



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Chelan Douglas Regional Port Authority

For the period January 1, 2020 through December 31, 2020

Published November 18, 2021

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

November 18, 2021

Board of Commissioners
Chelan Douglas Regional Port Authority
Wenatchee, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Chelan Douglas Regional Port Authority's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Chelan Douglas Regional Port Authority January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Chelan Douglas Regional Port Authority are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the Authority’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Authority.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Authority’s compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.106	Airport Improvement Program
20.106	COVID-19 – Airport Improvement Program
21.019	Coronavirus Relief Fund

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Authority did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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*

Chelan Douglas Regional Port Authority January 1, 2020 through December 31, 2020

Board of Commissioners
Chelan Douglas Regional Port Authority
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 Chelan Douglas Regional Port Authority, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated October 19, 2021.

We issued an unmodified opinion on the fair presentation of the Authority's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Authority using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As discussed in Note 7 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Authority is unknown.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 Authority's financial statements are free from material misstatement, we performed tests of the Authority'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 Authority'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 Authority'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, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

October 19, 2021

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Chelan Douglas Regional Port Authority January 1, 2020 through December 31, 2020

Board of Commissioners
Chelan Douglas Regional Port Authority
Wenatchee, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Chelan Douglas Regional Port Authority, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2020. The Authority's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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

October 19, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Chelan Douglas Regional Port Authority January 1, 2020 through December 31, 2020

Board of Commissioners
Chelan Douglas Regional Port Authority
Wenatchee, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Chelan Douglas Regional Port Authority, for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, as listed on page 16.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for 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 Authority'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 Authority'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.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Chelan Douglas Regional Port Authority has prepared these financial statements to meet the financial reporting requirements of state law using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the Chelan Douglas Regional Port Authority, and its changes in cash and investments, for the year ended December 31, 2020, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Authority used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Chelan Douglas Regional Port Authority, as of December 31, 2020, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Matters of Emphasis

As discussed in Note 7 to the 2020 financial statements, the full extent of the COVID-19 pandemic’s direct or indirect financial impact on the Authority is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021 on our consideration of the Authority’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 Authority's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

October 19, 2021

FINANCIAL SECTION

Chelan Douglas Regional Port Authority January 1, 2020 through December 31, 2020

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2020
Notes to the Financial Statements – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020
Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020

Chelan Douglas Regional Port Authority
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

Beginning Cash and Investments		
308	Beginning Cash and Investments	-
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	21,347,237
340	Charges for Goods and Services	4,833,717
350	Fines and Penalties	-
360	Miscellaneous Revenues	401,563
Total Revenues:		<u>26,582,517</u>
Expenditures		
540	Transportation	10,733,792
Total Expenditures:		<u>10,733,792</u>
Excess (Deficiency) Revenues over Expenditures:		<u>15,848,725</u>
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
385	Special or Extraordinary Items	13,787,987
381, 382, 389, 395, 398	Other Resources	243,187
Total Other Increases in Fund Resources:		<u>14,031,174</u>
Other Decreases in Fund Resources		
594-595	Capital Expenditures	3,161,845
591-593, 599	Debt Service	12,088,444
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	109,708
Total Other Decreases in Fund Resources:		<u>15,359,997</u>
Increase (Decrease) in Cash and Investments:		<u>14,519,902</u>
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	220,512
50841	Committed	-
50851	Assigned	770,190
50891	Unassigned	13,529,200
Total Ending Cash and Investments		<u>14,519,902</u>

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 a 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.
- 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 are presented using classifications that are similar to the ending balance classification 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 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.

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 Commissioners. When expenditures that meet restrictions are incurred, the Port Authority intends to use the most restricted resources first.

As of December 31, 2020, the Port Authority held \$220,512 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:

- \$345,275 Air Service Investment Program
- \$424,915 Tenant deposit with holding and interest earning requirements

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, 2020 are as follows:

<u>Type of Investment</u>	<u>Port's Own Investments</u>	<u>Investments held by Port as an agent for other local governments, individuals or private organizations.</u>	<u>Total</u>
Cash in Bank	\$10,428,309	\$_____	\$10,428,309
U.S. Government Securities	4,091,593	_____	4,091,593
Other:	_____	_____	_____
Total	<u>\$14,519,902</u>	=====	<u>\$14,519,902</u>

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 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 will 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.

Upon formation, the Port of Chelan County contributed \$9,212,416 in cash and investments, and personal property with a net book value of \$301,230. During 2020, \$1,795,535 was contributed toward operations.

The Port of Douglas County initially contributed personal property with a net book value of \$3,909. During 2020, \$1,582,500 was contributed toward operations.

Pangborn Memorial Airport transferred all existing assets and liabilities to the Port Authority as of January 1, 2020, consisting of:

Cash and Investments	\$692,276
Fuel Inventory	\$78,502
Real and Personal Property (Net)	\$42,629,705
Tenant Deposits (Liability)	\$103,382
Long-Term Debt	\$9,850

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 on the website Office of the Washington State Auditor:

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 year ended December 31, 2020.

Note 5 – 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 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

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2020, 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	\$ 79,399	0.010955%	\$ 386,771
PERS 2/3	\$ 132,110	0.014341%	\$ 183,413
LEOFF 2	\$ 3,043	0.001555%	\$ (31,720)

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 6 – Risk Management

Chelan Douglas Regional Port Authority 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. 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. As of August 31, 2020, 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.

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 \$800 million per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is 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 the Pool 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 the limits in the last 3 years.

Note 7 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the Port Authority is unknown at this time.

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
Schedule of Liabilities
For the Year Ended December 31, 2020**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		-	208,339	78,060	130,279
263.99	Lessee Deposits		-	704,142	19,162	684,980
264.30	Pension Liabilities		-	570,184	-	570,184
263.86	East Wenatchee Water District - ULID	8/6/2020	-	9,682	9,682	-
263.86	East Wenatchee Water District - ULID	8/6/2020	-	168	168	-
	Total Revenue and Other (non G.O.) Debt/Liabilities:		-	1,492,515	107,072	1,385,443
	Total Liabilities:		-	1,492,515	107,072	1,385,443

Chelan Douglas Regional Port Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via City of Wenatchee)	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218	N/A	75,000	-	75,000	-	1,2
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via City of East Wenatchee)	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-53-0022	10,000	-	10,000	-	1,2
				85,000	-	85,000	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Dept of Commerce - Chelan County)	COVID 19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	19-62210-003	66,990	-	66,990	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Commerce)	Airport Improvement Program	20.106	3-53-0084-040- 2019	575,088	-	575,088	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0084-041- 2019	-	77,038	77,038	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program	20.106	3-53-0084-043- 2020	-	16,173,286	16,173,286	12,048,076	1,2
				575,088	16,250,324	16,825,412	12,048,076	
			Total CFDA 20.106:					

The accompanying notes are an integral part of this schedule.

**Chelan Douglas Regional Port Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Total	Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards				
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Dept of Commerce - Port of Chelan County)	COVID 19 - Coronavirus Relief Fund	21.019	21-00021-203	700,595	-	-	700,595	-	1,2
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Dept of Commerce - Port of Douglas County)	COVID 19 - Coronavirus Relief Fund	21.019	21-00021-208	244,333	-	-	244,333	-	1,2
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Dept of Commerce - Douglas County)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-009	974,966	-	-	974,966	-	1,2
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Dept of Commerce - Chelan County)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-004	989,823	-	-	989,823	-	1,2
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Dept of Commerce - City of Cashmere)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-132	139,500	-	-	139,500	-	1,2
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Dept of Commerce - City of Wenatchee)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-364	399,500	-	-	399,500	-	1,2
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Dept of Commerce - City of Entiat)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-173	35,000	-	-	35,000	-	1,2
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Dept of Commerce - City of East Wenatchee)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-164	212,645	-	-	212,645	-	1,2
Total CFDA 21.019:				3,696,362	-	-	3,696,362	-	
Total Federal Awards Expended:				4,423,440	16,250,324	-	20,673,764	12,048,076	

The accompanying notes are an integral part of this schedule.

Chelan Douglas Regional Port Authority
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

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.

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.

Note 2 – Federal De Minimis Indirect Cost Rate

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

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