

Chelan Douglas Regional Port Authority  
(Official Name of Government)

3252  
MCAG No.

Submitted pursuant to RCW 43.09.230 to the Washington State Auditor's Office

For the fiscal year end December 31, 2022

GOVERNMENT INFORMATION:

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PREPARER INFORMATION and CERTIFICATION:

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I certify this 8th day of May, 2023, that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to ensure accurate financial reporting, comply with applicable laws and safeguard public resources, including controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.

Preparer Signature: Monica Lough

**CHELAN DOUGLAS REGIONAL PORT AUTHORITY**

**Financial Statements**

**(Cash Basis)**

**December 31, 2022**

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Chelan Douglas Regional Port Authority  
Fund Resources and Uses Arising from Cash Transactions  
For the Year Ended December 31, 2022

Beginning Cash and Investments		
3083100	Restricted	339,555
3085100	Assigned	340,275
3089100	Unassigned	<u>17,021,324</u>
	Total Cash and Investments	17,701,154
Revenues		
3111000	Property Tax	-
3312000	U.S. Department of Transportation - FAA Grant	10,755,725
3312000	U.S. Department of Transportation - FAA PFC Funds	129,302
3316600	U.S. Environmental Protection Agency Grant	328,493
3319700	Department of Homeland Security - TSA	13,400
3340360	WA State Department of Transportation	61,070
3340420	WA State Department of Commerce Grants	150,000
3370000	Local Grants, Entitlements and Other Payments	348,272
3445000	Sales of Fuel	2,123,478
3446000	Airports and Ports Services	5,573,525
3611000	Investment Earnings	85,960
3699100	Miscellaneous Other	<u>25,928</u>
	Total Revenues	19,595,153
Expenditures		
5460010	Salaries	2,333,540
5460020	Benefits	765,539
5460030	Supplies	2,054,489
5460040	Services	<u>3,597,106</u>
	Total Expenditures	<u>8,750,674</u>
Excess (Deficiency) Revenues over Expenses		10,844,479

Other Increases	
3821000 Refundable Deposits	20,272
3822000 Retainage Deposits	60,591
3850000 Special Item - Cash from Port of Chelan County	5,175,000
3850000 Special Item - Cash from Port of Douglas County	859,800
3951000 Proceeds from Sales of Capital Assets	-
Total Other Increases	<u>6,115,663</u>
Other Decreases	
5821000 Refund of Deposits	15,375
5822000 Refund of Retainage	30,143
5944660 Capital Expenditures/Expenses	<u>20,061,288</u>
Total Other Decreases	<u>20,106,806</u>
Increase (Decrease) in Cash and Investments	(3,146,664)
Ending Cash and Investments	
5083100 Restricted	27,070
5085100 Assigned	340,275
5089100 Unassigned	<u>14,187,145</u>
Total Ending Cash and Investments	<u>\$ 14,554,490</u>

## **Chelan Douglas Regional Port Authority Notes to Financial Statements**

### **Note 1 - Summary of Significant Accounting Policies**

The Chelan Douglas Regional Port Authority (Port Authority) was established in 2019, with operations commencing on January 1, 2020, and operates under the laws of the state of Washington applicable to port districts. The Port Authority is a special purpose local government entity and provides industrial parks, airport, tourism and economic development services to the general public, and is supported through user charges and tax revenues.

The Port Authority is governed by a six-member board composed of the elected Commissioners of the Port of Chelan County and Port of Douglas County.

The Port Authority reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (see Note 3 - Functional Consolidation).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

#### **A. Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

##### **GOVERNMENTAL FUND TYPES:**

##### **General Fund**

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

## **B. Basis of Accounting and Measurement Focus**

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

## **C. Cash and Investments**

See Note 2, *Deposits and Investments*.

## **D. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

## **E. Compensated Absences**

Vacation leave maybe accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may accumulate up to 480 hours, 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 Authority shall contribute an amount equal to 25% of the value of accrued unused sick leave to a Voluntary Employees' Beneficiary Association account (VEBA). 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.

## **F. Long-Term Debt**

See Note 4 - *Long-Term Debt*.

## **G. Restricted and Committed Portion of Ending Cash and Investments**

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Directors. When expenditures that meet restrictions are incurred, the Port Authority intends to use the most restricted resources first.

As of December 31, 2022, the Port Authority held \$27,070 in restricted funds. These Passenger Facility Charges may only be used to fund FAA approved projects.

Assigned Cash and Investments reflect the portion of funds that are intended to be used for a specific purpose that are neither restricted nor committed. Funds Assigned for specific use consist of \$340,275 for the Air Service Investment Program (ASIP).

**Note 2 - Deposits and Investments**

It is the Port Authority’s policy to invest all temporary cash surpluses.

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

Investments are reported at original cost.

Investments by type at December 31, 2022 are as follows:

<u>Type of Investment</u>	<u>Port Authority’s Own Investments</u>	Investments held by Port Authority as an agent for other local governments, individuals or private organizations.	<u>Total</u>
Cash in Bank	\$10,984,079	\$ _____	\$10,984,079
U.S. Government Securities	3,570,411	_____	3,570,411
Other:	_____	_____	_____
<b>Total</b>	<b><u>\$14,554,490</u></b>	<b>_____</b>	<b><u>\$14,554,490</u></b>

All investments are insured, registered, or held by the Port Authority or its agent in the government’s name.

**Note 3 - Functional Consolidation**

The Port of Chelan County and Port of Douglas County (Ports) operate jointly as the Chelan Douglas Regional Port Authority (Port Authority). The Port Authority was formed by resolution effective January 1, 2020, for the purpose of functionally consolidating both Ports’ operations, and as an ownership and operational entity for Pangborn Memorial Airport. The Joint Venture is governed by a six-member board composed of the three Commissioners from each Port District.

The Ports are obligated to remit all revenues to support the Port Authority’s operations, capital acquisitions and debt service. Upon potential dissolution of the joint venture, the assets and liabilities would be distributed to the Ports according to the initial contributions, then according to a ratio based on free cash flow from each Port, as defined in the Interlocal Agreement.

During 2022, the Port of Chelan County contributed \$5,175,000, and the Port of Douglas County contributed \$859,800 toward operations.

Complete financial statements for each entity can be obtained from the Port Authority administrative office located at One Campbell Parkway, Suite A, East Wenatchee, WA or electronically via the website for the Office of the Washington State Auditor:

[sao.wa.gov/reports-data/audit-reports/](http://sao.wa.gov/reports-data/audit-reports/)

#### **Note 4 - Long-Term Debt**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the Port Authority and summarizes the Port Authority's debt transactions for the year ended December 31, 2022.

#### **Note 5 - Other Postemployment Benefits**

During the year ended December 31, 2022, the Port District adopted guidance for the presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a postemployment benefit liability reported on the Schedule of Liabilities.

The Port District is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The Port District had 31 active plan members and no retired plan members as of December 31, 2022. As of December 31, 2022, the Port District's total OPEB liability was \$1,135,233 as calculated using the alternative measurement method. The Port District contributed (\$202,001) to the plan for the year ended December 31, 2022.

#### **Note 6 - Pension Plans**

##### State Sponsored Pension Plans

Substantially all Port Authority full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), 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, a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

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

At June 30, 2022, the Port Authority’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation Percentage	Liability (Asset)
PERS 1	\$ 67,891	0.011078%	\$ 308,452
PERS 2/3	\$ 116,384	0.014487%	\$ (537,291)
LEOFF 2	\$ 8,344	0.004030%	\$ (109,523)

Only the net pension liabilities are reported on the Schedule 09.

LEOFF Plan 2

The Port Authority also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

**Note 7 - Risk Management**

The Port Authority is a member of the Enduris Washington (Pool). 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. The Pool 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. For the Pool’s fiscal year ending August 31, 2022, there were 527 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials’ Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claims made coverage form. Crime coverage is

provided on a discovery form. All other coverage is provided on an occurrence coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases, the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays (1)
<b>Liability:</b>				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability (2)	Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay(3)

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible

(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.

(3) Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays (1)
<b>Property (2):</b>				
Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery (3)	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) (4)	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
<b>Sublimit (5):</b>				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity; subject to \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per occurrence \$200 million aggregate	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/Pool aggregate \$1.1 billion/per occurrence APIP program \$1.4 billion/APIP program aggregate	\$0
<b>Automobile Physical Damage (6)</b>	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >\$750,000	\$1 billion	\$250 - \$1,000

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays (1)
<b>Crime Blanket (7)</b>	Per Occurrence	\$50,000	\$1 million	\$1,000
<b>Named Position (8)</b>	Per Occurrence	\$50,000	\$1 million	\$1,000
<b>Cyber (9)</b>	Each Claim APIP Aggregate	\$100,000	\$2 million \$40 million	20% Copay
<b>Identity Fraud Expense Reimbursement (10)</b>	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance") of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$2 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. 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 Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

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 overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

## **Note 8 - Other Disclosures**

### **Contingency**

The Port Authority participates in a number of federal, state and locally assisted programs. The grants the Port Authority receives under these programs 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. Management believes that such disallowances, if any, will be immaterial.









Chelan Douglas Regional Port Authority  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022

**Note 1 - Basis of Accounting**

This Schedule is prepared on the same basis of accounting as the Port Authority's financial statements. The Port Authority uses the cash basis of accounting.

**Note 2 – Federal Indirect Cost Rate**

The Port Authority has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3 - Program Costs**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Port Authority's portion, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.