



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Financial Statements Audit Report**  
**Port District No. 1 of Chelan County**  
**(Port of Chelan County)**

**For the period January 1, 2019 through December 31, 2019**

**Published January 11, 2021**

**Report No. 1027449**





**Office of the Washington State Auditor  
Pat McCarthy**

January 11, 2021

Board of Commissioners  
Port of Chelan County  
East Wenatchee, Washington

**Report on Financial Statements**

Please find attached our report on the Port of Chelan County's financial statements.

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Port of Chelan County  
January 1, 2019 through December 31, 2019**

Board of Commissioners  
Port of Chelan County  
East Wenatchee, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of the Port of Chelan County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated December 7, 2020.

As discussed in Note 12 to the financial statements, in January 2020, the Port of Chelan County and the Port of Douglas County functionally consolidated all operations and formed the Chelan Douglas Regional Port Authority. The Port transferred operating activities to the Chelan Douglas Regional Port Authority on January 1, 2020.

As also discussed in Note 12 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Port.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Port's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of the Port's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **PURPOSE OF THIS REPORT**

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

report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy

State Auditor

Olympia, WA

December 7, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## Port of Chelan County January 1, 2019 through December 31, 2019

Board of Commissioners  
Port of Chelan County  
East Wenatchee, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Port of Chelan County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 10.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component unit of the Port of Chelan County, as of December 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 12 to the financial statements, in January 2020, the Port of Chelan County and the Port of Douglas County functionally consolidated all operations and formed the Chelan Douglas Regional Port Authority. The Port transferred operating activities to the Chelan Douglas Regional Port Authority on January 1, 2020. Our opinion is not modified with respect to this matter.

As also discussed in Note 12 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Port. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial



statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.



Pat McCarthy  
State Auditor  
Olympia, WA

December 7, 2020

## **FINANCIAL SECTION**

### **Port of Chelan County January 1, 2019 through December 31, 2019**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2019

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2019

Statement of Revenues, Expenses and Changes in Net Position – 2019

Statement of Cash Flows – 2019

Notes to Financial Statements – 2019

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2019

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2019

Schedule of Changes in Total OPEB Liability and Related Ratios – 2019

## **Introduction**

The following is the Port District of Chelan County's (the Port District) Management's Discussion and Analysis of financial activities and the performance for the calendar year ended December 31, 2019. The discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Port District and to identify any significant changes in financial position. Information contained in the MD&A has been prepared by Port District management and should be considered in conjunction with the financial statements and notes.

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

## **Background**

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

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

The Commission sets policy and delegates authority for the day-to-day operations of the Port District to its Executive Director and staff. The Port District office is located in the Pangborn Memorial Airport Business Park in East Wenatchee.

### **Background - continued**

With the exception of Pangborn Memorial Airport, the Port District's real estate holdings are all located within Chelan County. Chelan County is the 3rd largest county (in land area) in the State of Washington, with population currently estimated at 78,420. Approximately 88% of the total land area within the county is under the ownership and control of the state and federal government. Additionally, much of the county is hilly or mountainous, concentrating major development along the Wenatchee and Columbia River valleys.

The Port District began to acquire property in the Olds Station area of Chelan County in 1959. From the late 1960's through 1996, the Port District purchased then-orchard land in the Olds Station area, eventually creating a 100-acre campus for business and industrial development at the confluence of the Wenatchee and Columbia Rivers (the Port of Chelan County Olds Station Business Park). At the end of 2019, approximately 13 acres of the original property is still owned by the Port District and is undeveloped. Thirteen industrial, warehouse, and office facilities have been constructed on this property to attract tenants who would expand the local economy by direct investment and the creation of jobs primarily associated with the production of goods and services sold to consumers outside of the region.

Additional properties have been purchased over the past decades:

(a) the former Peshastin Mill, a 61-acre site on the Wenatchee River near Leavenworth, west of Wenatchee in April of 2003. In 2016, the Port sold 14 acres (the Riparian Parcel) on the Peshastin waterfront to the Complete the Loop Coalition in furtherance of the Port's commitment to permanent public access to the Wenatchee River from the property. The remaining 47 acres (the upland parcels) were sold in 2016 to a private developer.

(b) the former Cashmere Mill Site, a 32.5 acre parcel, in January of 2008, which was annexed into the City of Cashmere in April of 2010. In 2017, the Port sold 3.53 acres to Louws Truss, Inc., and in 2018, the Port constructed two 16,500 square foot buildings for light industrial uses on a portion of the remaining properties. The buildings are currently leased out to two anchor tenants.

(c) in June of 2010, the Port District acquired 2.45 acres on Wenatchee's riverfront, which formerly housed a steel fabrication plant (Pybus Property). The Port entered into a lease and economic development agreement with the Pybus Market Charitable Foundation to facilitate the redevelopment of the Pybus Property. The property was redeveloped into the Pybus Public Market and was declared surplus and subsequently sold to the Foundation in 2017. In 2018, the Port leased 1,950 square feet of space in the Pybus Market Annex from the Pybus Market Charitable Foundation, performed tenant improvements to create business incubator space, and then subleased to a Seattle-based software company for a 24-month term.

(d) in December of 2019, the Port District acquired nine buildings in the downtown Wenatchee warehouse district. The intent is to separate the parcels, which were used for apple packing and storage, in order to sell them to individual users. This area flows into the downtown Wenatchee core, so retaining the character and history of the buildings while converting them to usable spaces by businesses that will attract more pedestrian traffic will be a goal.

### **Background - continued**

The Port District has been acknowledged as an early leader in recognizing the positive economic development benefits of tourism. The Tourism Action Group (TAG) was organized in 1989, comprised of working professionals within the tourism and hospitality industry charged with the goal of creating a county-wide promotional effort, including the communities of Chelan, Leavenworth, Cashmere, Wenatchee, and Entiat. The Port District allocated as much as \$150,000 annually to this effort. TAG spawned greater efforts within each community to market their own communities more efficiently and effectively. As individual communities generated additional resources to promote tourism (primarily in the form of increased lodging tax collections), the Port District decreased its funding for TAG, and the group disbanded in 2002. The Port continues to provide strong financial support of tourism through partnership agreements with local Chambers of Commerce and through direct investment in wine and agricultural tourism efforts.

Chelan County Development Corporation (CCDC) - The Port District formed the CCDC as a means to obtain industrial revenue bonding (IRB) for qualifying manufacturing and processing businesses in the area. Examples of projects financed by IRB's include: Alcoa pollution control improvements, Manson Growers reconstruction and expansion, and Morel Foundry construction in Entiat. IRB's are rarely issued, but CCDC serves this economic development function as the opportunity arises. CCDC industrial revenue bonds do not require the Port to function as lender or guarantor.

Pangborn Memorial Airport - In 1965, the City of Wenatchee (owner of Pangborn Memorial Airport at the time) transferred ownership of the property to the Port District. In 1974, the Port of Douglas County (PODC) acquired an undivided, ½ interest in the airport after the runway had been extended to 5,500 feet. The original agreement between the Port District and PODC was amended over the years. Pursuant to a 2003 Joint Operating Agreement (JOA), effective January 1, 2004, the PODC managed the industrial property within airport boundaries, and the Port District managed all airport operations and airside properties. In 2013, the Port District signed a memorandum of understanding (MOU) with the PODC to modify their relationship regarding the operation and funding of Pangborn Memorial Airport. Pursuant to the MOU, the Port of Chelan County currently acts as the Governing Board for the Airport with all rights of the Governing Board under the 2003 agreement. The MOU will limit the PODC's management and leasing oversight to the PODC industrial park (the Airport has rights to the airside lots) and the CWICC building. In 2018, with the expiration of the MOU, the original JOA once again became the governing document. Commencing in January 2020, the Port of Chelan County and Port of Douglas County functionally consolidated in order to bridge the gap between the two counties, lower operating costs of duplicate efforts, and fund the airport operations at necessary levels in order to grow and prosper.

In 2013, a major runway expansion project commenced at Pangborn. This project extended the existing runway 700 feet and allowed the recapture of 600 feet of existing runway that was not usable due to a displaced threshold, resulting in a 7,000 foot runway. This longer runway will provide improved service with the current commercial airline and corporate jets and open up opportunities for other commercial aircraft to serve the region to additional destinations. The acquisition of real estate necessary for the expansion was completed in 2014, along with

### **Background - continued**

clearing and grading of property and rerouting of utilities to allow relocation of Grant Road and expansion of the runway in later phases of the project. The realignment of Grant Road was completed in 2015, and accepted by Douglas County in 2016. The construction was completed in 2016, and, following FAA review and grant close-out, the runway extension project was finalized in early 2018.

Lake Chelan Airport - The concept for an airport in Chelan was born in 1931 by the Chelan Chamber of Commerce. It was developed into a rugged airstrip and evolved into an FAA (Federal Aviation Administration) approved operation, with the Port District currently providing joint-funding. The airport primarily serves recreational aircraft in the resort community. The airport is operated by the City of Chelan, with the Port contributing approximately \$43,500 annually toward the airport's deficit.

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

The Port has contributed funding to partner with the cities of Wenatchee, Entiat, and Chelan for marina planning and construction, as well as matching funds for a rail platform for scheduled Amtrak service in Leavenworth. The Port has also made capital contributions to support tourism in Leavenworth and Chelan. In Leavenworth, the Port helped purchase the building that houses the Leavenworth Chamber of Commerce. In Chelan, the Port contributed funding to an entrepreneurship center in the Chelan Chamber offices.

### **Overview of the Financial Statements**

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

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

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

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

The statement of revenues, expenses and changes in net position show how the Port District'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.

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

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

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

In 2008, the Port District closed on the transaction to purchase a 32.5-acre parcel of commercial/industrial land in Cashmere, Washington known as the Cashmere Mill Site, and began site clearing and redevelopment. In 2012, the Port District received an allocation of \$1.5 million from the Washington State Legislature for the redevelopment of the Cashmere Mill Site. This was augmented by an additional \$3.38 million from the Washington State Legislature for wood waste removal and remediation of the Cashmere Mill Site in 2013 and 2014. In 2017, 3.53 acres of the site was sold to a truss company, who built an industrial building to expand their manufacturing to the Wenatchee Valley. In addition, the Port constructed two 16,500 square foot industrial buildings on the site in 2018, which now both have anchor tenants with additional space available for lease.

Following a variety of engineering, feasibility studies and public meetings, steps were taken that led to the acquisition in 2010 of a significant parcel of land located in the south node of the City of Wenatchee Waterfront Redevelopment plan. The redevelopment of the site into Pybus Market was completed in 2013, including a long term lease with Pybus Market Charitable Foundation. The redevelopment was supported by an assignment of a HUD grant from the City of Wenatchee to the Port District, and other agreements with the City involving the local revitalization financing district formed by the City. In 2016, the site was declared surplus to the Port District's needs, and, in 2017, the property was sold to the Charitable Foundation. In 2018, the Port leased 1,950 square feet of space in the Pybus Market Annex, performed tenant improvements to create business incubator space, and then subleased to a Seattle-based software company for a 24-month term.



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

The Port District's overall financial position and operations for the past two years are summarized in the following table based on the information included in the current and prior financial statements. These figures include Chelan County Development Corporation as a blended component.

**TABLE 1  
STATEMENTS OF NET POSITION**

|                                  | <u>2019</u>          | <u>2018</u>          |
|----------------------------------|----------------------|----------------------|
| Current and other assets         | \$ 16,527,661        | \$ 13,203,483        |
| Restricted assets                | -                    | 1,449                |
| Net capital assets               | <u>36,299,460</u>    | <u>27,450,617</u>    |
| Total assets                     | <u>\$ 52,827,121</u> | <u>\$ 40,655,549</u> |
| Deferred outflows                | <u>\$ 72,517</u>     | <u>\$ 77,342</u>     |
| Current liabilities              | \$ 1,152,653         | \$ 1,783,652         |
| Noncurrent liabilities           | <u>9,657,146</u>     | <u>7,070,964</u>     |
| Total liabilities                | <u>\$ 10,809,799</u> | <u>\$ 8,854,616</u>  |
| Deferred inflows                 | <u>\$ 180,594</u>    | <u>\$ 163,597</u>    |
| Net investment in capital assets | \$ 27,672,584        | \$ 21,388,337        |
| Restricted                       | -                    | 1,449                |
| Unrestricted                     | <u>14,236,661</u>    | <u>10,324,892</u>    |
| Total net position               | <u>\$ 41,909,245</u> | <u>\$ 31,714,678</u> |



**An Overview of the Port District Financial Position and Operations - continued**

Total Assets

The Port District's total assets, including component unit, at December 31, 2019 increased by \$12,171,572. This increase is due primarily to the purchase of nine buildings in the downtown Wenatchee warehouse district in December 2019, as well as the purchase of a building located on Airport property from Executive Flight, Inc. in October, 2019.

Total Liabilities

Total liabilities increased by \$1,955,183 during 2019. This increase reflects a new promissory note being issued for \$3,000,000 in order to finance the purchase of a building from Executive Flight, net of payments to retire other debt.

Total Net Position

Financial position increased as the change in net position amounted to \$10,194,567 during 2019. The increase is partly due to a sale of land in the Olds Station Business Park to the Chelan County Public Utility District for construction of their new headquarters.

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

|                          | 2019          | 2018         |
|--------------------------|---------------|--------------|
| Revenues                 |               |              |
| Operating revenues       | \$ 3,365,436  | \$ 2,789,410 |
| Other operating revenues | 74,182        | 306,345      |
| Nonoperating revenues    | 11,320,187    | 3,017,002    |
| Capital grants           | 268,573       | 1,495,644    |
| Total revenues           | 15,028,378    | 7,608,401    |
| Expenses                 |               |              |
| Operating expenses       | 3,541,764     | 3,780,206    |
| Nonoperating expenses    | 1,292,047     | 2,330,852    |
| Total expenses           | 4,833,811     | 6,111,058    |
| Change in net position   | \$ 10,194,567 | \$ 1,497,343 |

## **An Overview of the Port District Financial Position and Operations - continued**

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

Income increased from 2018 to 2019, which reflects a land sale, net of a decrease in federal capital grants. Operating revenues increased, as the Port District purchased condominium units from the Chelan County Public Utility District, and then leased out those units. Additional leases in the business park also increased operating revenues.

With the purchase of condominium units, the Confluence Technology Center Condominium Association was dissolved, which decreased member dues being paid, but increased operating expenses being paid directly by the Port District.

### **Economic Factors**

Chelan County and North Central Washington experienced increasing property values, as well as a boost in construction and other economic activities in 2019. The overall 2019 unemployment rate across Chelan county averaged 4.9%, slightly higher than the Washington state rate of 4.3%.

Wages still lag behind the state average, due to the large number of seasonal jobs in the agricultural and hospitality sectors.

Statewide shut downs due to Covid-19 began in February 2020, with the governor's declaration of emergency. Airport revenues have been significantly impacted, which has a direct effect on the Port Authority.

### **Request for Information**

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

Port District of Chelan County, Washington  
Attn: Monica Lough, Director of Finance & Administration  
One Campbell Parkway, Suite A  
East Wenatchee, WA 98802

Port District of Chelan County, Washington  
 STATEMENT OF NET POSITION  
 December 31, 2019

ASSETS AND DEFERRED OUTFLOWS

|  | Port<br>District     | Confluence<br>Technology Center<br>Condominium<br>Association | Pangborn<br>Memorial<br>Airport |
|--|----------------------|---|---------------------------------|
| <b>CURRENT ASSETS</b>                      |                      |   |                                 |
| General investment fund (Note 2)           | \$ 9,804,839         | \$ -  | \$ 79                           |
| General fund                               | 1,217                | -   | 111,815                         |
| Bank accounts                              | 743,059              | -   | 75,596                          |
| Petty cash                                 | 100                  | -   | 1,278                           |
| Total unrestricted cash                    | <u>10,549,215</u>    | -   | <u>188,768</u>                  |
| Accounts receivable (Net)                  | 39,018               | -   | 215,460                         |
| Grants receivable                          | 112,210              | -   | 137,931                         |
| Taxes receivable (Note 3)                  | 80,127               | -   | -                               |
| Prepaid expenses                           | 280,306              | -   | 49,934                          |
| Notes receivable                           | 786,500              | -   | -                               |
| Fuel inventory                             | -                    | -   | 101,901                         |
| Total current assets                       | <u>11,847,376</u>    | -   | <u>693,994</u>                  |
| <b>NONCURRENT ASSETS</b>                   |                      |   |                                 |
| Net pension asset                          | -                    | -   | 37,252                          |
| Restricted assets (Note 2)                 |                      |   |                                 |
| Passenger facility fund                    | -                    | -   | 741,532                         |
| Total restricted assets                    | <u>-</u>             | -   | <u>741,532</u>                  |
| Capital assets (Note 4)                    |                      |   |                                 |
| Land and improvements                      | 11,267,346           | -   | 50,570,725                      |
| Buildings                                  | 38,222,984           | -   | 7,587,810                       |
| Furniture and equipment                    | 1,819,132            | -   | 4,082,145                       |
| Construction in progress                   | 11,512               | -   | 749,752                         |
| Total                                      | <u>51,320,974</u>    | -   | <u>62,990,432</u>               |
| Less accumulated depreciation              | <u>15,021,514</u>    | -   | <u>20,360,455</u>               |
| Total capital assets                       | <u>36,299,460</u>    | -   | <u>42,629,977</u>               |
| Other noncurrent assets                    |                      |   |                                 |
| Investment in Lake Chelan Airport (Note 9) | 132,608              | -   | -                               |
| Property held for sale                     | 4,547,677            | -   | -                               |
| Total other noncurrent assets              | <u>4,680,285</u>     | -   | <u>-</u>                        |
| <b>TOTAL ASSETS</b>                        | <u>\$ 52,827,121</u> | <u>\$ -</u>   | <u>\$ 44,102,755</u>            |
| <b>DEFERRED OUTFLOWS</b>                   |                      |   |                                 |
| Pension                                    | \$ 65,388            | \$ -  | \$ 98,431                       |
| Other Postemployment Benefits              | 7,129                | -   | 3,009                           |
| Total deferred outflows                    | <u>\$ 72,517</u>     | <u>\$ -</u>   | <u>\$ 101,440</u>               |

See accompanying notes

Port District of Chelan County, Washington  
**STATEMENT OF NET POSITION**  
December 31, 2019

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

|  | Port<br>District     | Confluence<br>Technology Center<br>Condominium<br>Association | Pangborn<br>Memorial<br>Airport |
|--|----------------------|---|---------------------------------|
| <b>CURRENT LIABILITIES</b>                         |                      |   |                                 |
| Accounts payable                                   | \$ 531,752           | \$ -  | \$ 567,247                      |
| Grants payable                                     | 112,210              | -   | -                               |
| Retainage in escrow                                | 50,086               | -   | 51,985                          |
| Compensated absences                               | 33,087               | -   | 48,272                          |
| Accrued taxes                                      | 76,528               | -   | 23,575                          |
| Accrued interest                                   | 37,185               | -   | 208                             |
| Notes payable                                      | -                    | -   | 786,500                         |
| Long-term debt payable within<br>one year [Note 8] | 310,836              | -   | 9,850                           |
| Unearned rents                                     | 969                  | -   | -                               |
|  | 1,152,653            | -   | 1,487,637                       |
| <b>NONCURRENT LIABILITIES</b>                      |                      |   |                                 |
| Long-term debt payable after<br>one year [Note 8]  | 8,246,238            | -   | -                               |
| Pension liability [Note 6]                         | 258,668              | -   | 272,373                         |
| Other postemployment benefits [Note 5]             | 644,613              | -   | 608,607                         |
| Lessee deposits                                    | 507,627              | -   | 142,849                         |
|  | 9,657,146            | -   | 1,023,829                       |
| <b>TOTAL LIABILITIES</b>                           | <b>\$ 10,809,799</b> | <b>\$ -</b>   | <b>\$ 2,511,466</b>             |
| <b>DEFERRED INFLOWS</b>                            |                      |   |                                 |
| Pension  | \$ 180,594           | \$ -  | \$ 178,428                      |
| <b>NET POSITION</b>                                |                      |   |                                 |
| Net investment in capital assets                   | \$ 27,672,584        | \$ -  | 42,070,617                      |
| Restricted   | -                    | -   | 741,532                         |
| Unrestricted                                       | 14,236,661           | -   | (1,297,848)                     |
| <b>TOTAL NET POSITION</b>                          | <b>\$ 41,909,245</b> | <b>\$ -</b>   | <b>\$ 41,514,301</b>            |

*See accompanying notes*

Port District of Chelan County, Washington  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended December 31, 2019

|                                      | Port<br>District | Confluence<br>Technology Center<br>Condominium<br>Association | Pangborn<br>Memorial<br>Airport |
|--------------------------------------|------------------|---|---------------------------------|
| <b>OPERATING REVENUES</b>            |                  |   |                                 |
| Rentals [Note 9]                     | \$ 2,964,799     | \$ -  | \$ 1,035,712                    |
| Tenant reimbursements                | 400,637          | -   | 69,351                          |
| Airport operations                   | -                | -   | 1,017,663                       |
| Association dues                     | -                | 111,331   | -                               |
| Total operating revenue              | 3,365,436        | 111,331   | 2,122,726                       |
| <b>OPERATING EXPENSES</b>            |                  |   |                                 |
| Olds Station Business Park           |                  |   |                                 |
| Property insurance                   | 92,256           | 13,709  | -                               |
| Maintenance and repairs              | 214,924          | 28,483  | -                               |
| Utilities                            | 177,572          | 20,639  | -                               |
| Fire protection                      | 8,535            | -   | -                               |
| Depreciation                         | 968,841          | -   | 1,897,548                       |
| Salaries                             | 730,289          | -   | 668,991                         |
| Commissioners' per diem              | 57,180           | -   | -                               |
| Condominium association dues         | 81,113           | -   | -                               |
| Video conference supplies & cleaning | 78,183           | -   | -                               |
| Fuel service operations              | -                | -   | 886,765                         |
| Employee benefits                    | 135,429          | -   | 39,153                          |
| Professional services                |                  |   |                                 |
| Legal                                | 122,932          | -   | 38,905                          |
| Accounting                           | 1,083            | 6,850   | -                               |
| Engineering                          | 23,221           | -   | 4,325                           |
| Computer                             | 159,241          | 10,425  | 56,870                          |
| Video conference center operator     | 130,804          | -   | -                               |
| Contract labor                       | -                | 27,884  | -                               |
| State audit                          | 24,704           | -   | 17,075                          |
| Other consulting                     | 99,316           | -   | 216,432                         |
| Taxes - payroll                      | 61,953           | -   | 85,522                          |
| Business development and marketing   | 122,863          | -   | 12,213                          |
| Utilities                            | 41,784           | 1,907   | 121,980                         |
| Maintenance and repairs              | 19,460           | -   | 191,964                         |
| Community relations                  | 5,271            | -   | -                               |
| Land lease expense                   | -                | -   | 31,044                          |
| Subscriptions and memberships        | 32,665           | -   | 5,326                           |
| Insurance                            | 28,664           | -   | 111,312                         |
| Conferences and meetings             | 23,357           | -   | 16,219                          |
| Travel                               | 20,519           | -   | -                               |
| Office expenses                      | 33,458           | 2,113   | 25,455                          |
| Contract janitorial and supplies     | -                | 12,189  | 13,200                          |
| Auto expenses                        | 5,523            | -   | 35,979                          |
| Bad debt expense                     | 38,495           | -   | 21,965                          |
| Other expenses                       | 2,129            | 343   | 52,086                          |
| Total operating expenses             | 3,541,764        | 124,542   | 4,550,329                       |

See accompanying notes

Port District of Chelan County, Washington  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Year Ended December 31, 2019

|  | Port<br>District | Confluence<br>Technology Center<br>Condominium<br>Association | Pangborn<br>Memorial<br>Airport |
|--|------------------|---|---------------------------------|
| OPERATING LOSS BEFORE OTHER<br>OPERATING REVENUES AND EXPENSES | \$ (176,328)     | \$ (13,211)   | \$ (2,427,603)                  |
| OTHER OPERATING REVENUES                                       |                  |   |                                 |
| Miscellaneous revenue  | 74,182           | -   | -                               |
| OPERATING LOSS   | (102,146)        | (13,211)  | (2,427,603)                     |
| NONOPERATING REVENUES  |                  |   |                                 |
| Taxes levied [Note 3]  | 2,846,731        | -   | -                               |
| Operating grants   | 56,110           | -   | 547,671                         |
| Investment income  | 473,927          | 2   | 1,226                           |
| Passenger facility charges                                     | -                | -   | 293,006                         |
| Leasehold & timber tax revenue                                 | 11,598           | -   | -                               |
| Gain on disposal of assets                                     | 7,931,821        | -   | 27,048                          |
| Advertising income   | -                | -   | 11,639                          |
| Total nonoperating revenues                                    | 11,320,187       | 2   | 880,590                         |
| NONOPERATING EXPENSES  |                  |   |                                 |
| Interest expense   | 219,427          | -   | 1,603                           |
| Loss from Lake Chelan Airport                                  | 115,056          | -   | -                               |
| Community Partnership Projects                                 | 61,489           | -   | -                               |
| Economic Development Partnerships                              | 163,869          | -   | -                               |
| Election Costs   | 20,514           | -   | -                               |
| Total nonoperating expenses                                    | 580,355          | -   | 1,603                           |
| INCOME (LOSS) BEFORE OTHER REVENUES (EXPENSES)                 | 10,637,686       | (13,209)  | (1,548,616)                     |
| OTHER REVENUES (EXPENSES)                                      |                  |   |                                 |
| Capital grants   | 268,573          | -   | 285,665                         |
| Support of discrete component unit                             | (711,692)        | -   | -                               |
| Total other revenues (expenses)                                | (443,119)        | -   | 285,665                         |
| CHANGES IN NET POSITION  | 10,194,567       | (13,209)  | (1,262,951)                     |
| NET POSITION - BEGINNING OF YEAR                               | 31,714,678       | 13,209  | 42,777,252                      |
| NET POSITION - END OF YEAR                                     | \$ 41,909,245    | \$ -  | \$41,514,301                    |

*See accompanying notes*

Port District of Chelan County, Washington  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2019

|   | Port<br>District | Confluence<br>Technology Center<br>Condominium<br>Association | Pangborn<br>Memorial<br>Airport |
|---|------------------|---|---------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |                  |   |                                 |
| Receipts from customers   | \$ 3,371,531     | \$ 142,908  | \$ 2,029,050                    |
| Payments to suppliers   | (1,776,748)      | (171,569)   | (2,007,432)                     |
| Payments to employees   | (771,571)        | -   | (832,214)                       |
| Other receipts  | 74,182           | -   | -                               |
| Net cash provided (used) by operating activities                        | 897,394          | (28,661)  | (810,596)                       |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>              |                  |   |                                 |
| Taxes collected for Port District operations                            | 2,853,989        | -   | -                               |
| Cash paid to Panborn Memorial Airport                                   | (665,123)        | -   | -                               |
| Cash paid to Lake Chelan Airport  | (44,263)         | -   | -                               |
| Payments for other noncapital projects                                  | (245,872)        | -   | -                               |
| Receipt of passenger facility charges                                   | -                | -   | 293,006                         |
| Operating grants  | 54,522           | -   | 550,301                         |
| Miscellaneous   | -                | -   | 9,697                           |
| Net cash provided (used) by noncapital<br>financing activities          | 1,953,253        | -   | 853,004                         |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES</b>     |                  |   |                                 |
| Transfer from bond redemption fund                                      | 1,449            | -   | -                               |
| Capital passenger facility fund   | -                | -   | (48,308)                        |
| Capital grants received   | 222,004          | -   | 213,375                         |
| Payments on bonds issued  | (238,918)        | -   | -                               |
| Proceeds from long-term debt  | 3,000,000        | -   | 794,155                         |
| Payments on long-term debt  | (101,467)        | -   | (17,506)                        |
| Interest and loan fees paid   | (221,682)        | -   | (1,812)                         |
| Acquisition of capital assets   | (10,882,176)     | -   | (992,940)                       |
| Acquisition of property held for sale                                   | (4,547,677)      | -   | -                               |
| Proceeds from disposal of capital assets                                | 8,271,815        | -   | 28,787                          |
| Net cash provided (used) by capital and<br>related financing activities | (4,496,652)      | -   | (24,249)                        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |                  |   |                                 |
| Interest received   | 346,637          | 2   | 1,226                           |
| Proceeds from investments   | 1,904,405        | -   | -                               |
| Advances on notes receivable  | (794,155)        | -   | -                               |
| Payments received on notes receivable                                   | 7,655            | -   | -                               |
| Transfer from condo association reserve                                 | 87,256           | -   | -                               |
| Net cash provided by investing activities                               | 1,551,798        | 2   | 1,226                           |
| <b>NET INCREASE (DECREASE) IN CASH</b>                                  | (94,207)         | (28,659)  | 19,385                          |
| <b>CASH - BEGINNING OF YEAR</b>   | 6,459,576        | 28,659  | 169,383                         |
| <b>CASH - END OF YEAR</b>   | \$ 6,365,369     | \$ -  | \$ 188,768                      |

Port District of Chelan County, Washington  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2019

|   | Port<br>District | Confluence<br>Technology Center<br>Condominium<br>Association | Pangborn<br>Memorial<br>Airport |
|---|------------------|---|---------------------------------|
| <b>RECONCILIATION OF OPERATING LOSS<br/>TO NET CASH PROVIDED (USED) BY<br/>OPERATING ACTIVITIES</b> |                  |   |                                 |
| Operating income (loss)   | \$ (102,146)     | \$ (13,211)   | \$ (2,427,603)                  |
| Noncash expenses  |                  |   |                                 |
| Depreciation  | 968,841          | -   | 1,897,548                       |
| Bad debt expense  | 38,495           | -   | 20,875                          |
| Pension   | (96,845)         | -   | (86,755)                        |
| Other postemployment benefits   | (6,084)          | -   | (85,089)                        |
| (Increase) decrease in operating assets   |                  |   |                                 |
| Receivables   | (5,394)          | 79,801  | (151,086)                       |
| Prepaid expenses  | 24               | 23,675  | 7,924                           |
| Fuel inventory  | -                | -   | (6,805)                         |
| Increase (decrease) in operating liabilities  |                  |   |                                 |
| Accounts payable  | 70,539           | (70,702)  | (29,738)                        |
| Compensated absences  | 15,898           | -   | 5,337                           |
| Accrued taxes   | 2,577            | -   | 8,261                           |
| Unearned rents (assessments)  | (10,130)         | (48,224)  | -                               |
| Lessee deposits   | 21,619           | -   | 36,535                          |
| Net cash provided (used) by operating activities  | \$ 897,394       | \$ (28,661)   | \$ (810,596)                    |
| <b>NONCASH CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>   |                  |   |                                 |
| Acquisition of capital assets included in accounts payable  | \$ 19,716        | \$ -  | \$ 497,524                      |

*See accompanying notes*



## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Port District of Chelan County, Washington (the Port District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principals. The significant accounting policies are described below.

### A. Reporting entity

The Port District was incorporated by consent of the voters within Chelan County in November 1958, and operates under the laws of the State of Washington applicable to port districts. The Port District is a special purpose government that provides industrial park, airport, tourism and economic development services to the general public, and is supported primarily through user charges (or where the governing body has decided that periodic determination of net income is needed).

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

In June, 2019, the Port of Chelan County and Port of Douglas County entered into an Interlocal Agreement to functionally consolidate as of January 1, 2020 as the Chelan Douglas Regional Port Authority. The two Port Districts will continue to assess property taxes individually, as well as continue to retire existing debt and bonds. The Regional Port Authority will act as the operating entity for day to day activities, and be governed by the six port district commissioners acting as the Board of Directors.

### Component units

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

#### *Blended component units -*

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Component units - continued

*Discretely presented component units -*

The Confluence Technology Center Condominium Association (the Association), an entity legally separate from the Port District, was governed by a three member board: two members were appointed by the Port District (one of which was a Commissioner), and one member was appointed by the Chelan County Public Utility District. The Association was fiscally dependent on the Port District because the Association's operational budget was subject to Port District approval. The Association is reported in a separate column to emphasize that it is legally separate from the Port District. In 2019, the Port District purchased the condominium units owned by the Chelan County Public Utility District, and subsequently dissolved the condominium association.

Pangborn Memorial Airport (the Airport), an entity legally separate from the Port District, was governed by the three Commissioners of the Port District and the three Commissioners of the Port of Douglas County. In addition, the Airport was fiscally dependent on the Port District because the Airport's operational and capital budgets were subject to Port District approval, as well as providing significant operational and capital funding. The Association is reported in a separate column to emphasize that it was legally separate from the Port District. Due to the Interlocal Agreement signed in June, 2019, the Airport ownership and operations were transferred to the Chelan Douglas Regional Port Authority as of January 1, 2020.

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

Chelan County Development Corporation  
One Campbell Parkway, Suite A  
East Wenatchee, WA 98802

Confluence Technology Center Condominium Association  
One Campbell Parkway, Suite A  
East Wenatchee, WA 98802

Pangborn Memorial Airport  
One Campbell Parkway, Suite A  
East Wenatchee, WA 98802

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of accounting and reporting

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

C. Assets, liabilities and net position

1. Cash and cash equivalents

It is the Port District's policy to invest cash reserves. The Port District's cash reserves are annually allocated by the Port Commission for a variety of purposes, including land acquisition, facilities and infrastructure construction, Airport operations and capital projects, and an emergency operations and maintenance reserve. At December 31, 2019, the Chelan County Treasurer was holding \$9,804,839 in short-term investments. This amount is classified on the statement of net position as unrestricted cash, although it has been internally reserved by the Commission to fund the above-referenced reserve accounts.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Assets, liabilities and net position - continued

2. Short-term investments

See Note 2.

3. Receivables

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

Accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. The Port District utilizes the reserve method for recording bad debts. Per review of outstanding accounts, an allowance for doubtful accounts of \$38,495 was accrued at December 31, 2019.

4. Inventories

Inventories are valued at cost using the first-in, first-out method, which approximates the market value.

5. Compensated absences

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

Vacation pay, which may be accumulated up to 30 days, is payable upon resignation, retirement, or death.

Sick leave may accumulate up to 60 days, and is not payable upon resignation or termination of employment, other than retirement. If an employee retires under the Public Employees Retirement System (PERS), at the time of termination of employment, the Port District shall contribute an amount equal to 25% of the value of accrued unused sick leave to a Voluntary Beneficiary Association (VEBA) account. In addition, for those employees that start the calendar year with the maximum hours of sick leave accrued, and during the year use less sick leave than the amount accrued, will also receive a contribution of 25% of the excess accrual to a VEBA account.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Assets, liabilities and net position - continued

6. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

7. Deferred compensation

On December 20, 1983, the Chelan County Commissioners adopted the Washington State employees deferred compensation plan for Port District employees effective March 1984. The annual contribution limits are the lesser of \$19,000 or 100% of the employee's gross salary.

8. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2 - DEPOSITS AND INVESTMENTS

### Deposits

Cash on hand of as December 31, 2019 was \$5,946,758. The carrying amount of the Port District's deposits, including certificates of deposit, was \$6,365,369 and the bank balance was \$6,365,369.

#### *Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in event of failure of a depository financial institution, the Port District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Port District's deposits and certificates of deposit are mostly covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

#### *Foreign Currency Risk*

Foreign currency risk for deposits is the risk that changes in exchange rates will adversely affect the deposit. The Port District follows state law, which does not allow foreign deposits.

### Investments

Investments are subject to the following risks:

#### *Interest Rate Risk*

Interest rate risk is the risk the Port District may face should interest rate variances affect the fair value of investments. The Port District invests through the Chelan County Treasurer's office, and therefore follows County investment policies. Through this investment policy, the Port District manages its exposure to the risk that the fair value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities. The policy is that the weighted average of the portfolio will have a maturity date of less than five years.

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

Investments - continued

*Interest Rate Risk - continued*

| Investment Type         | Fair Value        | Investment Maturities (in Years) |                     |             |              |
|-------------------------|-------------------|----------------------------------|---------------------|-------------|--------------|
|                         |                   | Less Than 1                      | 1 to 5              | 6 to 10     | More than 10 |
| Debt Securities         |                   | \$ -                             | \$ -                | \$ -        | \$ -         |
| Corporate Bonds         |                   | -                                | 256,040             | -           | -            |
| Municipal Bonds         |                   | 292,163                          | 3,635,643           | -           | -            |
| U.S. Agencies           |                   | -                                | -                   | -           | -            |
| Total Debt Securities   |                   | <u>\$ 292,163</u>                | <u>\$ 3,891,683</u> | <u>\$ -</u> | <u>\$ -</u>  |
| Other Securities        |                   |                                  |                     |             |              |
| Certificates of Deposit | <u>\$ 418,611</u> |                                  |                     |             |              |
| Total Other Securities  | <u>\$ 418,611</u> |                                  |                     |             |              |

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The state investment pool does not have a credit rating. The Port District holds corporate and municipal bonds with S&P ratings of AA+ and AAA. The County has a policy related to credit risk, which is followed by the Port District.

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of the counterparty the Port District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Port District does not own any unregistered/uninsured securities.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single user. The Port District does not have a large amount of investments with any single user.

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. The Port District does not own any investments that are subject to foreign exchange rates.

*Investments in Local Government Investment Pool (LGIP)*

The Port District is a participant in the Local Government Investment Pool as authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, and online at <http://www.tre.wa.gov>.

*Investments Measured at Fair Value*

The Port District measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

*Level 1:* Quoted prices in active markets for identical assets or liabilities;

*Level 2:* These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;

*Level 3:* Unobservable inputs for an asset or liability.



Port District of Chelan County, Washington  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019

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NOTE 2 - DEPOSITS AND INVESTMENTS - continued

As of December 31, 2019, the Port District had the following investments measured at fair value:

|  | Fair Value Measurement Using:   |  |  |
|--|---|--|--|
|  | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Investments by Fair Value Level                |   |  |  |
| Corporate Bonds                                | \$ -  | \$ 256,040   | \$ -   |
| Municipal Bonds                                | -   | 3,927,806  | -  |
| U.S. Agencies                                  | -   | -  | -  |
| Total investments measured at fair value       | -   | 4,183,846  | -  |
| Investments measured at amortized cost         |   |  |  |
| State Local Government Investment Pool (LGIP)  | -   | 2,282,363  | -  |
| Certificates of Deposit                        | -   | 418,611  | -  |
| Total investments measured at amortized cost   | -   | 2,700,974  | -  |
| Total Investments in Statement of Net Position | \$ -  | \$ 6,884,820   | \$ -   |

NOTE 3 - PROPERTY TAXES

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities.

Property Tax Calendar

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

NOTE 3 - PROPERTY TAXES - continued

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The Port District may levy up to \$.45 per \$1,000 of assessed valuation for general governmental services. The Port District may also levy taxes at a lower rate.

The Port District's regular levy for 2019 was \$0.23481 per \$1,000 on an assessed valuation of \$12,163,012,401 for a total regular levy of \$2,855,953. In 2018, the regular tax levy was \$2,759,196 computed at a levy rate of \$0.24895.

Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

A. Capital assets are defined by the Port District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

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

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method. Buildings and improvements are assigned lives of 10-40 years; equipment 3-10 years; and furniture and fixtures 3-10 years.

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NOTE 4 - CAPITAL ASSETS AND DEPRECIATION - continued

B. Capital assets activity for the year ended December 31, 2019, was as follows:

|  | Beginning<br>Balance<br>01/01/19 | Increases                   | Decreases                  | Ending<br>Balance<br>12/31/19 |
|--|----------------------------------|-----------------------------|----------------------------|-------------------------------|
| Capital assets, not<br>being depreciated:              |                                  |                             |                            |                               |
| Land and right-of-way                                  | \$ 9,551,085                     | \$ 276,903                  | \$ 332,191                 | \$ 9,495,797                  |
| Construction in progress                               | 3,843,063                        | 4,507,723                   | 8,339,274                  | 11,512                        |
| <b>Total capital assets not<br/>being depreciated</b>  | <b><u>\$ 13,394,148</u></b>      | <b><u>\$ 4,784,626</u></b>  | <b><u>\$ 8,671,465</u></b> | <b><u>\$ 9,507,309</u></b>    |
| Capital assets, being depreciated:                     |                                  |                             |                            |                               |
| Buildings  | \$ 24,637,165                    | \$ 13,613,985               | \$ 28,166                  | \$ 38,222,984                 |
| Improvements other than buildings                      | 1,799,041                        | -                           | 27,492                     | 1,771,549                     |
| Furniture and equipment                                | 1,803,178                        | 98,341                      | 82,387                     | 1,819,132                     |
| <b>Total capital assets<br/>being depreciated</b>      | <b>28,239,384</b>                | <b>13,712,326</b>           | <b>138,045</b>             | <b>41,813,665</b>             |
| Less accumulated depreciation for:                     |                                  |                             |                            |                               |
| Buildings  | 10,938,580                       | 766,196                     | 20,362                     | 11,684,414                    |
| Improvements other than buildings                      | 1,796,862                        | 57,173                      | 27,493                     | 1,826,542                     |
| Furniture and equipment                                | 1,447,473                        | 145,472                     | 82,387                     | 1,510,558                     |
| <b>Total accumulated depreciation</b>                  | <b><u>14,182,915</u></b>         | <b><u>968,841</u></b>       | <b><u>130,242</u></b>      | <b><u>15,021,514</u></b>      |
| <b>Total capital assets being<br/>depreciated, net</b> | <b><u>\$ 14,056,469</u></b>      | <b><u>\$ 12,743,485</u></b> | <b><u>\$ 7,803</u></b>     | <b><u>\$ 26,792,151</u></b>   |

C. Construction commitments

The Port District approved replacement of three air handling units at the Confluence Technology Center in October of 2019. The approved project budget was \$601,575, with \$11,512 of engineering fees being paid prior to December 31, 2019, and the remaining project scheduled for spring of 2020.

**NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS**

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year ending December 31, 2019:

| <b>Aggregate OPEB Amounts - All Plans</b> |            |
|---|------------|
| OPEB liabilities                          | \$ 644,613 |
| OPEB assets                               | \$ -       |
| Deferred outflows of resources            | \$ 7,129   |
| Deferred inflows of resources             | \$ -       |
| OPEB expenses/expenditures                | \$ 10,826  |

At December 31, 2019, the following employees were covered by the benefit terms:

|  |           |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 5         |
| Inactive employees entitled to but not yet receiving benefits    | 0         |
| Active employees   | 9         |
| <b>Total</b>   | <b>14</b> |

The Port is not able to determine the number of inactive employees entitled to, but not yet receiving benefits, as eligibility is determined by the Washington State Office of Retirement Services and the Washington State Public Employees Benefit Board. Inactive employees entitled to but not yet receiving benefits would include any former Port employee who retires under the public employees’ retirement system and who are vested in that system. Retirees may also elect alternate coverage through Medicare and a Medicare supplemental plan.

**A. OPEB Plan Description**

The Port District provides medical, dental, life, and long-term disability insurance to its full time employees and Commissioners through the Washington State Public Employees Benefit Board (PEBB). Port employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees’ retirement system and are vested in that system.

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS - continued

A. OPEB Plan Description - continued

Other post-employment benefits (OPEB) are benefits provided to retired employees beyond those provided by their pension plans. Such benefits include medical, prescription drug, life, dental, and vision insurance. PEBB offers retirees access to all of these benefits and PEBB employers, through this single-employer defined benefit plan, provide monetary assistance, or subsidize, these benefits.

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

The Office of the State Actuary, a department within the primary government of the State of Washington, issues a publicly available Other Post-Employment Benefits Actuarial Valuation Report. The Other Post-Employment Benefits Actuarial Valuation Report may be obtained by writing to: Office of the State Actuary, PO Box 40914, Olympia, Washington 98504-0914 or it may be downloaded from the Office of the State Actuary website.

B. Subsidies

The Washington State Health Care Authority (HCA) administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidy, permitted under RCW 41.05.085, is a straightforward, set dollar amount for a specific group of people. The explicit subsidy lowers the monthly premium paid by retired members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually.

The implicit subsidy, set up under RCW 41.05.022, is more complex because it is not a direct payment from the employer on behalf of the member. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retirees.

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS - continued

B. Subsidies - continued

PEBB has also historically provided subsidized basic life insurance (Plan A) coverage to retirees. This was an explicit life insurance subsidy set up by the PEBB Board and approved as part of the budget process. However, beginning January 1, 2012, the PEBB Board eliminated the explicit life insurance subsidy on a permanent basis.

C. Funding Policy

The Port District funds the implicit and explicit subsidies on a pay-as-you-go basis, meaning that the Port District pays these costs as they occur or become due. Therefore, there are no assets accumulating in a qualifying trust.

D. Actuarial Methods and Assumptions

The Port District used the alternative measurement method permitted under GASB Statement No. 75 and provided by the Office of the State Actuary. The Office of the State Actuary made the following assumptions:

Health Plan Assumptions:

- 2/3 of members select a Uniform Medical Plan (UMP plan) and 1/3 select a Group Health plan.
- UMP pre- and post-Medicare costs and premiums are equal to the Uniform Medical Plan.
- Group Health pre-Medicare costs and premiums are a 50/50 blend of GH Classic and GH Value.
- The Group Health post-Medicare costs and premiums are equal to GH Medicare.

The actuary estimated retirement service for each active employee based on the average entry age of 35. For example, an age 47 member is assumed to have 12 years of service. Service is a component of benefit eligibility.

Retirement, disablement, termination, and mortality rates were based on the 2018 AVR. For simplicity, the Office of the State Actuary assumed that all employees are retirement eligible at age 55, relied on the retirement rates for members with less than 30 years of service, and assumed a 100% retirement rate at the age of 70.

Each primary member was assumed to be a 50/50 male/female split, and eligible spouses are the same age as the primary member. Age-based primary members were selected for the tool based on the overall distribution of State employees and retirees that participate in PEBB.

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS - continued

E. Actuarial Methods and Assumptions - continued

Other assumptions include:

|   |  |
|---|--|
| <b>Discount Rate</b>                            |  |
| Beginning of Measurement Year                   | 3.87%  |
| End of Measurement Year                         | 3.50%  |
| <b>Projected Salary Changes</b>                 | 3.5% + Service-Based Increases                                     |
| <b>Healthcare Trend Rates</b>                   | Initial rate is approximately 7%, trends down to about 5% in 2020. |
| <b>Mortality Rates</b>                          |  |
| Base Mortality Table                            | Healthy RP-2000  |
| Age Setback                                     | 1 year   |
| Mortality Improvements                          | 100% Scale BB  |
| Projection Period                               | Generational   |
| <b>Inflation Rate</b>                           | 2.75%  |
| <b>Post-Retirement Participation Percentage</b> | 65%  |
| <b>Percentage with Spouse Coverage</b>          | 45%  |

The following presents the total OPEB liability of the Port calculated using a discount rate of 3.50%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% point higher than the current rate. It also shows the total OPEB liability based on a healthcare trend rate of 7%, and 1% lower and 1% higher than the current rate.

| <b>Sensitivity Analysis</b> |                    |                  |                    |
|-----------------------------|--------------------|------------------|--------------------|
| <b>Total OPEB Liability</b> | <b>1% Decrease</b> | <b>Current</b>   | <b>1% Increase</b> |
| Discount Rate               | \$771,561          | <b>\$644,613</b> | \$544,477          |
| Healthcare Trend            | \$534,322          | <b>\$644,613</b> | \$787,691          |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in total OPEB liability and related ratios is presented as required supplementary information following the notes to the financial statements.

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS - continued

F. Changes in the Total OPEB Liability

The following table shows the components of the Port’s annual OPEB expense for the year, the benefit payments made, and changes in the Port’s total OPEB liability as of June 30, 2019. The net OPEB liability of \$644,613 is included as a noncurrent liability in the Statement of Net Position.

|  |                   |
|--|-------------------|
| <b>Total OPEB Liability - 07/01/2018</b>   | <b>\$ 649,137</b> |
| Service Cost                               | 17,682            |
| Interest                                   | 25,512            |
| Changes in Experience Data and Assumptions | (32,368)          |
| Changes in Benefit Terms                   | -                 |
| Benefit Payments                           | (15,350)          |
| Other                                      | -                 |
| <b>Total OPEB Liability - 06/30/2019</b>   | <b>\$ 644,613</b> |

The Port District uses the alternative measurement method, which does not calculate deferred outflows and inflows for anything other than payments subsequent to the measurement date. Payments subsequent to the measurement date of June 30, 2019 were \$7,129.

G. Funded Status and Funding Progress

In order to fund the OPEB plan, the Port would have to establish an irrevocable trust, which means that the Port would no longer have control of the money put into the trust. If the Port left the PEBB program, the Port would not be able to remove funds from the trust. As of December 31, 2019, the plan was not funded.

NOTE 6 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2019:

| <b>Aggregate Pension Amounts - All Plans</b> |            |
|--|------------|
| Pension liabilities                          | \$ 258,668 |
| Pension assets                               | \$ -       |
| Deferred outflows of resources               | \$ 65,388  |
| Deferred inflows of resources                | \$ 180,594 |
| Pension expense/expenditures                 | \$ (9,313) |



NOTE 6 - PENSION PLANS - continued

**State Sponsored Pension Plans**

Substantially all Port District'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 state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

NOTE 6 - PENSION PLANS - continued

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

| <b>PERS Plan 1</b>               |                 |                 |
|----------------------------------|-----------------|-----------------|
| <b>Actual Contribution Rates</b> | <b>Employer</b> | <b>Employee</b> |
| January - June 2019              |                 |                 |
| PERS Plan 1                      | 7.52%           | 6.00%           |
| PERS Plan 1 UAAL                 | 5.13%           |                 |
| Administrative Fee               | 0.18%           |                 |
| <b>Total</b>                     | <b>12.83%</b>   | <b>6.00%</b>    |
| July - December 2019             |                 |                 |
| PERS Plan 1                      | 7.92%           | 6.00%           |
| PERS Plan 1 UAAL                 | 4.76%           |                 |
| Administrative Fee               | 0.18%           |                 |
| <b>Total</b>                     | <b>12.86%</b>   | <b>6.00%</b>    |

NOTE 6 - PENSION PLANS - continued

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. 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.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and

NOTE 6 - PENSION PLANS - continued

Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

| PERS Plan 2/3             |               |              |
|---------------------------|---------------|--------------|
| Actual Contribution Rates | Employer      | Employee     |
| January - June 2019       |               |              |
| PERS Plan 2/3             | 7.52%         | 7.41%        |
| PERS Plan 1 UAAL          | 5.13%         |              |
| Administrative Fee        | 0.18%         |              |
| Employee PERS Plan 3      |               | Varies       |
| <b>Total</b>              | <b>12.83%</b> | <b>7.41%</b> |
| July - December 2019      |               |              |
| PERS Plan 2/3             | 7.92%         | 7.90%        |
| PERS Plan 1 UAAL          | 4.76%         |              |
| Administrative Fee        | 0.18%         |              |
| Employee PERS Plan 3      |               | Varies       |
| <b>Total</b>              | <b>12.86%</b> | <b>7.90%</b> |

The District’s actual PERS plan contributions were \$34,166 to PERS Plan 1 and \$53,364 to PERS Plan 2/3 for the year ended December 31, 2019.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

NOTE 6 - PENSION PLANS - continued

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

**Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

NOTE 6 - PENSION PLANS - continued

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

| <b>Asset Class</b> | <b>Target Allocation</b> | <b>% Long-Term Expected Real Rate of Return</b> |
|--------------------|--------------------------|---|
| Fixed Income       | 20%                      | 2.20%   |
| Tangible Assets    | 7%                       | 5.10%   |
| Real Estate        | 18%                      | 5.80%   |
| Global Equity      | 32%                      | 6.30%   |
| Private Equity     | 23%                      | 9.30%   |
|                    | <b>100%</b>              |   |

**Sensitivity of Net Pension Liability/(Asset)**

The table below presents the Port District’s proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the Port District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

|          | <b>1% Decrease<br/>(6.4%)</b> | <b>Current Discount<br/>Rate<br/>(7.4%)</b> | <b>1% Increase<br/>(8.4%)</b> |
|----------|-------------------------------|---|-------------------------------|
| PERS 1   | \$ 244,296                    | \$ 195,075                                  | \$ 152,369                    |
| PERS 2/3 | 487,738                       | 63,594                                      | (284,445)                     |

**Pension Plan Fiduciary Net Position**

Detailed information about the State’s pension plans’ fiduciary net position is available in the separately issued DRS financial report.

NOTE 6 - PENSION PLANS - continued

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2019, the Port District reported a total pension liability of \$258,668 for its proportionate share of the net pension liabilities as follows:

|          | <b>Liability (or Asset)</b> |
|----------|-----------------------------|
| PERS 1   | \$ 195,075                  |
| PERS 2/3 | 63,593                      |

At June 30, the Port District's proportionate share of the collective net pension liabilities was as follows:

|          | <b>Proportionate Share 06/30/18</b> | <b>Proportionate Share 06/30/19</b> | <b>Change in Proportion</b> |
|----------|-------------------------------------|-------------------------------------|-----------------------------|
| PERS 1   | 0.005682%                           | 0.005073%                           | -0.000609%                  |
| PERS 2/3 | 0.007329%                           | 0.006547%                           | -0.000782%                  |

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense**

For the year ended December 31, 2019, the Port District recognized pension expense as follows:

|          | <b>Pension Expense</b> |
|----------|------------------------|
| PERS 1   | \$ (19,363)            |
| PERS 2/3 | 10,050                 |
| TOTAL    | \$ (9,313)             |

NOTE 6 - PENSION PLANS - continued

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2019, the Port District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>PERS 1</b>  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ -                                      | \$ -                                     |
| Net difference between projected and actual investment earnings on pension plan investments          | -   | 13,033                                   |
| Changes of assumptions   | -   | -  |
| Changes in proportion and differences between contributions and proportionate share of contributions | -   | -  |
| Contributions subsequent to the measurement date   | 16,561                                    | -  |
| <b>TOTAL</b>   | <b>\$ 16,561</b>                          | <b>\$ 13,033</b>                         |

| <b>PERS 2/3</b>  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 18,220                                 | \$ 13,672                                |
| Net difference between projected and actual investment earnings on pension plan investments          | -   | 92,566                                   |
| Changes of assumptions   | 1,628                                     | 26,682                                   |
| Changes in proportion and differences between contributions and proportionate share of contributions | 1,424                                     | 34,641                                   |
| Contributions subsequent to the measurement date   | 27,555                                    | -  |
| <b>TOTAL</b>   | <b>\$ 48,827</b>                          | <b>\$ 167,561</b>                        |



NOTE 6 - PENSION PLANS - continued

Deferred outflows of resources related to pensions resulting from the Port District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year Ended December 31:</b> | <b>Plan 1</b> |
|--------------------------------|---------------|
| 2020                           | \$ (2,877)    |
| 2021                           | (6,815)       |
| 2022                           | (2,432)       |
| 2023                           | (909)         |
| 2024                           | -             |
| Thereafter                     | -             |

| <b>Year Ended December 31:</b> | <b>Plan 2/3</b> |
|--------------------------------|-----------------|
| 2020                           | \$ (33,098)     |
| 2021                           | (53,640)        |
| 2022                           | (27,201)        |
| 2023                           | (17,407)        |
| 2024                           | (10,976)        |
| Thereafter                     | (3,967)         |

NOTE 7 - RISK MANAGEMENT

Port of Chelan County is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2019, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

NOTE 7 - RISK MANAGEMENT - continued

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$5,000 of the amount of each claim, while Enduris is responsible for the remaining \$245,000 on a property loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including public official’s liability. The property coverage is written on an “all risk”, blanket basis using current statement of values. The property coverage includes, but is not limited to, mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one 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.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool’s 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.

Enduris did not have any claim settlements that exceeded limits in the last three years.

The Port District does not maintain Washington State unemployment insurance, where it has elected to become self-insured. The Port does not expect to owe premiums on unemployment losses in 2020.

NOTE 8 - LONG-TERM DEBT

A limited tax general obligation bond was issued in 2013 to fund the construction of the Pangborn Memorial Airport runway extension. Upon completion of construction in 2017, the balance of \$1,978,771 was refunded. The new issuance is being retired by semi-annual installments of \$80,386, including interest at 3.0%. The bonds may be prepaid, in whole or in part, at any time. 1,773,964

A limited tax general obligation bond was issued in 2018 to fund the construction of industrial buildings at the Cashmere industrial park. The issuance of \$3,000,000 is to be retired by semi-annual installments of \$109,567, including interest, commencing December 1, 2018. The initial interest rate is 4.19%, with adjustments to reset every five years. The bond may be prepaid, in whole or in part, on any payment due date. 2,836,887

A promissory note was issued in 2020 payable to Executive Flight, Inc. for the purchase of the One Campbell Parkway building, located on Airport property. The \$3,000,000 note is being retired, commencing December 1, 2019, monthly 3% interest payments at \$7,500, commencing December 1, 2022, monthly 3.5% interest payments at \$8,750, a November 1, 2024 balloon payment of \$1,000,000, commencing December 1, 2024, monthly 3.75% interest payments at \$9,262, and a final principal payment of \$2,000,000 on December 1, 2029. 3,000,000

A non-interest bearing general obligation loan was issued in 2002, by the Washington State Community Economic Revitalization Board to fund construction of the Confluence Technology Center building. The \$825,000 loan is being retired by annual installments of \$48,529 in the years from 2007 through 2023. 194,118

A general obligation loan was issued in 2012, by the Washington State Community Economic Revitalization Board, to fund Sunset Highway improvements at the Cashmere industrial park. \$1,000,000 was available to be advanced, with a five-year deferral of interest and principal. The principal balance has been amortized over 15 years at 3.4%. 736,625

NOTE 8 - LONG-TERM DEBT - continued

|  |                            |
|--|----------------------------|
| A non-interest bearing note is payable through an interlocal agreement to the Port of Douglas County for the extension of sewer services to Pangborn Memorial Airport. The \$73,531 note is being retired by annual payments of \$3,870. | <u>\$ 15,480</u>           |
| Total long-term debt   | 8,557,074                  |
| Long-term debt payable within one year   | <u>310,836</u>             |
| Long-term debt payable after one year  | <u><u>\$ 8,246,238</u></u> |

Annual debt service requirements to maturity are as follows:

| <u>Year ending<br/>December 31,</u> | <u>Principal</u>           | <u>Interest</u>            |
|-------------------------------------|----------------------------|----------------------------|
| 2020                                | \$ 310,836                 | \$ 287,251                 |
| 2021                                | 320,438                    | 277,649                    |
| 2022                                | 330,059                    | 269,278                    |
| 2023                                | 340,033                    | 273,053                    |
| 2024                                | 1,300,702                  | 260,498                    |
| 2025-2029                           | 3,655,565                  | 1,035,293                  |
| 2030-2034                           | 1,501,001                  | 308,969                    |
| 2035-2038                           | <u>798,440</u>             | <u>76,726</u>              |
| Total                               | <u><u>\$ 8,557,074</u></u> | <u><u>\$ 2,788,717</u></u> |

Unamortized debt issue costs for insurance are recorded as an asset and bonds are displayed net of premium or discount. Annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

Federal arbitrage regulations do not apply to the Port District.

Under RCW 53.36.030 the non-voted debt capacity of the Port District is 1/4 of 1% of the assessed valuation of taxable property. The 2019 debt limit is \$30,407,531 and the remaining non-voted debt capacity is \$21,582,123.

NOTE 9 - LONG-TERM OPERATING LEASES

The Port District operates a business park at Olds Station, which includes the Confluence Technology Center. In addition, the Port District operates Cashmere Mill District, an incubator space at Pybus Public Market, and an aviation services building at Pangborn Memorial Airport business park. The Port District has entered into a number of office, building and land lease related to the various properties.

Minimum future rentals on long-term leases for the five years succeeding December 31, 2019, and in total are as follows:

|       |                     |
|-------|---------------------|
| 2020  | \$ 2,923,632        |
| 2021  | 2,131,585           |
| 2022  | 1,800,684           |
| 2023  | 1,208,516           |
| 2024  | <u>846,317</u>      |
| Total | <u>\$ 8,910,734</u> |

The following schedule provides an analysis of the Port District's investment in property held for lease as of December 31, 2019:

|                               |                      |
|-------------------------------|----------------------|
| Buildings                     | \$ 36,231,995        |
| Land                          | <u>3,159,110</u>     |
|                               | 39,391,105           |
| Less accumulated depreciation | <u>11,674,684</u>    |
| Total                         | <u>\$ 27,716,421</u> |

NOTE 10 - INVESTMENT IN LAKE CHELAN AIRPORT

On January 1, 1986, the Port District entered into an agreement with the City of Chelan to transfer the operation of the Lake Chelan Airport to an airport board consisting of five members, two appointed from each respective parent municipality and one by joint resolution of both the parent municipalities. An undivided one-half interest was conveyed to the Port District by quitclaim deed at the inception of the agreement. The agreement was restated in 1999, with the primary change being the Chelan City Council serving as the Airport Board. The agreement was amended in 2007 in response to comments received from the FAA. The agreement was again restated in 2010 to clarify, update and make minor modifications. Each of the parent municipalities owns an undivided one-half interest in the airport.

NOTE 10 - INVESTMENT IN LAKE CHELAN AIRPORT - continued

Funding of the airport is shared by the two municipalities. The Port District's annual contribution shall be the lesser of: (i) \$40,000 (as adjusted by an Implicit Price Deflator), but in no event more than \$50,000 unless approved by the Port District, or (ii) fifty percent (50%) of the deficit set forth in an approved budget for the airport.

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

|                                 |                   |
|---------------------------------|-------------------|
| Investment balance, January 1   | \$ 203,401        |
| Contributions                   | 44,263            |
| Loss recognized                 | <u>(115,056)</u>  |
| Investment balance, December 31 | <u>\$ 132,608</u> |

Summarized financial information from the unaudited financial statement of Lake Chelan Airport as of December 31, 2019, is as follows:

|                      |            |
|----------------------|------------|
| Current assets       | \$ 108,932 |
| Noncurrent assets    | 943,268    |
| Current liabilities  | 16,881     |
| Net position         | 1,035,319  |
| Operating revenue    | 271,467    |
| Operating expenses   | 370,223    |
| Depreciation         | 38,497     |
| Nonoperating revenue | 54,498     |

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

Lake Chelan Airport  
 32 Airport Way  
 Chelan, WA 98816

#### NOTE 11 - CONTINGENCIES

The Port District and the Airport participate in a number of Federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The Port District and the Airport management believe that such disallowances, if any, will not be material.

#### NOTE 12 - SUBSEQUENT EVENTS

The Port District has evaluated subsequent events through August 24, 2020, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements, other than those listed below.

On June 11, 2019, the Port of Chelan County and Port of Douglas County signed an Interlocal Cooperation Agreement functionally consolidating finances, management, and operations into one governing body, the Chelan Douglas Regional Port Authority, effective as of January 1, 2020. The two individual Port Districts will still maintain the responsibility for assessing taxes, retiring debt, and public elections of the respective Commissioners. All operating activities have been transferred to the Regional Port Authority, as well as ownership and operations of Pangborn Memorial Airport. The Port Commissioners of the individual districts have formed the Board of Directors. Financially, the consolidation will allow the organization to think and act regionally. Joining efforts will also allow resources, both internally and externally, to be utilized more fully in the best capacity.

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, and limiting gathering sizes.

To help control the spread of the virus in our community, the Chelan Douglas Regional Port Authority administrative office will be closed until reopening is allowed by the Governor. The Regional Port Authority has asked employees who can work remotely to do so, with essential employees reporting to work practicing appropriate social distancing measures. The Regional Port Authority continues to maintain service levels to customers and tenants, and the airport terminal remains fully operational. Airports play a critical role in our nation's supply chain and maintaining the movement of cargo is essential to our local, national and world-wide economy.

Port District of Chelan County, Washington  
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
 As of June 30:

|  | <b>PERS 1</b>            |                          |                          |                          |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|  | <u>2019</u>              | <u>2018</u>              | <u>2017</u>              | <u>2016</u>              | <u>2015</u>              |
| Employer's proportion of the net pension liability (asset)                                     | 0.005073%                | 0.005682%                | 0.005959%                | 0.006094%                | 0.005446%                |
| Employer's proportionate share of the net pension liability                                    | <u>\$ 195,075</u>        | <u>\$ 253,760</u>        | <u>\$ 282,759</u>        | <u>\$ 327,277</u>        | <u>\$ 284,892</u>        |
| <b>TOTAL</b>   | <b><u>\$ 195,075</u></b> | <b><u>\$ 253,760</u></b> | <b><u>\$ 282,759</u></b> | <b><u>\$ 327,277</u></b> | <b><u>\$ 284,892</u></b> |
| Covered payroll  | \$ 711,516               | \$ 755,003               | \$ 751,464               | \$ 827,406               | \$ 683,011               |
| Employer's proportionate share of the net pension liability as a percentage of covered payroll | 27.42%                   | 33.61%                   | 37.63%                   | 39.55%                   | 41.71%                   |
| Plan fiduciary net position as a percentage of the total pension liability                     | 67.12%                   | 63.22%                   | 61.24%                   | 57.03%                   | 59.10%                   |
|  | <b>PERS 2/3</b>          |                          |                          |                          |                          |
|  | <u>2019</u>              | <u>2018</u>              | <u>2017</u>              | <u>2016</u>              | <u>2015</u>              |
| Employer's proportion of the net pension liability (asset)                                     | 0.654700%                | 0.007329%                | 0.007665%                | 0.007760%                | 0.007038%                |
| Employer's proportionate share of the net pension liability                                    | <u>\$ 63,594</u>         | <u>\$ 125,136</u>        | <u>\$ 266,322</u>        | <u>\$ 390,710</u>        | <u>\$ 251,472</u>        |
| <b>TOTAL</b>   | <b><u>\$ 63,594</u></b>  | <b><u>\$ 125,136</u></b> | <b><u>\$ 266,322</u></b> | <b><u>\$ 390,710</u></b> | <b><u>\$ 251,472</u></b> |
| Covered payroll  | \$ 711,516               | \$ 755,003               | \$ 751,464               | \$ 827,406               | \$ 683,011               |
| Employer's proportionate share of the net pension liability as a percentage of covered payroll | 8.94%                    | 16.57%                   | 35.44%                   | 47.22%                   | 36.82%                   |
| Plan fiduciary net position as a percentage of the total pension liability                     | 97.77%                   | 95.77%                   | 90.97%                   | 85.82%                   | 89.20%                   |



Port District of Chelan County, Washington  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 For the Years Ended December 31:

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**PERS 1**

|   | <u>2019</u>       | <u>2018</u>       | <u>2017</u>       | <u>2016</u>       | <u>2015</u>       |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Statutorily or contractually required contributions                                   | \$ 34,167         | \$ 37,227         | \$ 37,769         | \$ 34,593         | \$ 28,295         |
| Contributions in relation to the statutorily or contractually required contributions* | <u>(34,167)</u>   | <u>(37,227)</u>   | <u>(37,769)</u>   | <u>(34,593)</u>   | <u>(28,295)</u>   |
| Contribution deficiency (excess)  | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       |
| Covered payroll   | <u>\$ 691,111</u> | <u>\$ 735,294</u> | <u>\$ 770,658</u> | <u>\$ 725,209</u> | <u>\$ 699,822</u> |
| Contributions as a percentage of covered payroll                                      | 4.94%             | 5.06%             | 4.90%             | 4.77%             | 4.04%             |

**PERS 2/3**

|   | <u>2019</u>       | <u>2018</u>       | <u>2017</u>       | <u>2016</u>       | <u>2015</u>       |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Statutorily or contractually required contributions                                   | \$ 53,364         | \$ 55,146         | \$ 52,901         | \$ 45,180         | \$ 35,646         |
| Contributions in relation to the statutorily or contractually required contributions* | <u>(53,364)</u>   | <u>(55,146)</u>   | <u>(52,901)</u>   | <u>(45,180)</u>   | <u>(35,646)</u>   |
| Contribution deficiency (excess)  | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       |
| Covered payroll   | <u>\$ 691,111</u> | <u>\$ 735,294</u> | <u>\$ 770,658</u> | <u>\$ 725,209</u> | <u>\$ 699,822</u> |
| Contributions as a percentage of covered payroll                                      | 7.72%             | 7.50%             | 6.86%             | 6.23%             | 5.09%             |

Port District of Chelan County, Washington

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

For the Years Ended June 30:

|   | <u>2018</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| <b>Total OPEB liability - beginning</b>               | \$ 652,714        | \$ 649,137        |
| Service cost  | 19,696            | 17,682            |
| Interest  | 23,888            | 25,512            |
| Changes in benefit terms                              | -                 | -                 |
| Differences between expected and actual experience    | (36,793)          | (32,368)          |
| Changes of assumptions                                | -                 | -                 |
| Benefit payments                                      | (10,368)          | (15,350)          |
| Other changes   | -                 | -                 |
| <b>Total OPEB liability - ending</b>                  | <u>\$ 649,137</u> | <u>\$ 644,613</u> |
| <b>Covered-employee payroll</b>                       | <u>\$ 749,701</u> | <u>\$ 703,855</u> |
| <b>Total OPEB liability as a % of covered payroll</b> | <u>86.59%</u>     | <u>91.58%</u>     |

**Notes to Schedule:**

- \* Until a full 10-year trend is compiled, only information for those years available is presented.
- \* No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

| <b>Contact information for the State Auditor's Office</b> |  |
|---|--|
| <b>Public Records requests</b>                            | <a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a> |
| <b>Main telephone</b>                                     | (564) 999-0950   |
| <b>Toll-free Citizen Hotline</b>                          | (866) 902-3900   |
| <b>Website</b>  | <a href="http://www.sao.wa.gov">www.sao.wa.gov</a>                     |