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, 2011

Certified correct this 1st day of May 2012, to the best of my knowledge and belief.

NAME:	James M. Kuntz
TITLE:	Executive Director
PREPARED BY:	CliftonLarsonAllen LLP
TELEPHONE:	509.525.1410

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CliftonLarsonAllen LLP
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ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Port of Walla Walla
Boise, Idaho

We have compiled the accompanying statement of net position of the Port of Walla Walla as of December 31, 2011, and the related statements of revenues, expenses and changes in fund net position and cash flows for the year then ended, included in the accompanying prescribed form. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements 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 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.

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.

The financial statements included in the accompanying prescribed form are presented in accordance with the requirements of the State of Washington, and are not intended to be a presentation in accordance with 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.

The supplementary information included in the prescribed form is presented for purposes of additional analysis. Such information, although not a required part of the basic financial statements, is required by the State of Washington, which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. The supplementary information has been compiled from information that is the representation of the Port of Walla Walla. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Walla Walla, Washington
May 1, 2012

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 year ended December 31, 2011 and 2010. It provides an introduction to the Port's 2011 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 position, the statement of revenues, expenses, and changes in fund net position, and the statement of cash flows.

The statement of net position and the statement of revenues, expenses, and changes in fund net position 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 position presents information on all of the Port's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 fund net position shows how the Port's net position 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 2011 by $60,877,340. Of this amount, $54,852,863 was invested in capital assets, net of related debt, $5,257,466 was unrestricted assets, $108,387 was restricted for debt service, $491,278 was restricted for FAA projects, and $167,346 was restricted for WSDOT grain cars. As a comparison, net position totaled $59,390,425 at the end of calendar year 2010, with $53,981,303 invested in capital assets, net of related debt, $4,605,100 in unrestricted assets, $122,534 restricted for debt service, $522,040 restricted for FAA projects, and $159,448 restricted for WSDOT grain cars.

The Port's net position increased by $1,486,915 in 2011 compared to a $168,564 increase in 2010 figures (as restated). The lower 2010 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.

FINANCIAL REPORT (CONTINUED)

Financial Position Summary

The statement of net position presents the financial position of the Port at the close of calendar year 2011. The statement includes all Port assets and liabilities. Net position serves as an indicator of the Port's financial position. A summarized comparison of the Port's assets, liabilities, and net position at December 31, 2011 and 2010, follows:

Statements of Net Position

	2011	2010
Current Assets	$ 6,972,884	$ 5,608,584
Investments	-	225,000
Restricted Assets – Investments	235,059	232,062
Net Capital Assets	61,008,403	61,306,956
Other Assets	137,303	168,493
Total Assets	68,353,649	67,541,095
Current Liabilities	1,238,368	1,215,159
Long-Term Liabilities	6,237,941	6,935,511
Total Liabilities	$ 7,476,309	$ 8,150,670
Net Position:		
Net Investment in Capital Assets	54,852,863	53,981,303
Restricted for Debt Service	108,387	122,534
Restricted for FAA Projects	491,278	522,040
Restricted for WSDOT Grain Cars	167,346	159,448
Unrestricted	5,257,466	4,605,100
Total Net Position	$ 60,877,340	$ 59,390,425

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 2011 and 2010 operating results to budget and prior years.

Revenues – Year-to-date operating revenues of $4,207,233 were up 7% as compared to 2010 revenues of $3,924,683. The increase was due in large part to increased fuel sales and crop sharing.

Expenses – Year-to-date operating expenses of $4,132,390 were up 4% as compared to 2010 expenses of $3,965,824. The increase in operating expenses is due to increases in fuel and insurance costs.

Nonoperating – Year-to-date nonoperating revenue for 2011 was $3,539,668 as compared to $2,876,193 for 2010. This increase is largely due to income from a new water rights lease with the Washington State Department of Ecology.

FINANCIAL REPORT (CONTINUED)

Financial Operation Highlights (Continued)

A summarized comparison of the Port's statements of revenues, expenses, and changes in fund net position for the years ended December 31, 2011 and 2010 were as follows:

Statements of Revenues, Expenses, and Changes in Fund Net Position

	2011	2010
Operating Revenues	$ 4,207,233	$ 3,924,683
Operating Expenses Before Depreciation	(4,132,390)	(3,965,824)
Depreciation	(3,081,772)	(2,937,248)
Operating Loss	(3,006,929)	(2,978,389)
Nonoperating Revenues:		
Ad Valorem Tax Revenues	1,810,038	1,812,519
Interest Expense	(286,278)	(288,644)
Other, Net	2,015,908	1,352,318
Total Nonoperating Revenues	3,539,668	2,876,193
Increase (Decrease) in Net Position, Before Capital Contributions	532,739	(102,196)
Capital Contributions	954,176	270,760
Increase in Net Position	1,486,915	168,564
Net Position, Beginning of Year	59,390,425	59,221,861
Net Position, End of Year	$ 60,877,340	$ 59,390,425

Capital Assets – The Port's investment in capital assets for its business activities as of December 31, 2011, amounted to $61,008,403 (net of accumulated depreciation) which represents a .49% decrease over 2010. This investment in capital assets includes land, buildings, improvements, machinery, equipment, and construction in progress. Net capital assets at December 31, 2010, totaled $61,306,956, a decrease of 2.8% over 2009.

Major capital asset events during 2011 include the following:

Purchase of a snow removal machine and attachments at a total cost of $908,949 ($18,016 expended in 2010). The Federal Aviation Administration provided 95% of the funding.

Completed construction of the Reiff Manufacturing building in the Airport Industrial Park at a total cost of $505,900.16 ($139,992 expended in 2010).

Completed construction of a covered bridge between two buildings for the Cliffstar property at a total cost of $253,777.

Completed water line, hydrant, and parking lot improvements for the Service Transport building in Burbank at a total cost of $255,009 ($59,427 expended in 2010).

FINANCIAL REPORT (CONTINUED)

Debt Administration

Long-Term Debt – At December 31, 2011, the Port's total long-term outstanding debt was $6,155,540 (excluding employee leave benefits). Of this amount, $5,017,240 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, 2010, the total long-term debt was $6,835,653 with $5,594,586 being general obligation debt.

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.

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 2012 BUDGET

Economic Factors

Walla Walla County's diverse economy continues to be a stabilizing factor as national and regional economic trends continue to be mixed. Of particular importance are the diverse employment sectors in Walla Walla County which are represented by government at 20% of the labor force followed by healthcare at 14.3%, agriculture at 13.5%, manufacturing at 12.2% and retail trade at 7.1%. During 2011 Walla Walla County's monthly unemployment rates were among the lowest of the 39 counties in the state of Washington.

Walla Walla's economic challenge moving forward will be its slow population growth. During the past ten years (2002-2010) Walla Walla County grew at an annual rate of 0.65%. This slow population growth will make it a challenge to attract new investment especially in the retail sector. Walla Walla County's current population is 58,800.

The Port is seeing signs that the economy is improving in 2012. Business leads and interest in a host of Port-owned business parks has picked up. The Port believes new business investments will be made in the western portion of Walla Walla County in 2012. However, in the urban area surrounding the City of Walla Walla, the Port has not seen as many new business leads.

For readers wanting more information, a good source of economic data on the county can be found on the Port-sponsored web site wallawallatrends.com.

Port Projected Major Capital Expenditures

The Port's 2012 capital plans include the extension of a sewer line from the Port's Burbank Business Park to the City of Pasco at an estimated cost of $1.4 million. The Port also plans to extend water and sewer utilities to support the Phase I development of the Burbank Business Park at an estimated cost of $1.2 million. The Port Commission is also considering some major infrastructure improvements to the Dodd Road Industrial Park. Improvements would include additional rail infrastructure, water system expansion and roadway/bridge improvements.

The Airport's major capital project for 2012 will be the Phase III aviation ramp rehabilitation project at the Walla Walla Regional Airport. The estimated cost for this project is $2.6 million with the majority of the funding being provided through a Federal Aviation Administration grant.

Tax Levy

The Port's tax levy rate has been declining from $0.44 per $1,000 of assessed value in 2006 to $0.375971 per $1,000 of assessed value in 2011. The tax levy rate for 2012 increased slightly to $0.376841 per $1,000 of assessed value and yield $1,835,600. 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
MCAG NO.1764
STATEMENT OF NET POSITION
DECEMBER 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 6,118,401
Restricted Assets:	
Cash and Cash Equivalents	531,952
Property Taxes Receivable	124,158
Accounts Receivable, Net	148,884
Interest Receivable	104
Inventory	49,385
Total Current Assets	6,972,884
NONCURRENT ASSETS	
Restricted Assets:	
Investments	235,059
Capital Assets Not Being Depreciated:	
Land	14,571,984
Construction In Progress	191,765
Capital Assets Being Depreciated:	
Buildings	31,656,261
Improvements Other Than Buildings	38,218,594
Machinery and Equipment	9,789,958
Less: Accumulated Depreciation	(33,420,159)
Deferred Charges	137,303
Total Noncurrent Assets	61,380,765
Total Assets	$ 68,353,649
LIABILITIES	
CURRENT LIABILITIES	
Accrued Expenses	$ 105,931
Accrued Interest Payable	100,745
Current Portion of Long-Term Obligations	757,921
Other Current Liabilities	273,771
Total Current Liabilities	1,238,368
NONCURRENT LIABILITIES	
General Obligation Debt	4,474,669
Revenue Bonds	175,000
Other Long-Term Debt	809,273
Employee Leave Benefits	287,721
Unearned Revenue	491,278
Total Noncurrent Liabilities	6,237,941
Total Liabilities	7,476,309
NET POSITION	
Net Investment in Capital Assets	54,852,863
Restricted for Debt Service	108,387
Restricted for FAA Projects	491,278
Restricted for WSOT Grain Cars	167,346
Unrestricted	5,257,466
Total Net Position	$ 60,877,340

See accompanying notes to financial statements.

PORT OF WALLA WALLA
MCAG NO.1764
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

OPERATING REVENUES	
Airport Operations	$ 2,852,854
Property Lease/Rental Operations	1,354,379
Total Operating Revenues	4,207,233
OPERATING EXPENSES	
General Operations and Maintenance	2,291,914
General and Administrative	1,840,476
Depreciation	3,081,772
Total Operating Expenses	7,214,162
Operating Loss	(3,006,929)
NONOPERATING REVENUES (EXPENSES)	
Interest Income	53,694
Tax Levied for General Purpose	1,810,038
Gain on Disposal of Assets	37,393
Interest Expense	(286,278)
Nonoperating Revenues	1,924,821
Total Nonoperating Revenues	3,539,668
Capital Contributions	954,176
INCREASE IN NET POSITION	1,486,915
Net Position - Beginning of Period	59,390,425
NET POSITION - END OF PERIOD	$ 60,877,340

See accompanying notes to financial statements.

PORT OF WALLA WALLA
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STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipt from Customers	$ 4,264,766
Other Receipts	1,924,821
Payments to Suppliers	(3,249,444)
Payments to Employees	(859,669)
Net Cash Provided by Operating Activities	2,080,474
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Property Taxes	1,810,038
Transfer from Other Fund	120,247
Transfer to Other Fund	(120,247)
Net Cash Provided by Noncapital Financing Activities	1,810,038
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(2,783,217)
Capital Grants Received	954,176
Principal Paid on Bond Maturities and Contracts	(710,875)
Interest Paid on Bonds and Contracts	(258,842)
Proceeds from Sale of Capital Assets	37,393
Net Cash Used by Capital and Related Financing Activities	(2,761,365)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends on Investments	53,694
Sale of Investments	530,000
Purchase of Investments	(307,997)
Net Cash Provided by Investing Activities	275,697
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,404,844
Cash and Cash Equivalents - Beginning of Year	5,245,509
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,650,353
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Loss	$ (3,006,929)
Other Nonoperating Income	1,924,821
Depreciation	3,081,770
Change in Operating Assets and Liabilities:	
Decrease in Accounts Receivable	57,533
Increase in Inventory	(16,594)
Increase in Accrued Liabilities	17,658
Increase in Employee Leave Benefits	22,215
Net Cash Provided by Operating Activities	$ 2,080,474

See accompanying 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.

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.

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 fund net position. The reported total net position is segregated into invested in capital assets, net of related debt, restricted and unrestricted net position. 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.

Cash and Cash Equivalents

It is the Port's policy to invest temporary cash surpluses. At December 31, 2011, the Port was holding $6,650,353 in short-term residual investments of surplus cash. This amount is classified on the statement of net position 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. 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.

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, 2011, is not material.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2011, in all material respects.

Restricted Assets

These accounts contain resources for debt service and monies held for others. Restricted assets at December 31, 2011, were as follows:

Cash and Investments, Debt Service	$	108,387
Cash Restricted for FAA Projects		491,278
Cash Restricted for WSDOT Grain Cars		167,346
	$	767,011

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.

Custodial Accounts

This account reflects the liability for net monetary assets being held by the Port in its trustee or agency capacity.

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. Employees with 5 years of service may cash out one week of vacation when they have reached the maximum accrual (for up to two weeks per year). 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

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.

Advertising

Advertising costs are charged to expense in the year incurred.

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 INVESTMENT

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, 2011, the Port's restricted investments not considered cash equivalents consisted of two time deposits totaling $235,059; $95,059 of which is restricted for debt repayment and $140,000 restricted for WSDOT.

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.

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 2011 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 2010, the Port's regular tax levy was $1,794,838.

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.

NOTE 4 CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

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.

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, 2011, was as follows:

	Balance January 1, 2010	Increases	Decreases	Balance December 31, 2011
Capital Assets Not Being Depreciated:				
Land	$ 14,424,786	$ 147,198	$ -	$ 14,571,984
Construction in Progress	236,079	191,766	(236,080)	191,765
Total Capital Assets Not Being Depreciated	14,660,865	338,964	(236,080)	14,763,749
Capital Assets Being Depreciated:				
Buildings	30,753,769	902,492	-	31,656,261
Improvements Other Than Buildings	37,508,190	710,404	-	38,218,594
Machinery and Equipment	8,722,521	1,067,437	-	9,789,958
Total Capital Assets Being Depreciated	76,984,480	2,680,333	-	79,664,813
Less Accumulated Depreciation For:				
Buildings	(12,297,085)	(977,811)	-	(13,274,896)
Improvements Other Than Buildings	(14,317,197)	(1,704,118)	-	(16,021,315)
Machinery and Equipment	(3,724,107)	(399,841)	-	(4,123,948)
Total Accumulated Depreciation	(30,338,389)	(3,081,770)	-	(33,420,159)
Total Capital Assets Being Depreciated, Net	46,646,091	(401,437)	-	46,244,654
Capital Assets, Net	$ 61,306,956	$ (62,473)	$ (236,080)	$ 61,008,403

NOTE 5 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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 currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in 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.

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

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 exercised 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.

NOTE 6 PENSION PLANS (CONTINUED)

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

Plan Description (Continued)

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 after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2% 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% 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% 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 1 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 2% the AFC for each year of service reduced by 2% for each year that the member's age is less than 55. The total benefit is limited to 60% 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 3% 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 2% 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)

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

Plan Description (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 23 varies according to age, for each year before age 65.

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

- With a benefit that is reduced by 3% 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% 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% 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 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% 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.

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 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 2% of the AFC per year of service. For Plan 3, the monthly benefit amount is 1% 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% 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.

NOTE 6 PENSION PLANS (CONTINUED)

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

Plan Description (Continued)

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 Nonvested	51,005
Total	**262,285**

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6% for state agencies and local government unit employees, and at 7.5% 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 Plan 3 employee contribution rates range from 5% to 15%, 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)

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

Funding Policy (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%.

** 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.

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
2011	-	51,142	-
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	-

NOTE 6 PENSION PLANS (CONTINUED)

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

Plan Description

The Legislature established LEOFF in 1970. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. 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. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two 1 separate defined benefit plans. LEOFF members 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.

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.

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 Plan 1 members are vested after the completion of five 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%

NOTE 6 PENSION PLANS (CONTINUED)

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

Plan Description (Continued)
The 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 months' salary within the last 10 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% of the FAS, plus 5% of FAS for each eligible surviving child, with a limitation on the combined allowances of 60% of the FAS; or (2) If no eligible spouse, eligible children receive 30% of FAS for the first child plus 10% for each additional child, subject to a 60% 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% of the FAS plus 5% for each child up to a maximum of 60%. 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% of the 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 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% for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3% annually.

NOTE 6 PENSION PLANS (CONTINUED)

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

Plan Description (Continued)

LEOFF Plan 2 provides disability benefits. There is no minimum amount of 1 service credit required for eligibility. The Plan 2 allowance amount is 2% of the 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% for each year prior to age 53. A catastrophic disability benefit equal to 70% 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% 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% of FAS and 2% per year of service beyond five years. The first 10% of the 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 receive service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while servicing 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 request 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.

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.

NOTE 6 PENSION PLANS (CONTINUED)

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

Plan Description (Continued)
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 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	9,647
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	782
Active Plan Members Vested	13,420
Active Plan Members Nonvested	3,656
Total	**27,505**

Funding Policy
Starting on July 1, 2000, LEOFF Plan 1 employers and employees 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. 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.

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, 2011, 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
2011	-	-
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 was a member of Enduris until August 31, 2011. 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, 2011, there are 451 Enduris members representing a broad range of special purpose districts.

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

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

$1,000,000 deductible on liability loss (1/1/11-08/31/11) – 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.

NOTE 7 RISK MANAGEMENT (CONTINUED)

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 appointed Hugh Wood, Inc. as the Port's Broker of Record once Enduris decided the Port would not continue in its insurance pool. Hugh Wood, Inc. has placed the Port's insurance coverages with a host of underwriters for the policy period September 1, 2011 - August 31, 2012. The Port believes it has adequate insurance coverages in place to protect the Port. Coverage includes:

General Liability - Liberty	\$5 Million Limit
Excess Liability – Allianz	\$5 Million Limit
Property Insurance - AXIS	\$15 Million Limit (\$500,000 deductible)
Aviation Liability - ACE	\$20 Million Limit

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

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, 2011, were as follows:

Purpose	Interest Rate	Amount
LTGO Bonds 2010 Series B, Airport Terminal; Annual Payments Through 2015	2 to 3%	$ 1,615,000
LTGO Ref. Bonds 1999 Series C, Airport Terminal; Annual Payments Through 2019	3 to 4.2%	2,130,000
LTGO Bonds 2002, Cliffstar Building; Annual Payments Through 2012	3.9%	66,743
CERB Loan, 2005 Key Technology Building; Annual Payments Through 2025	1.68%	680,497
LTGO Series A-2007, Burbank Water System; Annual Payments Through 2021	4.4%	525,000
		$ 5,017,240

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

Year Ending December 31,	Principal	Interest
2012	$ 542,571	$ 168,688
2013	481,858	158,790
2014	498,065	145,153
2015	509,293	131,046
2016	560,541	116,618
2017 to 2021	2,424,912	258,711
Total	$ 5,017,240	$ 979,006

The revenue bonds currently outstanding as of December 31, 2011, were as follows:

Purpose	Interest Rate	Amount
Revenue Bonds, 2005 Key Technology Project and CERB Loan; Annual Payments Through 2014	3.55 to 5.63%	$ 255,000

NOTE 8 LONG-TERM DEBT (CONTINUED)

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

Year Ending December 31,	Principal	Interest
2012	$ 80,000	$ 14,344
2013	85,000	9,844
2014	90,000	5,063
Total	$ 255,000	$ 29,251

The other revenue debts currently outstanding as of December 31, 2011, were as follows:

Purpose	Interest Rate	Amount
CERB Loan, 2006 Railex Project; Annual Payments Through 2026	2%	$ 800,000
Installment Debt, Columbia View Water System; Annual Payments Through 2014	1.5%	83,300
		$ 883,300

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

Year Ending December 31,	Principal	Interest
2012	$ 74,027	$ 17,250
2013	74,953	15,908
2014	75,895	14,548
2015	49,092	13,168
2016	50,074	12,187
2017 to 2021	265,797	45,505
2022 to 2026	293,462	17,840
Total	$ 883,300	$ 136,406

NOTE 9 CHANGES IN LONG-TERM DEBT

	Beginning Balance January 1, 2011	Additions	Deletions	Ending Balance December 31, 2011
General Obligation Debt:				
GO Bonds	$ 4,844,586	$ -	$ (507,843)	$ 4,336,743
CERB Loan	750,000	-	(69,503)	680,497
Revenue Bonds	330,000	-	(75,000)	255,000
Other Debt:				
CERB Loan	800,000	-	-	800,000
Columbia Loan	111,067	-	(27,767)	83,300
Employee Leave	326,829	83,538	(61,323)	349,044
Total Long-Term Liabilities	$ 7,162,482	$ 83,538	$ (741,436)	$ 6,504,584

NOTE 10 RESTRICTED NET POSITION

The Port's statement of net position indicates $767,011 of restricted net position. 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.

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, 2011, for these facilities are as follows:

	Port	Airport	Eliminations	Total
Current Assets	$ 5,605,886	$ 1,564,747	$ (197,749)	$ 6,972,884
Capital Assets	35,036,379	25,972,024	-	61,008,403
Other Assets	372,362	-	-	372,362
Total Assets	41,014,627	27,536,771	(197,749)	68,353,649
Current Liabilities	1,074,550	165,567	(1,749)	1,238,368
Long-term Liabilities:				
General Obligation Debt	4,474,669	-	-	4,474,669
Revenue Debt and Other Debt	984,273	196,000	(196,000)	984,273
Employee Leave	186,754	100,967	-	287,721
Unearned Revenue	-	491,278	-	491,278
Total Long-Term Liabilities	5,645,696	788,245	(196,000)	6,237,941
Total Liabilities	6,720,246	953,812	(197,749)	7,476,309
Net Position:				
Net Investment in Capital Assets	28,880,839	25,776,024	196,000	54,852,863
Restricted	262,405	504,606	-	767,011
Unrestricted	5,151,137	302,329	(196,000)	5,257,466
Total Net Position	$ 34,294,381	$ 26,582,959	$ -	$ 60,877,340
Total Operating Revenues	$ 1,354,379	$ 2,852,854	$ -	$ 4,207,233
Operating Expenses Before Depreciation, etc.	1,801,508	2,330,882	-	4,132,390
Depreciation Expense	1,460,956	1,620,816	-	3,081,772
Operating Income (Loss)	(1,908,085)	(1,098,844)	-	(3,006,929)
Tax Revenues	1,810,038	-	-	1,810,038
Other Nonoperating Revenue, Net of Expenses	1,255,720	473,910	-	1,729,630
Current Capital Contributions:				
Capital Grants	52,487	901,689	-	954,176
Transfers	120,247	(120,247)	-	-
Increase (Decrease) in Net Position	1,330,407	156,508	-	1,486,915
Net Position, Beginning of Period	32,963,974	26,426,451	-	59,390,425
Net Position, End of Period	$ 34,294,381	$ 26,582,959	$ -	$ 60,877,340

NOTE 12 SEGMENT INFORMATION (CONTINUED)

	Port	Airport	Eliminations	Total
Cash Flows From Operating Activities	$ 1,082,554	$ 997,920	$ -	$ 2,080,474
Cash Flows From Noncapital Financing Activities	1,930,285	(120,247)	-	1,810,038
Cash Flows From Capital and Related Financing Activities	(1,995,105)	(774,440)	8,180	(2,761,365)
Cash Flows From Investing Activities	266,192	17,685	(8,180)	275,697
Cash and Cash Equivalents, Beginning of Year	3,929,214	1,316,295	-	5,245,509
Cash and Cash Equivalents, End of Year	$ 5,213,140	$ 1,437,213	$ -	$ 6,650,353

NOTE 13 OTHER DISCLOSURES

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, 2011, the Port was holding $167,346 in state grain car funds.

On January 30, 2012, the Port sold to Columbia REA the Melrose Building Complex which encompasses three buildings totaling some 102,577 square feet and 10.562 acres of property for $5,330,416.

SUPPLEMENTARY INFORMATION

PORT OF WALLA WALLA
MCAG NO.1764
SCHEDULE 04/05 –REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

BARS Account Code	Account Title	Actual Amount
611.00	Airport User Charges	$ 861,155
614.00	Airport Real Property Rentals, Land	277,582
615.00/616.00	Airport Real Property Rentals, Facilities	1,714,117
665.00	Real Property Rentals, Facilities	1,354,379
699.10	Interest Income	53,694
699.20	Tax Receipts	1,810,038
699.40	Disposition of Property	37,393
699.90	Miscellaneous Nonoperating Revenue	1,924,821
651.00	Capital Contributions – Federal/State/Local	954,176
711.00	Airport Operations	1,306,547
713.00	Airport Maintenance	398,057
717.00	Airport Depreciation	1,620,816
783.00	Port Maintenance	587,310
787.00	Port Depreciation	1,460,956
781.00	General and Administrative Operations	1,840,476
799.91	Interest expense	286,278

PORT OF WALLA WALLA
MCAG NO.1764
SCHEDULE 08 – SCHEDULE OF REAL AND PERSONAL PROPERTY TAXES (ALL TAX-SUPPORTED FUNDS)
YEAR ENDED DECEMBER 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

Fund No.	Fund Name	Taxes Receivable January 1, 2011	Tax Rate $/1,000	Taxes Levied Report Year	Taxes Collected	Tax Adjustment Increases	Tax Adjustment Decreases	Taxes Receivable December 31, 2011
1	General fund	$ 147,888	0.45	$ 1,835,600	$ 1,827,761	$ 12,477	$ 44,046	$ 124,158

PORT OF WALLA WALLA
MCAG NO.1764
SCHEDULE 09 – LIABILITIES
YEAR ENDEDED DECEMBER 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

I.D. No.	Class Description	Purpose	Date of Original Issue	Date of Final Maturity	Beginning Outstanding Debt January 1, 2011	Amount Issued Current Year	Amount Redeemed This Year	Ending Outstanding Debt December 31, 2011
251.12	LTGO Bonds - 2002	Cliffstar Building	12/01/02	06/01/12	$ 199,586	$ -	$ 132,843	$ 66,743
251.12	Refunded Series C	Terminal Construction	05/01/05	12/01/19	2,145,000	-	15,000	2,130,000
251.12	LTGO Bonds - 2010	Terminal Construction	11/10/10	12/01/15	1,975,000	-	360,000	1,615,000
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	Key Tech. Building	08/31/05	01/31/25	750,000	-	69,503	680,497
	Total GO Debt				5,594,586	-	577,346	5,017,240
252.12	Rev. Bonds – 2005	Key Tech. CERB Loan	05/19/05	12/01/14	330,000	-	75,000	255,000
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	111,067	-	27,767	83,300
	Total Revenue Debt				1,241,067	-	102,767	1,138,300
259.11	Compensated Absences	Employee Leave			326,829	83,538	61,323	349,044
263.92	Miscellaneous Debt/Liabilities	Unearned Revenue			522,040	-	30,762	491,278
	Total Other Debt				848,869	83,538	92,085	840,322
	TOTAL DEBT				$ 7,684,522	$ 83,538	$ 772,198	$ 6,995,862

PORT OF WALLA WALLA
MCAG NO.1764
SCHEDULE 10 – LIMITATION OF INDEBTEDNESS
YEAR ENDEDED DECEMBER 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

TOTAL TAXABLE PROPERTY VALUE			$ 4,871,018,626
I. Indebtedness without a vote (Legal limit 0.25% of taxable property value) (1/4 of 1% for ports)			12,177,547
A. General-purpose indebtedness without a vote (Legal limit 0.25%)		$ 12,177,547	
Indebtedness (liabilities):			
GO bonds	$ 4,336,743		
Others	680,497		
Less assets available	-		
Indebtedness incurred – Section A		5,017,240	
Margin of indebtedness available – Section A		$ 7,160,307	
B. Indebtedness for acquisition or construction of facility without a vote (Legal limit 0.375%)		$ N/A	
Indebtedness (liabilities):			
GO bonds	$ -		
Others	-		
Less assets available	-		
Indebtedness incurred – Section B		-	
Margin of indebtedness available – Section B		$ -	
Less indebtedness incurred (Sections A and B)			5,017,240
Margin of indebtedness available without a vote (Sections A and B)			$ 7,160,307
II. Indebtedness with a 3/5 vote (Legal limit 0.75% of taxable property value) (3/4 of 1% for ports)		$ 36,532,640	
Indebtedness (liabilities):			
GO bonds	$ -		
Others	-		
Less assets available	-		
Indebtedness incurred – Section II		-	
Margin of indebtedness available with 3/5 vote		$ 36,532,640	

PORT OF WALLA WALLA
MCAG NO.1764
SCHEDULE 10 – LIMITATION OF INDEBTEDNESS (CONTINUED)
YEAR END DECEMBER 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

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%)			$ 36,532,640
Less indebtedness incurred – Sections I and II			5,017,240
Margin of indebtedness available			$ 31,515,400
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		-	
Margin of indebtedness available – Section III		$ -	
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		-	
Margin of indebtedness available – Section IV		$ -	
Total indebtedness allowable – Sections I through IV (Legal limit 1.25%)			$ 48,710,187
Less indebtedness incurred – Sections I through IV			5,017,240
Margin of indebtedness available			$ 43,692,947

PORT OF WALLA WALLA
MCAG NO.1764
SCHEDULE 16 – EXPENDITURES OF STATE AND LOCAL FINANCIAL ASSISTANCE
YEAR END DECEMBER 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

Federal CFDA Number	Other Identification Number	Grantor/Pass-Through Grantor	Current Year Expenses
N/A	S10-75106-260	WA ST Dept. of Comm. Trade & Economic Development	$ 26,028
N/A	S12-75106-360	WA ST Dept. of Comm. Trade & Economic Development	26,459
			$ 52,487

PORT OF WALLA WALLA
MCAG NO.1764
SCHEDULE 16 – EXPENDITURES OF FEDERAL AWARDS
YEAR END DECEMBER 31, 2011

1	2	3	4	5			6
				Expenditures			
Federal Agency Name/ Pass-Through Agency Name	**Federal Program Name**	**CFDA Number**	**Other I.D. Number**	**From Pass-Through Awards**	**From Direct Awards**	**Total**	**Footnote Ref**
Federal Aviation Administration	Airport Improvement Program	20-106	3-53-0083-27	$ -	$ 846,387	$ 846,387	1,2
Transportation Security Administration	Law Enforcement Officer Reimbursement Program Cooperative Agreement	97.090	HSTS0208HSLR010	-	55,302	55,302	1,2
Total Federal Awards Expended				$ -	$ 901,689	$ 901,689	

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.

PORT OF WALLA WALLA
MCAG NO.1764
SCHEDULE 19 – LABOR RELATIONS CONSULTANT(S)
YEAR END DECEMBER 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

Has your government engaged labor relations consultants? ___Yes ___X___No

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

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 1st day of May 2012, to the best of my knowledge and belief:

Signature: James M. Kuntz

Name: James M. Kuntz

Title: Executive Director