "Port of Walla Walla, Washington, Limited Tax General Obligation Refunding Bonds, 2010 (AMT)" in the amount of \$1,975,000 maturing in 2015 with interest rates of 2% to 3%. The bonds are related to debt for the Walla Walla Regional Airport terminal building

Additional information on the Port's long-term debt activity may be found in note 8 of this report.

The Port's bond rating has been stable. In September 1999, Moody's assigned a rating of A3 for a \$5.6 million general obligation bond issue for the construction of the new airport terminal building. In April 2005, Moody's assigned a rating of A3 for a \$2,260,000 general obligation refunding bond. In June 2007, Moody's assigned a rating of A3 for a \$525,000 Limited Tax General Obligation Bond for the Burbank Water System Phase I construction.

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Management's Discussion and Analysis

Financial Report (continued)

Debt Administration (continued)

On April 23, 2010, Moody's Investor Services applied its new Global Scale Rating of A1 to all of the Port's outstanding Limited Tax General Obligation Bonds. In November 2010, Moody's assigned a rating of A1 for the \$1,975,000 general obligation bond issue (refunding 1999 Series B). As listed above the Port previously had all A3 ratings.

Economic Factors and 2011 Budget

Economic Factors

Walla Walla County (the County) continues to weather the national and state economic downturn better than most communities due in part to a diverse employment base which encompasses three higher education institutions, a large governmental presence, regional medical facilities, and agriculture. In 2010, the County's unemployment rate was 7.4% as compared to the state average of 9.6%. Median home prices have increased. In 2010, the median home price was \$180,000 as compared to \$176,400 in 2009.

Recently published census information for the County indicates that during the past ten years (2000 to 2010) the County only grew at an annual rate of 0.65%. In 2000, the County population was 55,180 as compared to 58,781 in 2010. This slow population growth rate will make it challenging to attract new investment, especially in the retail sector. The Port does believe the western portion of the County, adjacent to fast growing Tri-Cities, Washington, represents a solid opportunity to attract new investment. The Port owns three large business parks in this area of the County.

The Port believes the economy will be relatively flat in 2011 in the urban area surrounding the City of Walla Walla. The Port is cautiously optimistic that some new investments will be attracted to the western portion of the County toward the end of 2011.

A good source of economic data on the County can be found on the Port-sponsored website:
www.wallawallatrends.ewu.edu.

2011 Budget:

Port Projected Major Capital Expenditures

The airport plans on purchasing a new snow plow/blower at an estimated cost of \$892,000. The purchase was scheduled to take place in 2010, but was delayed into early 2011. The Federal Aviation Administration is projected to provide 95% of the funding.

The airport is in the process of replacing a manufacturing building (Reiff Manufacturing) damaged by fire in 2010. Total costs are \$520,000, of which \$370,000 is projected to be paid out in fiscal year 2011.

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Management's Discussion and Analysis

Economic Factors and 2011 Budget (continued)

Economic Factors (continued)

2011 Budget (continued):

Port Projected Major Capital Expenditures (continued)

The Port does not have any large capital projects currently approved in its 2011 budget. The Port Commission is considering a sewer line extension project to bring sewer services to its Burbank Business Park from the City of Pasco. This capital project would cost approximately \$2.0 million and would be constructed in 2012 if it proceeds. Engineering would be undertaken in 2011. The Port Commission is also actively considering some rail infrastructure improvements at its Dodd Road Industrial Park.

Tax Levy:

The Port's tax levy rate has been declining from \$0.44 per \$1,000 of assessed value in 2006 to \$0.3818 per \$1,000 of assessed value in 2010. The tax levy rate for 2011 is projected to decrease slightly to \$0.3760 per \$1,000 of assessed value and yield \$1,819,823. The tax levy is used for debt service and capital spending. The Port's statutory maximum tax levy rate is \$0.45 per \$1,000 of assessed property value.

Request for Information

The Port designed this financial report to provide our citizens, customers, investors, and creditors with an overview of the Port's finances. If you have questions or need additional information please visit our website at www.portwallawalla.com or contact James M. Kuntz, Executive Director, jk@portwallawalla.com, or Tricia Butler, Auditor/Treasurer, tb@portwallawalla.com, 310 A Street, Walla Walla, Washington 99362-2269, Phone (509) 525-3100, Fax (509) 525-3101.

Port of Walla Walla

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Statement of Net Assets

Assets

CURRENT ASSETS:

Cash and cash equivalents		\$ 4,673,549
Restricted assets:		
Cash and cash equivalents		571,960
Property taxes receivable		147,888
Accounts receivable, net of allowance for uncollectible		181,801
Interest receivable		595
Inventory		32,791
Total current assets		<u>5,608,584</u>

NONCURRENT ASSETS:

Investments, certificates of deposit	\$ 225,000	
Restricted assets:		
Investments, certificates of deposit	232,062	
Capital assets not being depreciated:		
Land	14,424,786	
Construction in progress	236,079	
Capital assets being depreciated:		
Buildings	30,753,769	
Improvements other than buildings	37,508,190	
Machinery and equipment	8,722,521	
Less accumulated depreciation	(30,338,389)	
Other noncurrent assets:		
Deferred charges	168,493	
Total noncurrent assets	<u>61,932,511</u>	
Total assets		<u>67,541,095</u>

See accompanying accountants' compilation report and notes to financial statements.

Statement A-1

December 31, 2010

Liabilities and Net Assets

CURRENT LIABILITIES:

Accrued expenses		\$ 95,284
Accrued interest payable		104,104
Current portion of long-term obligations		749,011
Other current liabilities		266,760
Total current liabilities		<u>1,215,159</u>

NONCURRENT LIABILITIES:

General obligation debt	\$ 5,086,900	
Revenue bonds	255,000	
Other long-term debt	883,300	
Employee leave benefits	188,271	
Unearned revenue	522,040	
Total noncurrent liabilities		<u>6,935,511</u>

Total liabilities		<u>8,150,670</u>
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NET ASSETS:

Invested in capital assets, net of related debt		53,981,303
Restricted for debt service		644,574
Restricted for WSDOT		159,448
Unrestricted		<u>4,605,100</u>

Total net assets		<u>\$ 59,390,425</u>
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**Statement of Revenues, Expenses,
and Changes in Net Assets**

Year Ended December 31, 2010

OPERATING REVENUES:

Airport operations		\$ 2,603,420
Property lease/rental operations		1,321,263
Total operating revenues		<u>3,924,683</u>

OPERATING EXPENSES:

General operations and maintenance	\$ 1,929,647	
General and administrative	2,036,177	
	<u>3,965,824</u>	
Depreciation	2,937,248	
Total operating expenses		<u>6,903,072</u>

OPERATING LOSS (2,978,389)

NONOPERATING REVENUES (EXPENSES):

Investment income	56,533	
Taxes levied for general purposes	1,812,519	
Gain on disposition of assets	245,147	
Interest expense	(288,644)	
Other nonoperating revenues	1,050,638	
Total nonoperating revenues (expenses)		<u>2,876,193</u>

DECREASE IN NET ASSETS BEFORE OTHER REVENUES (102,196)

OTHER REVENUES:

Capital contributions		<u>270,760</u>
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INCREASE IN NET ASSETS 168,564

NET ASSETS, BEGINNING OF YEAR, as restated 59,221,861

NET ASSETS, END OF YEAR \$ 59,390,425

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Statement of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 4,382,545
Payments to suppliers	(3,044,952)
Payments to employees	(999,329)
Net cash provided by operating activities	<u>338,264</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Proceeds from property taxes	1,776,663
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and construction of capital assets	\$ (1,820,771)
Proceeds from debt issuance	1,975,000
Capital grants received	549,332
Principal paid on bond maturities and contracts	(2,503,994)
Interest paid on bonds and contracts	(629,769)
Proceeds from sale of capital assets	731,062
Disposal of assets	932,611
Net cash used in capital and related financing activities	<u>(766,529)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and dividends on investments	54,125
Sale of investments	1,132,548
Net cash provided by investing activities	<u>1,186,673</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 2,535,071

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 2,710,438

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 5,245,509

See accompanying accountants' compilation report and notes to financial statements.

Statement E-1B

Year Ended December 31, 2010

***Reconciliation of Operating Loss to Net Cash
Provided by Operating Activities:***

Operating loss		\$ (2,978,389)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Other nonoperating revenues	\$ 348,204	
Depreciation	2,937,248	
Decrease in accounts receivable	109,658	
Increase in inventory	(9,389)	
Increase in accrued liabilities	221	
Decrease in employee leave benefits	(69,289)	
Total adjustments	<u>3,316,653</u>	<u>3,316,653</u>
Net cash provided by operating activities		<u>\$ 338,264</u>

Port of Walla Walla

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Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Port of Walla Walla (the Port), Walla Walla County (the County), Washington, was incorporated in 1952, and operates under the laws of the state of Washington applicable to port districts. The financial statements of the Port have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Port has elected to apply Financial Accounting Standards Board (FASB) guidance issued after November 20, 1989, to the extent that it does not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing accounting and financial reporting principles for governmental entities.

In June 1999, GASB approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This and consecutive statements are reflected in the accompanying financial statements (including notes to financial statements).

Reporting entity:

The Port is a special purpose government entity involved in a host of economic development activities. The Port owns multiple industrial parks and municipal water systems throughout the County and is the owner and operator of the Walla Walla Regional Airport. The Port derives its revenues from user fees, rentals of property, property taxes, and grants. Substantially all of the Port’s real property is leased to businesses and individuals in the County. An elected three-member board governs the Port. As required by accounting principles generally accepted in the United States of America, management has considered all potential component units in defining the reporting entity.

The Port of Walla Walla Public Corporation is a blended component unit of the Port. The Port of Walla Walla Public Corporation is a special purpose government with limited powers and governed by a Board of Directors, which is comprised of the same members as the Port Commission. This component unit issues tax exempt non-recourse industrial revenue bonds to assist in private economic development projects. The Port of Walla Walla Public Corporation has had no activity for several years and its account balances are not material to the Port’s financial statements.

Basis of accounting and reporting:

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

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Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Basis of accounting and reporting (continued):

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

The Port uses the full-accrual basis of accounting whereby 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 and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Port's principal ongoing operations. The principal operating revenues of the Port are airport operations, property leases, water delivery revenues, and rental operations. Operating expenses for the Port include general operations and maintenance expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Equities:

- a. *Cash and cash equivalents* – It is the Port's policy to invest temporary cash surpluses. At December 31, 2010, the Port was holding \$5,245,509 in short-term residual investments of surplus cash. This amount is classified on the statement of net assets as cash and cash equivalents.

On February 8, 2001, the Port Commission adopted Resolution 02-08-01, designating the Port as its own treasurer effective March 31, 2001. Jackie Hardesty served as Port Auditor/Treasurer until her retirement on August 31, 2008. On July 29, 2010, the Port Commission adopted Resolution 07-29-10 designating Patricia Butler, CPA, the Port Auditor/Treasurer effective July 29, 2010.

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.

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Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Assets, Liabilities, and Equities (continued):

- b. *Receivables* – Taxes receivable consist of property taxes and related interest and penalties (see note 3). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year. Because property taxes and special assessments are considered liens on property, no estimated uncollectible amounts are established.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open accounts from private individuals or organizations for goods and services rendered. Management considers customer accounts receivable to be fully collectible as of December 31, 2010, in all material respects.

- c. *Inventories* – Inventory items consist of aviation fuel only; all other items such as supplies are expensed when purchased. The amount of unused supplies and similar items on hand at December 31, 2010, is not material.
- d. *Restricted assets* – These accounts contain resources for debt service and monies held for others. Restricted assets at December 31, 2010, were as follows:

Cash and investments, debt service	\$ 644,574
Cash restricted for WSDOT	<u>159,448</u>
	<u>\$ 804,022</u>

- e. *Other assets/deferred charges* – These accounts include preliminary costs incurred for proposed construction projects. If construction is completed, the related costs are capitalized as part of the cost of the assets; if the project is abandoned; related costs are charged to expense. See note 8 for details regarding deferred charges.
- f. *Custodial accounts* – This account reflects the liability for net monetary assets being held by the Port in its trustee or agency capacity.
- g. *Compensated absences/employee leave benefits* – Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The Port records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay, which may be accumulated, is payable upon resignation, retirement, or death. Maximum vacation accrual shall be limited to 320 hours. Sick leave may accumulate up to 1,440 hours. An employee with five years or more of service is eligible for a 25% cash out of unused sick leave hours upon termination of his/her service with the Port.

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Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Assets, Liabilities, and Equities (continued):

- h. *Other accrued liabilities* – These accounts consist of accrued wages and accrued employee benefits.
- i. *Long-term debt* – These accounts consist of debt issued by the Port to finance the purchase of land and buildings and acquisition or construction of buildings. See long-term debt notes 8 and 9.
- j. *Advertising* – Advertising costs are charged to expense in the year incurred.
- k. *Use of estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

As of December 31, 2010, the Port's restricted investments not considered cash equivalents consisted of two time deposits totaling \$232,062; \$92,062 of which is restricted for debt repayment and \$140,000 restricted for WSDOT. The Port's investments not restricted consisted of one time deposits totaling \$225,000.

Port investments are managed consistent with the Port investment policy established by the Port Commission per Resolution 02-28-01-A. The foremost objective is safety of principal followed by liquidity. All Port investments are held in qualified financial institutions within Walla Walla County. The Port investments are held as "Certificates of Deposit." When they mature or the Port has excess cash to invest, the Port bids the investment among local qualified financial institutions in order to get the best yield possible. The Port has a total of three separate certificates of deposit all with the same financial institution having 100% of the Port's investment portfolio.

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Notes to Financial Statements

NOTE 3 – PROPERTY TAXES:

The 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 re-evaluation of all property in the County is required every four years.

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

Property taxes are recorded as a receivable and revenue when levied. Most property taxes are collected during the year of levy, and delinquent taxes are immaterial. Prior year tax levies were recorded using the same principle, and delinquent taxes receivable are re-evaluated annually. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. State law allows for the sale of property for failure to pay taxes.

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

The Port's regular levy for 2010 was \$0.375971 per \$1,000 on an assessed valuation of \$4,840,327,467 for a total regular levy of \$1,819,823. In 2009, the Port's regular tax levy was \$1,759,115.

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION:

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

All capital assets are valued at historical cost (or estimated historical cost, where historical cost is not known) or estimated market value for donated assets. Donations by developers (and customers) are recorded at the contract price, donor cost, or appraised value.

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

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Notes to Financial Statements

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION (continued):

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives using the straight-line method with useful lives of 5 to 40 years.

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

	Balance January 1, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2010</u>
Capital assets not being depreciated:				
Land	\$ 14,126,673	\$ 298,113	\$ -	\$ 14,424,786
Construction in progress	<u>2,177,547</u>	<u>236,079</u>	<u>(2,177,547)</u>	<u>236,079</u>
Total capital assets not being depreciated	<u>16,304,220</u>	<u>534,192</u>	<u>(2,177,547)</u>	<u>14,660,865</u>
Capital assets being depreciated:				
Buildings	30,979,452	436,421	(662,104)	30,753,769
Improvements other than buildings	34,777,185	2,731,005	-	37,508,190
Machinery and equipment	<u>8,681,767</u>	<u>66,114</u>	<u>(25,360)</u>	<u>8,722,521</u>
Total capital assets being depreciated	<u>74,438,404</u>	<u>3,233,540</u>	<u>(687,464)</u>	<u>76,984,480</u>
Less accumulated depreciation for:				
Buildings	(11,556,479)	(945,170)	204,564	(12,297,085)
Improvements other than buildings	(12,694,319)	(1,623,106)	228	(14,317,197)
Machinery and equipment	<u>(3,380,928)</u>	<u>(368,972)</u>	<u>25,793</u>	<u>(3,724,107)</u>
Total accumulated depreciation	<u>(27,631,726)</u>	<u>(2,937,248)</u>	<u>230,585</u>	<u>(30,338,389)</u>
Total capital assets being depreciated, net	<u>46,806,678</u>	<u>296,292</u>	<u>(456,879)</u>	<u>46,646,091</u>
Capital assets, net	<u>\$ 63,110,898</u>	<u>\$ 830,484</u>	<u>\$ (2,634,426)</u>	<u>\$ 61,306,956</u>

NOTE 5 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

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

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Notes to Financial Statements

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. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3:

Plan Description:

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

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not 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 Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is 2 percent of the average final compensation (AFC) per year of service, capped at

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Notes to Financial Statements

NOTE 6 – PENSION PLANS (continued):

Public Employees' Retirement System (PERS) Plans 1, 2, and 3 (continued):

Plan Description (continued):

60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) This annual benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased 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.

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Notes to Financial Statements

NOTE 6 — PENSION PLANS (continued):

Public Employees' Retirement System (PERS) Plans 1, 2, and 3 (continued):

Plan Description (continued):

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

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

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

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in Operation Enduring Freedom or Persian Gulf, Operation Iraqi Freedom.

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

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if 12 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.

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Notes to Financial Statements

NOTE 6 – PENSION PLANS (continued):

Public Employees' Retirement System (PERS) Plans 1, 2, and 3 (continued):

Plan Description (continued):

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 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.

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Notes to Financial Statements

NOTE 6 – PENSION PLANS (continued):

Public Employees' Retirement System (PERS) Plans 1, 2, and 3 (continued):

Plan Description (continued):

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 Nonvested	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 rates. 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 employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

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%.

** The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plans 2 and 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.5% for Plan 1 and 3.90% for Plan 2.

***** Variable from 5% minimum to 15% maximum based on rate selected by the PERS 3 member.

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Notes to Financial Statements

NOTE 6 – PENSION PLANS (continued):

Public Employees' Retirement System (PERS) Plans 1, 2, and 3 (continued):

Funding Policy (continued):

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2010	-	43,522	-
2009	23,423	51,607	-
2008	4,731	51,783	-
2007	3,650	25,845	-
2006	1,823	16,172	-
2005	1,034	5,338	-
2004	704	4,202	-
2003	664	3,822	-
2002	1,407	4,884	-
2001	1,468	7,724	-

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

Plan Description:

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

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Notes to Financial Statements

NOTE 6 — PENSION PLANS (continued):

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

Plan Description (continued):

LEOFF Plan 1 members are vested after the completion of 5 years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24-month salary within the last ten years of service. A cost of living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

LEOFF Plan 1 members may 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 allowance.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of FAS per year of service. FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit

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Notes to Financial Statements

NOTE 6 — PENSION PLANS (continued):

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

Plan Description (continued):

commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. 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.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

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Notes to Financial Statements

NOTE 6 – PENSION PLANS (continued):

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

Plan Description (continued):

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington State Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 372 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	9,454
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	674
Active Plan Members Vested	13,363
Active Plan Members Nonvested	3,944
Total	27,435

Funding Policy:

Starting on July 1, 2000, Plan 1 employers and employees will contribute 0% as long as the Plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the Plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

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Notes to Financial Statements

NOTE 6 – PENSION PLANS (continued):

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

Funding Policy (continued):

The required contribution rates expressed as a percentage of current year covered payroll as of December 31, 2010, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer *	0.16 %	5.24% **
Employee	0.00 %	8.46%
State	N/A	3.38%

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for ports and universities is 8.62%.

Both the Port and the employees made the required contributions. The Port's required contributions for the years ended December 31, were:

	LEOFF Plan 1	LEOFF Plan 2
2010	-	-
2009	-	-
2008	-	-
2007	-	4,372
2006	-	4,998
2005	-	4,092
2004	-	3,818
2003	-	3,541
2002	-	3,157
2001	10	3,933

NOTE 7 – RISK MANAGEMENT

Port of Walla Walla is a member of Enduris. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities 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, 2010, there are 451 Enduris members representing a broad range of special purpose districts.

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NOTE 7 – RISK MANAGEMENT (continued):

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

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

\$750,000 deductible on liability loss (9/1/09-12/31/09) – The member is responsible for the first \$10,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$740,000 on liability loss;

\$1,000,000 deductible on liability loss (1/1/10-8/31/10) – the member is responsible for the first \$10,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$990,000 on liability loss;

\$250,000 deductible on property loss – the member is responsible for the first \$25,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$225,000 on property loss. Enduris is responsible for the \$-0- deductible on boiler and machinery loss.

Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

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

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

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

The Port has elected not to insure a host of airport buildings that are old and of nominal value.

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Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT:

The Port issues general obligation and/or revenue bonds to finance the purchase of land and buildings and acquisition or construction of buildings. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund several general obligation and revenue bonds. The Port is also liable for notes that were entered into for the purchase of land and buildings.

The general obligation debts currently outstanding as of December 31, 2010, were as follows:

Purpose	Interest Rate	Amount
LTGO Bonds 2010 Series B, Airport Terminal, annual payments to 2015	2 to 3%	\$ 1,975,000
LTGO Ref. Bonds 1999 Series C, Airport Terminal, annual payments to 2019	3 to 4.2%	2,145,000
LTGO Bonds 2002, Cliffstar Building, annual payments to 2012	3.92%	199,586
CERB loan, 2005 Key Technology Building, annual payments beginning in 2011 to 2021	1.68%	750,000
LTGO Series A-2007, Burbank Water System, payments beginning in 2007 to 2021	4.4%	<u>525,000</u>
		<u>\$ 5,594,586</u>

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

Years Ending December 31,	Principal	Interest
2011	\$ 507,686	\$ 231,332
2012	541,403	168,688
2013	480,671	158,790
2014	496,858	145,153
2015	508,065	131,046
2016 to 2020	2,709,156	362,092
2021	<u>350,747</u>	<u>13,237</u>
	<u>\$5,594,586</u>	<u>\$1,210,338</u>

The revenue bonds currently outstanding as of December 31, 2010, were as follows:

Purpose	Interest Rate	Amount
Revenue Bonds, 2005 Key Technology Project and CERB loan, annual payments to 2014	3.55 to 5.63%	<u>\$ 330,000</u>

Port of Walla Walla
MCAG No. 1764

Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (continued):

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

Years Ending December 31,	Principal	Interest
2011	\$ 75,000	\$ 18,563
2012	80,000	14,344
2013	85,000	9,844
2014	<u>90,000</u>	<u>5,063</u>
	<u>\$ 330,000</u>	<u>\$ 47,814</u>

The other revenue debts currently outstanding as of December 31, 2010, were as follows:

Purpose	Interest Rate	Amount
CERB loan, 2006 Railex Project, annual payments beginning 2011 to 2026	2%	\$ 800,000
Installment debt, Columbia View Water System, annual payments beginning 2010 to 2014	1.5%	<u>111,067</u>
		<u>\$ 911,067</u>

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

Years Ending December 31,	Principal	Interest
2011	\$ 27,767	\$ 81,666
2012	74,027	17,250
2013	74,953	15,908
2014	75,895	14,547
2015	49,092	13,168
2016 to 2020	260,586	50,717
2021 to 2025	287,707	23,594
2026	<u>61,040</u>	<u>1,221</u>
	<u>\$ 911,067</u>	<u>\$ 218,071</u>

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

Port of Walla Walla
MCAG No. 1764

Notes to Financial Statements

NOTE 9 – CHANGES IN LONG-TERM DEBT:

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

	Beginning Balance 1/1/2010	Additions	Reductions	Ending Balance 12/31/2010	Due Within One Year
General obligation debt:					
GO bonds	\$ 5,100,814	\$ 1,975,000	\$(2,231,228)	\$ 4,844,586	\$ 507,686
CERB loan	750,000	-	-	750,000	-
Tillay contract	20,000	-	(20,000)	-	-
Revenue bonds	575,000	-	(245,000)	330,000	75,000
Other debt:					
Olson loan	268,393	-	(268,393)	-	-
CERB loan	800,000	-	-	800,000	-
Columbia loan	138,834	-	(27,767)	111,067	27,767
Employee leave	<u>396,118</u>	<u>69,269</u>	<u>(138,558)</u>	<u>326,829</u>	<u>138,558</u>
Total long-term liabilities	<u>\$ 8,049,159</u>	<u>\$ 2,044,269</u>	<u>\$(2,930,946)</u>	<u>\$ 7,162,482</u>	<u>\$ 749,011</u>

NOTE 10 – RESTRICTED NET ASSETS:

The Port's statement of net assets indicates \$804,022 of restricted net assets. See note 1 for a detailed listing.

NOTE 11 – CONTINGENCIES:

The Port has recorded in its financial statements, all material liabilities; there are no material contingent liabilities to record. In the opinion of management, the Port's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

The Port participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in request for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants.

Port of Walla Walla
MCAG No. 1764

Notes to Financial Statements

NOTE 12 – SEGMENT INFORMATION:

The Port operates its industrial areas and the airport district area as separate enterprises, which are primarily financed by user charges. The financial data for the year ended December 31, 2010, for these facilities are as follows:

	<u>Port</u>	<u>Airport</u>	<u>Eliminations</u>	<u>Total</u>
Current assets	\$ 4,420,632	\$ 1,435,096	\$ (247,144)	\$ 5,608,584
Capital assets	35,300,934	26,006,022	-	61,306,956
Other assets	<u>625,555</u>	<u>-</u>	<u>-</u>	<u>625,555</u>
Total assets	<u>40,347,121</u>	<u>27,441,118</u>	<u>(247,144)</u>	<u>67,541,095</u>
Current liabilities	<u>990,461</u>	<u>275,842</u>	<u>(51,144)</u>	<u>1,215,159</u>
Long-term liabilities:				
General obligation debt	5,086,900	-	-	5,086,900
Revenue debt and other debt	1,138,300	196,000	(196,000)	1,138,300
Employee leave	167,486	20,785	-	188,271
Unearned revenue	<u>-</u>	<u>522,040</u>	<u>-</u>	<u>522,040</u>
Total long-term liabilities	<u>6,392,686</u>	<u>738,825</u>	<u>(196,000)</u>	<u>6,935,511</u>
Total liabilities	<u>7,383,147</u>	<u>1,014,667</u>	<u>(247,144)</u>	<u>8,150,670</u>
Net assets:				
Invested in capital assets, net of related debt	28,465,281	25,761,022	(245,000)	53,981,303
Restricted	251,512	552,510	-	804,022
Unrestricted	<u>4,247,181</u>	<u>112,919</u>	<u>245,000</u>	<u>4,605,100</u>
Total net assets	<u>32,963,974</u>	<u>26,426,451</u>	<u>-</u>	<u>59,390,425</u>
Total operating revenues	1,321,263	2,603,420	-	3,924,683
Operating expenses before depreciation, etc.	1,870,511	2,095,313	-	3,965,824
Depreciation expense	<u>1,408,194</u>	<u>1,529,054</u>	<u>-</u>	<u>2,937,248</u>
Operating loss	(1,957,442)	(1,020,947)	-	(2,978,389)
Tax revenues	1,812,519	-	-	1,812,519
Other nonoperating revenue, net of expenses	802,281	261,393	-	1,063,674
Current capital contributions:				
Capital grants	<u>78,592</u>	<u>192,168</u>	<u>-</u>	<u>270,760</u>
Increase (decrease) in net assets	735,950	(567,386)	-	168,564
Net assets, beginning of year, as restated	<u>32,228,024</u>	<u>26,993,837</u>	<u>-</u>	<u>59,221,861</u>
Net assets, end of year	<u>\$ 32,963,974</u>	<u>\$ 26,426,451</u>	<u>\$ -</u>	<u>\$ 59,390,425</u>

Port of Walla Walla
MCAG No. 1764

Notes to Financial Statements

NOTE 12 – SEGMENT INFORMATION (continued):

	<u>Port</u>	<u>Airport</u>	<u>Eliminations</u>	<u>Total</u>
Cash flows from operating activities	\$ (610,748)	\$ 704,012	\$ 245,000	\$ 338,264
Cash flows from noncapital financing activities	1,809,103	(32,440)	-	1,776,663
Cash flows from capital and related financing activities	(365,152)	(156,377)	(245,000)	(766,529)
Cash flows from investing activities	1,141,149	45,524	-	1,186,673
Cash and cash equivalents, beginning of year	1,954,862	755,576	-	2,710,438
Cash and cash equivalents, end of year	3,929,214	1,316,295	-	5,245,509

NOTE 13 – OTHER DISCLOSURES:

During 2010, it was discovered that in previous years, income related to restricted FAA funds held by the Walla Walla Regional Airport had been erroneously recognized. These funds are now properly accounted for as a restricted asset with an offsetting unearned revenue account. These amounts will be recognized as income when the use of the funds is approved by the FAA for specific capital projects. In 2010, a prior period adjustment of \$279,976 (reducing opening net assets at January 1, 2010) was made to correct the income erroneously recognized in prior years.

	<u>Port of Walla Walla</u>
Beginning net assets, as originally reported	\$ 59,501,837
Prior period adjustment	<u>(279,976)</u>
Beginning net assets, as restated	<u>\$ 59,221,861</u>

In 2010, the Port of Walla Walla paid off a loan for the Walla Walla Regional Airport and issued a note payable to the Port of Walla Walla in the amount of \$245,182. The original loan had been issued in 2006 and had a maturity date and interest rate of March 31, 2016 and 6.94%, respectively. The original purpose for the loan was for capital expenditures related to the Olson Farm irrigation project. The new note held by the Port of Walla Walla has a term of five years and an annual interest rate of 3.5%, with an annual payment due in October of each year, ending in 2015. The outstanding principal balance at December 31, 2010, was \$245,000.

The Port and Washington State own and operate a fleet of 36 railroad grain cars. The Port owns 18 of these cars and they are identified with the railroad markings of PCC 2001-PCC 2017. The State cars are identified with the railroad markings of PCC 1000-PCC 1017. The Port collects grain car shipping fees on both sets of grain cars and deposits revenues in separate accounts. The Port utilizes revenues collected to pay for maintenance expenses on each set of cars. Any excess revenue from the Port cars is deposited into a Port investment account. Any excess revenue generated from the State cars is held in an investment account by the Port. As of December 31, 2010, the Port was holding \$159,448 in State grain car funds.

Port of Walla Walla

MCAG No. 1764

Notes to Financial Statements

NOTE 13 – OTHER DISCLOSURES (continued):

On October 7, 2008, Key Technology exercised their option to purchase from the Port of Walla Walla their leased facility. The purchase price of \$6,464,583.84 was determined by using a complicated purchase formula contained in the lease agreement. After the transaction closed, the Port discovered it had inadvertently miscalculated the purchase price. Key Technology should have paid \$6,835,091.84 at closing, which equates to \$370,508.00 in additional compensation owed to the Port. The Port contacted Key Technology regarding this oversight and the parties agreed to submit the issue to arbitration. The Port has since won its arbitration hearing and Key Technology has paid the Port.

In April 2008, the Port of Walla Walla (via Apollo Construction Inc.) was installing a new water line at the Burbank Industrial Park. During excavation near the Chevron pipe line, a heavy petroleum odor was evident in the excavated soil. The Port contracted with a geoengineer to perform site investigation work. The results of the work concluded soil and ground water contamination levels that exceed regulatory levels. The Port notified Chevron that they are a responsible party. Chevron has agreed, per a letter dated December 19, 2008, to take over further environmental investigations. The Port sought recovery from Chevron of \$124,718 in reimbursed costs incurred by the Port. The Port received reimbursement and Chevron is proceeding with developing a cleanup plan.

On July 4, 2009, an 18,000-square-foot building owned by the Port and leased to Gen-X-Energy Group Inc. was destroyed by a fire. The Port and tenant both had insurance. The Port is finalizing its claim with its insurance carrier Enduris with a projected settlement of \$1,187,219. The Port does not plan on replacing this building and will use the insurance proceeds for other Port-related projects. On April 14, 2011, the Port Commission approved an insurance settlement agreement with Enduris.

SUPPLEMENTARY INFORMATION

Port of Walla Walla
MCAG No. 1764

Schedule 04 – Detail of Revenues and Other Sources

Year Ended December 31, 2010

<u>BARS Revenue</u> <u>Account No.</u>	<u>Description</u>	<u>Actual Revenues</u>
611.00/612.00	Airport user charges	\$ 719,461
614.00	Airport real property rentals, land	238,641
615.00/616.00	Airport real property rentals, facilities	1,645,318
610.00	Total airport revenues	<u>2,603,420</u>
665.00	Real property rentals, facilities	<u>1,321,263</u>
660.00	Total property lease/rental revenues	3,924,683
699.10	Interest income	\$ 56,533
699.20	Tax receipts	1,812,519
699.40	Disposition of property	245,147
699.90	Miscellaneous nonoperating revenue	1,050,638
690.00	Total nonoperating revenues	<u>3,164,837</u>
651.00	Capital contributions – federal/state/local	<u>270,760</u>
600.00	Total revenues	<u><u>\$ 7,360,280</u></u>

See accompanying accountants' compilation report.

Port of Walla Walla
MCAG No. 1764

Schedule 05 – Detail of Expenses and Other Uses

Year Ended December 31, 2010

<u>BARS Expense</u> <u>Account No.</u>	<u>Description</u>	<u>Actual Expenses</u>	
711.00	Airport operations	\$ 1,101,698	
713.00	Airport maintenance	435,870	
717.00	Airport depreciation	1,529,054	
710.00	Total airport expenses	<u>3,066,622</u>	3,066,622
723.00	Port maintenance	392,079	
767.00	Port depreciation	1,408,194	
760.00	Total port terminal expenses	<u>1,800,273</u>	1,800,273
781.00	General and administrative operations	2,036,177	
780.00	Total general and administrative operations	<u>2,036,177</u>	2,036,177
799.91	Interest expense	288,644	
799.00	Total nonoperating expenses	<u>288,644</u>	288,644
700.00	Total expenses		<u>\$ 7,191,716</u>

See accompanying accountants' compilation report.

**Port of Walla Walla
MCAG No. 1764**

**Schedule 08 – Schedule of Real and Personal Property
Taxes (All Tax-Supported Funds)**

Year Ended December 31, 2010

<u>Fund No.</u>	<u>Fund Name</u>	<u>Taxes Receivable January 1, 2010</u>	<u>Tax Rate \$/1,000</u>	<u>Taxes Levied Report Year</u>	<u>Taxes Collected</u>	<u>Tax Adjustment Increases</u>	<u>Tax Adjustment Decreases</u>	<u>Taxes Receivable December 31, 2010</u>
1	General fund	\$ 112,032	0.45	\$ 1,819,823	\$ 1,780,998	\$ 8,254	\$ 11,223	\$ 147,888

See accompanying accountants' compilation report.

**Port of Walla Walla
MCAG No. 1764**

Schedule 09 – Schedule of Long-Term Debt (GO Debt)

Year Ended December 31, 2010

<u>I.D. No. and Class Description</u>	<u>Purpose</u>	<u>Date of Original Issue</u>	<u>Date of Final Maturity</u>	<u>Beginning Outstanding Debt January 1, 2010</u>	<u>Amount Issued Current Year</u>	<u>Amount Redeemed This Year</u>	<u>Ending Outstanding Debt December 31, 2010</u>
251.12	LTGO Bonds - 2002	Cliffstar building	12/01/02	06/01/12	\$ 330,814	\$ -	\$ 199,586
251.12	LTGO Bonds - 1999 Series B	Terminal construction	10/01/99	12/01/19	2,085,000	-	-
251.12	Refunded Series C	Terminal construction	05/01/05	12/01/19	2,160,000	-	2,145,000
251.12	LTGO Bonds - 2010	Terminal construction	11/10/10	12/01/15	-	1,975,000	1,975,000
251.12	LTGO Series A-2007	Burbank water system	08/14/07	12/01/21	525,000	-	525,000
263.91	Misc. LTD for Capital Purchase	Building purchase	10/01/01	10/01/10	20,000	-	-
263.91	Misc. LTD for Capital Purchase	Key Tech. building	08/31/05	01/01/21	750,000	-	750,000
				<u>\$ 5,870,814</u>	<u>\$ 1,975,000</u>	<u>\$ 2,251,228</u>	<u>\$ 5,594,586</u>

See accompanying accountants' compilation report.

**Port of Walla Walla
MCAG No. 1764**

Schedule 09 – Schedule of Long-Term Debt (Revenue Debt)

Year Ended December 31, 2010

<u>I.D. No. and Class Description</u>	<u>Purpose</u>	<u>Date of Original Issue</u>	<u>Date of Final Maturity</u>	<u>Beginning Outstanding Debt January 1, 2010</u>	<u>Amount Issued Current Year</u>	<u>Amount Redeemed This Year</u>	<u>Ending Outstanding Debt December 31, 2010</u>
252.12 Rev. Bonds – 2005	Key Tech. Project and CERB loan	05/19/05	12/01/14	\$ 575,000	\$ -	\$ 245,000	\$ 330,000
252.12 Rev. Bonds – 2005	Isaacs Building	01/10/05	12/31/09	-	-	-	-
263.82 CERB loan	Railex Project CERB loan	12/31/05	01/01/26	800,000	-	-	800,000
263.82 Misc. LTD for Capital Purchase	Columbia View Water	01/01/09	01/30/14	138,834	-	27,767	111,067
263.92 Misc. LTD for Capital Purchase	Olson Irrigation Project	04/01/06	03/31/16	268,393	-	268,393	-
				<u>\$ 1,782,227</u>	<u>\$ -</u>	<u>\$ 541,160</u>	<u>\$ 1,241,067</u>

See accompanying accountants' compilation report.

**Port of Walla Walla
MCAG No. 1764**

Schedule 09 – Schedule of Long-Term Debt (Other Debt)

Year Ended December 31, 2010

<u>I.D. No. and Class Description</u>		<u>Purpose</u>	<u>Beginning Outstanding Debt January 1, 2010</u>	<u>Amount Issued Current Year</u>	<u>Amount Redeemed This Year</u>	<u>Ending Outstanding Debt December 31, 2010</u>
259.11	Compensated Absences	Employee Leave	\$ 396,118	\$ 69,269	\$ 138,558	\$ 326,829
263.92	Miscellaneous Debt/Liabilities	Unearned Revenue	-	522,040	-	522,040
			<u>\$ 396,118</u>	<u>\$ 591,309</u>	<u>\$ 138,558</u>	<u>\$ 848,869</u>

See accompanying accountants' compilation report.

Port of Walla Walla
MCAG No. 1764

**Schedule 10 – Schedule of Limitations
of Indebtedness**

Year Ended December 31, 2010

<i>TOTAL TAXABLE PROPERTY VALUE</i>		\$ 4,840,327,467
I. Indebtedness without a vote (Legal limit 0.25% of taxable property value) (<u>1/4 of 1% for ports</u>)		12,100,819
A. General-purpose indebtedness without a vote (Legal limit 0.25%)	\$ 12,100,819	
Indebtedness (liabilities):		
GO bonds	\$ 4,844,586	
Others	750,000	
Less assets available	-	
Indebtedness incurred – Section A	<u>5,594,586</u>	
Margin of indebtedness available – Section A	<u>\$ 6,506,233</u>	
B. Indebtedness for acquisition or construction of facility <u>without</u> a vote (Legal limit 0.375%)	\$ N/A	
Indebtedness (liabilities):		
GO bonds	\$ -	
Others	-	
Less assets available	-	
Indebtedness incurred – Section B	<u>-</u>	
Margin of indebtedness available – Section B	<u>\$ -</u>	
Less indebtedness incurred (Sections A and B)		<u>5,594,586</u>
Margin of indebtedness available <u>without</u> a vote (Sections A and B)		<u>\$ 6,506,233</u>
II. Indebtedness with a 3/5 vote (Legal limit 0.75% of taxable property value) (<u>3/4 of 1% for ports</u>)	\$ 36,302,456	
Indebtedness (liabilities):		
GO bonds	\$ -	
Others	-	
Less assets available	-	
Indebtedness incurred – Section II	<u>-</u>	
Margin of indebtedness available <u>with</u> 3/5 vote	<u>\$ 36,302,456</u>	

See accompanying accountants' compilation report.

Port of Walla Walla
MCAG No. 1764

**Schedule 10 – Schedule of Limitations
of Indebtedness (Continued)**

Year Ended December 31, 2010

II. Indebtedness with a 3/5 vote (Legal limit 0.75% of taxable property value) (3/4 of 1% for ports)			
Total indebtedness allowable – Sections I and II (Legal limit 0.75%)			\$ 36,302,456
Less indebtedness incurred – Sections I and II			<u>5,594,586</u>
Margin of indebtedness available			<u><u>\$ 30,707,870</u></u>
III. Additional indebtedness for airport capital improvement purposes without a 3/5 vote (Legal limit 0.125%)			
Indebtedness (liabilities):		\$	N/A
GO bonds	\$ -		
Others	-		
Less assets available	-		
Indebtedness incurred – Section III	<u>-</u>		<u>-</u>
Margin of indebtedness available – Section III		\$	<u><u>-</u></u>
IV. Additional indebtedness for airport capital improvement purposes with a 3/5 vote (Legal limit 0.375%)			
Indebtedness (liabilities):		\$	N/A
GO bonds	\$ -		
Others	-		
Less assets available	-		
Indebtedness incurred – Section IV	<u>-</u>		<u>-</u>
Margin of indebtedness available – Section IV		\$	<u><u>-</u></u>
Total indebtedness allowable – Sections I through IV (Legal limit 1.25%)			\$ 48,403,275
Less indebtedness incurred – Sections I through IV			<u>5,594,586</u>
Margin of indebtedness available			<u><u>\$ 42,808,689</u></u>

See accompanying accountants' compilation report.

**Port of Walla Walla
MCAG No. 1764**

**Schedule 16 – Schedule of State
and Local Financial Assistance**

Year Ended December 31, 2010

<u>Federal CFDA Number</u>	<u>Other Identification Number</u>	<u>Grantor/ Pass-Through Grantor</u>	<u>Current Year Expenses</u>
N/A	S10-75106-260	WA ST Dept. of Comm. Trade & Economic Development	\$ 58,592
N/A	N18328	WA ST Dept. of Health, Westbourne Acres Water Study	<u>20,000</u>
			<u>\$ 78,592</u>

See accompanying accountants' compilation report.

**Port of Walla Walla
MCAG No. 1764**

Schedule 16 – Schedule of Expenditures of Federal Awards

Year Ended December 31, 2010

1 Federal Agency Name/ Pass-Through Agency Name	2 Federal Program Name	3 CFDA Number	4 Other I.D. Number	5 Expenditures			6 Footnote Ref
				From Pass-	From	Total	
				Through Awards	Direct		
Federal Aviation Administration	Airport Improvement Program	20.106	3-53-0083-26	\$ -	\$ 139,809	\$ 139,809	1,2
Federal Aviation Administration	Airport Improvement Program	20.106	3-53-0083-27	-	17,115	17,115	1,2
Transportation Security Administration	Law Enforcement Officer Reimbursement Program	97.090	HSTS0208HS LR010	-	35,244	35,244	1,2
Total Federal Awards Expended				-	\$ 192,168	\$ 192,168	

Note 1 – Basis of Accounting:

The schedule of expenditures of federal awards is prepared on the same basis of accounting as the Port of Walla Walla's financial statements. The Port uses a full accrual basis of accounting.

Note 2 – Program Costs:

The amount shown as current year expenditures represents only the federal grant portion of the program costs. Entire program costs, including the Port's portion, may be more than shown.

See accompanying accountants' compilation report.

Port of Walla Walla
MCAG No. 1764

Schedule 19 – Schedule of Labor
Relations Consultant(s)

December 31, 2010

Has your government engaged labor relations consultants? ___ Yes X No

If yes, please provide the following information for each consultant(s):

Name of firm – _____

Name of consultant – _____

Business address – _____

Amount paid to consultant during fiscal year – \$ _____

Terms and conditions, as applicable, including:

Rates (e.g., hourly, etc.) _____

Maximum compensation allowed – _____

Duration of services – _____

Services provided – _____

Certified correct this 26th day of May 2011, to the best of my knowledge and belief:

Signature: James M. Kuntz

Name: James M. Kuntz _____

Title: Executive Director _____
