



Port of Bremerton

State of Washington

Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2011



"Taking Care of Business"

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***Comprehensive Annual
Financial Report***

For the Fiscal Year Ended December 31, 2011

**Prepared by Becky Swanson,
Chief Financial Officer**

**The Port of Bremerton
Bremerton, Washington**



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**Port of Bremerton
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2011**

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SECTION 1

INTRODUCTORY





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Commissioners
Larry Stokes
Roger Zabinski
Axel Strakeljahn

Chief Executive Officer
Tim Thomson

Bremerton National Airport
(360) 674-2381

**Olympic View Business &
Industrial Park**
(360) 674-2381

Port Orchard Marina
(360) 876-5535

Bremerton Marina
(360) 373-1035

June 18, 2012

Commissioners and Chief Executive Officer
Port of Bremerton

Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the Port of Bremerton (the Port) for the fiscal year ended December 31, 2011 is hereby submitted for your review. This report includes an overview of the Port, detailed financial information as presented in our year-end audited financial statements, and statistical data relevant to the Port's operations. This report has been prepared by the Port's Finance Department who is responsible for its accuracy and presentation. Management believes this report fairly presents the Port's financial position and contains all material disclosures regarding the financial condition necessary to gain a full and complete understanding of the financial affairs of the Port.

The Port is legally required to have its financial statements audited annually by an independent accountant. The Port is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. The Port Commission has engaged the State of Washington's Auditors' Office to provide both financial and compliance audits on an annual basis. The Auditor's report related to the single audit, including the schedule of federal financial assistance, will be published in a separate report. When completed, the report will be available on the Port's website at www.portofbremerton.org.

The CAFR is presented in three sections: Introductory, Financial and Statistical. The Financial Section contains management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A, which presents a narrative introduction, overview and analysis of the financial statements.

PROFILE OF THE PORT

The Port of Bremerton is a special purpose municipal corporation organized under the State of Washington Port Laws R.C.W. Title 53 and is governed by a three-member elected Commission. The Port was created in 1913 by a vote of the people of Kitsap County to ensure public ownership of our waterfront and to promote economic development.

The Port is a unique organization that makes significant contributions to the local community by using combined expertise in both the business and government sectors. The Port's revenues, generated from operations, come from airport, business and industrial park real estate and marinas. Other revenues are generated from the general property tax levy. The Port is custodian to approximately 1,787 acres of land and 527,000 square feet of buildings, including Bremerton National Airport, Olympic View Industrial and Business Parks and the Port Orchard and Bremerton marinas.

The Port of Bremerton's mission is to fulfill the essential economic development needs of the district while providing leadership in maintaining Kitsap County's overall economic vitality through expansion of comprehensive facilities, programs and services, and increase the number of family-wage jobs.

The Port will be celebrating its 100 year Anniversary in 2013.

ECONOMIC CONDITION

Local Economy

Information presented in the financial statements is best considered in the broader context of the economic environment in Kitsap County (Kitsap) and the surrounding area.

The Port of Bremerton is located in Kitsap County. Kitsap County has the sixth largest population in the State of Washington.

The county population has been steady, with slight growth, during the past decade. Bremerton and Port Orchard are the two largest cities in the Port district. The City of Bremerton has the largest population in the county. The county is also large geographically, with 398 square miles in area. Waterfront properties are abundant, with 211 miles of salt water shoreline and 33 miles of freshwater-lake frontage.

Kitsap County is a natural place for port districts (there are 12 in the county) because the county has so much waterfront. With over 100,000 constituents, the Port of Bremerton is the largest port district, is actively involved in economic development and has the most facilities with its industrial and business parks, airport and two marinas. Kitsap County is a mix of busy urban activity, rural serenity, business-friendly attitudes, rich history, and miles of spectacular waterfront. Kitsap County enjoys top-rated health care, strong cultural and educational facilities, low crime rates, incredible waterfront estates, and distinct communities tucked into the numerous waterfront "landings".

From certified organic vegetable farms and wineries, specialty and big box retail to technology-driven companies, defense contractors, manufacturing, health, finance and architectural professional services, the economy of Kitsap County is very diverse.

Kitsap County, while having its share of economic hardships during the economic downturn, is noting increased economic activity from new businesses, business growth and infrastructure improvements. The private services sector has started to rebound with some gains in retail and finance, and new manufacturing efforts in the advanced composites are taking hold. However, government continues to cut positions due to reduced revenues and federal, state and local workers have been impacted by furloughs and layoffs. Kitsap County has continued with major infrastructure improvements, including upgrades to area roads and building a new Manette Bridge that connects Bremerton to East Bremerton.

The US Navy is a key element for Kitsap County's economy with a growing number of companies in the technology, marine and manufacturing clusters contributing to continued economic growth. Fifty-four percent of all economic activity in the county is dependent on the Naval Bases (now under a single name, Naval Base Kitsap).

Military related and civilian employment at naval bases is approximately 36% of all employment in Kitsap County. Employing 26,400, the U.S. Navy continues to remain the highest public sector employer, equating to 21% of the employed workforce in Kitsap County. Plus, the high number of military retirees in the county also contributes more than \$253.9 million in individual pension income to the county. Health care has also been a rising economic factor in Kitsap County as Harrison Hospital has had steady growth and opened satellite hospitals and clinics around the county.

According to 2011 census statistics, there are 121,400 people with civilian jobs in Kitsap County. As of February 2012, the unemployment rate rose to 8.2%, even with 900 private sector jobs added in Kitsap County. Kitsap County has a well-educated work force with 28.1% of residents having a bachelor's degree or higher.

Education is another major employer in the county. There are five different school districts (each with administrative, teaching and skilled worker staffs) and Olympic College in Bremerton, which now offers four-year degree programs in addition to its traditional two-year certificate programs.

The Washington State Ferry System is an important infrastructure link for Kitsap residents, because of Kitsap County's geographic configuration. More than half of all ridership on the Washington State Ferries originates or ends in Kitsap County.

Kitsap residents are able to take one of three different ferries each day to jobs in the Seattle metro area. Many professionals in the legal, medical and education professions work in Seattle and live in Kitsap County. Kitsap residents also use the ferry system to travel to the city for entertainment, sporting events and cultural opportunities not available locally.

There are significant differences in median household income between Kitsap and King County. Kitsap's median household income is \$55,400, compared to \$66,294 in King County. The lure of higher paying jobs is the reason many Kitsap County residents commute to Seattle. If there were comparable numbers of higher-paying jobs, the exodus to and from King County would diminish.

Long-Term Financial Planning

The measure of success for the Port of Bremerton is how effectively it serves the community through providing services and facilities, promoting a sustainable economy, and undertaking successful custodial oversight of its assets and natural capital. On the resource side, the Port is different from other public agencies in that it does not rely solely on public funds, such as taxes, to fulfill a community purpose. The Port has access to limited public funds, but it also has the ability to engage in lines of business that earn financial returns. In this regard, the Port uses commercial means to accomplish public ends. The Port has established the following criteria to meet long-term financial goals in order to achieve its overall success in serving the community:

➤ Financial Standards

The Port Commission has adopted specific financial standards which guide the Port's operations, including:

- The Port will prepare one-year budgets and six-year capital plans.
- The Port will continue to move toward financial self-sufficiency and reduce public tax dependency.
- The Port will fund operating activities first from user fees and lease revenues, then from general tax levy funds.

- The Port will use general tax levy funds for capital projects, keeping public purpose priorities, energy efficiency and minimum impact on the environment in the forefront.
- The Port will retain a \$1.9 million cash balance for emergencies and un-programmed expenses.

➤ **Financial Highlights**

- 2011 operating loss before depreciation of \$1.6 million is flat compared to 2010, indicating a move toward becoming less tax dependent for operations did not improve with the rise in revenue and expenses almost equal. Efforts to reduce costs continue by eliminating two administrative positions at the end of 2011, combined with a focus to grow revenues to improve operational tax dependency in 2012.
- The Port has budgeted to spend nearly \$9.8 million in capital projects in 2012, subject to award of certain federal and state grants and appropriations, and a general obligation bond issue for facility construction.
- The Port expects to receive \$1.7 million in federal and state capital and operating grants in 2012.

Lines of Business

- **Airport**

The Bremerton National Airport (BNA) is a general aviation airport located southwest of downtown Bremerton, Washington. Commercial activity includes a full-service fixed base operator, as well as over 10 businesses, including UPS and Fed Ex mail and small package activity. Over 190 privately owned aircraft are based at BNA, of which 82 are housed in hangars leased from the Port. There are also 77 privately owned hangars on BNA property. The remaining aircraft are in Port rented tie-downs on the open tarmac.

Continued development of the Cross SKIA Connector Road opens the east side of the airport for property development. SKIA is one of eight centers designated for manufacturing development by Puget Sound Regional Council.

Airport revenues from hangar rentals and tie-downs in 2011 is flat compared to 2010 and accounted for 6.5% of total Port operating revenues.

- **Marinas**

The Port Orchard Marina provides 342 permanent slips and up to 90 slips for guest boaters, with a full service fuel dock. During boating season, Port Orchard Marina is about 97% occupied by permanent residents, with a waiting list for the most popular slip sizes.

In 2008, the Bremerton Marina opened as a key piece in the revitalization of the downtown Bremerton Harborside District. As a state-of-the art facility, the marina has 220 permanent slips, and room for 100 visiting boaters. Because of the economic downturn, occupancy of the marina, at a high of 45% and a low of 33% in 2011, is significantly below projections. Visiting boaters and planned weekend events continue to be strong and generate significant revenues during the summer boating season.

Marina revenues of \$1.7 million accounted for 51% of total 2011 Port operating revenues, a marginal increase of 1% over 2010.

- **Industrial and Business Park**

Olympic View Business and Industrial Parks exist on 587 acres of industrial-zoned land inside the City of Bremerton. Within these parks, 27 businesses produce about 850 jobs. The Port owns eight buildings and leases a 25,500 square-foot building in the business park, with 100% occupancy in the two parks, significantly above the county average of 85% in Kitsap County.

Three sites in the Northeast Campus are ready for lease, and more than 30 acres of leasable land offer easy access to roads and industrial infrastructure. Funding for the second phase of the Northeast Campus has been secured to complete eight new pad-ready industrial building sites for immediate building construction. These buildings are to provide facilities needed to create family wage jobs.

Real estate rental revenues of \$1.4 million accounted for 42.5% of total 2011 Port operating revenues, \$52,000 over 2010.

- **Community Access**

The Port operates a number of public-use facilities including parks, boat launches, piers and facilities for visitor use at the airport and marinas. The Port encourages public activity on Port

properties and participates in numerous public events during the year including festivals, holiday events and boat shows.

Financial Management Information

- **Budgeting Controls**

Washington State Law, RCW 53.35.010 through 53.35.040, prescribes procedures for the preparation of annual budgets by port districts. In July and August each department director of the Port of Bremerton prepares a proposed budget to be reviewed with the Chief Financial Officer and Chief Executive Officer. The preliminary budget is provided to the Port Commission for comments. Final budgets are adopted by the Commission in November for the following calendar year. The final budget document, that includes amounts to be raised by taxation, is filed with the County Treasurer on or before the thirtieth day of November.

Budgetary control is maintained at the department level. Monthly departmental financial statements are produced comparing actual results to budgeted figures. These statements are analyzed and distributed to the Port Commission and senior management. Adjustments to budgeted amounts are approved by the Port Commission. The Port continues to diligently examine its budget documents and pare expenses without compromising the appearance, maintenance or safety of its assets, demonstrating stewardship in maintaining public property.

- **Cash Management and Investments**

The Commission has appointed the Chief Financial Officer as Treasurer. At December 31, 2011 current short-term investments reflect a 20% improvement over 2010.

- **Financial Policies**

The Board of Commissioners is taking a much more aggressive position than in past years to assign funds to be used for specific purposes, but are neither restricted nor committed. As certain assigned funds are used, the Board has also expressed a desire to reimburse an assigned fund from the unassigned fund balance as part of the next year's budgeting process.

- **Environmental Matters**

In order to identify and minimize environmental liabilities associated with both Port and tenant operations, the Port is conscientious in using environmental “best practices” in Port development and operations.

Typically, the environmental regulations that are most applicable to Port and tenant operations tend to be those that focus on the proper storage and handling of hazardous materials, permitted discharge of waste to storm water and sewer systems, air permits, and remediation of soil and groundwater contamination from past practices. Although the port’s environmental program is designed to ensure compliance with these regulations, in all circumstances, formal regulatory oversight and enforcement is performed by state and federal agencies, including the Washington State Department of Ecology, the U.S. Environmental Protection Agency, and the U.S. Army Corps of Engineers.

Environmental practices at the Port’s marinas, airport and industrial park have earned the highest level of recognition in the five-county Puget Sound region’s EnviroStars program. The Port has demonstrated leadership in Low-Impact Development practices, incorporating principles of water infiltration and pervious surfaces into the design of its road and paving projects. The Port has also implemented an energy efficiency program. As a result of high EnviroStars ratings, both Port Orchard and Bremerton marinas are designated as official Washington State Clean Marinas.

- **Internal Controls**

In developing and evaluating the accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

- **Planning and Development**

The Port continues its planning and development effort of its airport and industrial park assets by moving forward on infrastructure opportunities. The Port is partnering with the City of Bremerton on the South Kitsap Industrial Area (SKIA) Comprehensive Plan update, which is ongoing and scheduled for completion in late 2012. SKIA is a designated Manufacturing / Industrial Center (MIC) made up of 3,700 acres of land (3,400 acres within the City of Bremerton and 300 acres in Kitsap County) centered on the Bremerton National Airport. SKIA is the largest parcel of undeveloped industrial land in Kitsap County and in the four-county area of King, Kitsap, Pierce and Snohomish counties. In April 2009, the City of Bremerton annexed SKIA doubling the size of the city, with the vision to create the largest MIC west of the Puget Sound. The SKIA Comprehensive Plan update identifies the Cross-SKIA Connector as critical infrastructure that must be in place for development of the MIC to occur. The City of Bremerton estimates this MIC will support 6,500 direct family wage jobs, with many more families receiving health benefits and education opportunities.

The completion of Phase 2-1 of the Cross-SKIA Connector, extending the corridor to an intersection at Old Clifton Road, will open up nearly 200 acres designated for aeronautical businesses within the Port of Bremerton's boundary. This area has direct access to the runway on flat buildable land. The Connector will serve as the backbone, providing access to air commerce at Bremerton National Airport, rail located in the Olympic View Industrial Park and connectivity to the regional transportation network. The Cross-SKIA Connector will also provide an alternative freight route from State Route 3 which is a congested, high accident corridor to regional facilities.

Business plan development for the east side of the airport is scheduled for late 2012 and a complete update of airport master plan is scheduled for 2012 – 2013.

In 2011, the leadership of the Port of Bremerton was joined by the Kitsap Economic Development Alliance and the community to explore new opportunities in the aerospace industry. Discussions centered on how the Port of Bremerton and SKIA could support the State Department of Commerce and Washington Aerospace Partnership's efforts to compete for the largest advanced manufacturing economic development opportunity by playing a greater role in the aerospace industry (from design to production to supply chain support).

During 2011, the Port of Bremerton completed and received approval from the State of Washington Recreation and Conservation Office for its updated Recreational Facilities Plan. The Port is also working with the City of Port Orchard to produce a Waterfront Master Plan, which will be the prime document guiding the future development of extensive Port properties on the city waterfront.

AWARDS AND ACKNOWLEDGEMENTS

- **Certificate of Achievement**

The Government Finance Officers' Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to the government entities which publish a report which is easily readable and efficiently organized and in which the contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The Port of Bremerton has been awarded a Certificate of Achievement for Excellence in Financial Reporting for 2010. A Certificate of Achievement is valid for a period of one year.

- **Acknowledgement**

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire Port staff. The Port realizes its strong financial controls only through the significant contributions of its entire administrative staff. Special recognition needs to be given to the Finance Department staff for their responsibility in providing information to produce this document.

Finally, thanks to the Chief Executive Officer and the Port Commissioners for their interest and support in planning and conducting the financial operations for the Port in a responsible and progressive manner.

Sincerely,



Becky D. Swanson
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Port of Bremerton
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danison

President

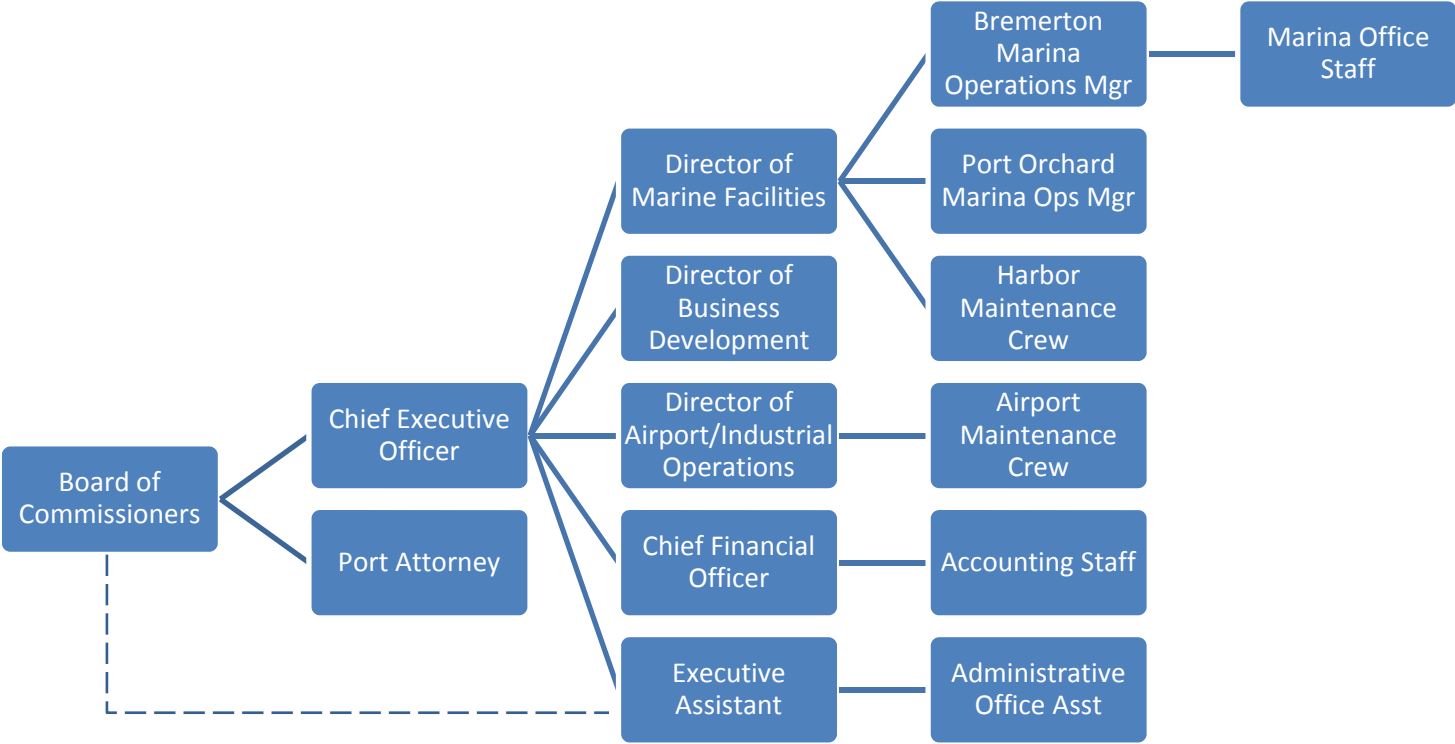
Jeffrey R. Emer

Executive Director

**Port of Bremerton
List of Principal Officials
As of December 31, 2011**

<u>TITLE</u>	<u>NAME</u>
Commissioner	Bill Mahan
Commissioner	Larry Stokes
Commissioner	Roger Zabinski
Legal Council	Gordon Walgren
Chief Executive Officer	Cary Bozeman
Chief Financial Officer, Port Auditor	Becky Swanson
Director, Business Development	Tim Thomson
Director, Airport Operations	Fred Salisbury
Director, Marine Facilities	Steve Slaton

Port of Bremerton Organization Chart



SECTION 2

FINANCIAL





Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

June 18, 2012

Board of Commissioners
Port of Bremerton
Bremerton, Washington

We have audited the accompanying basic financial statements of the Port of Bremerton, Kitsap County, Washington, as of and for the year ended December 31, 2011 as listed in the table of contents. These financial statements are the responsibility of the Port's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Bremerton, Kitsap County, Washington, as of December 31, 2011, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2011, the Port has implemented the Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.


In accordance with *Government Auditing Standards*, we will also issue our report dated June 18, 2012, 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. That report will be issued under separate cover in the Port's Single Audit Report. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 21 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 the 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.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Port. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is stylized and cursive.

BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2011 and 2010

INTRODUCTION:

This document is the Port of Bremerton's (Port) Management Discussion and Analysis (MD&A) of financial activities and performance for the calendar years ended December 31, 2011 and 2010. It provides an introduction to the Port's 2011 financial statements. Information contained in this MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and the notes to the financial statements.

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

OVERVIEW OF THE FINANCIAL STATEMENTS:

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The basic financial statements include: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position, and the Statement of Cash Flows. This report also includes statistical and economic data and bond information.

Analysis of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position illustrate whether the Port's financial position has improved as a result of the year's activities. The Statement of Net Position presents information on all of the Port's assets and liabilities, with the difference between the two reported as net position. Over time the increases and decreases in net position may serve as an indicator of whether the financial position of the Port is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Fund Net Position reflect how the operating and non-operating activities of the Port affected changes in the net position of the Port. These activities are recorded under the accrual basis of accounting reflecting the timing of the underlying event regardless of the timing of related cash flows.

Although the financial statements provide useful information in assessing the financial health of the Port, consideration of other factors not shown on the financial reports should be evaluated to assess the Port's true financial condition. Factors such as changes in the Port's tax base and the condition of the Port's asset base are also important when assessing the overall financial condition of the Port.

Government entities typically account for activities by utilizing “fund” accounting. A fund is a grouping of related accounts that is used to maintain control or restrict the use of resources that have been segregated for specific activities or objectives. The Port uses only one fund, an enterprise fund, which reports all business type activities of the Port.

FINANCIAL ANALYSIS OF THE PORT

- Port assets exceeded liabilities by \$72.9 million at the close of 2011 and by \$69.4 million in 2010. Of this amount, \$62.7 million in 2011 and \$61.3 million in 2010 are invested in capital assets, net of related debt.
- The Port’s net assets increased in 2011 over 2010 by \$3,903,324 before recording a prior period adjustment of \$481,891, compared to the increase in 2010 of \$5,499,800. The 2011 increase reflects the reduction in Port debt.
- The Port’s long-term debt decreased by \$4,264,877 in 2011 and by \$3,802,474 in 2010. Both 2011 and 2010 decreases are from debt payments on the bonds and loans.
- Operating revenues for 2011 and 2010 totaled \$3,342,189 and \$3,236,728 respectively.
- Operating expenses totaled \$7,711,816 for 2011 and \$7,468,108 for 2010.

PORT OF BREMERTON’S CONDENSED STATEMENT OF NET POSITION:

	2011	2010
Current assets	\$ 8,242,295	\$ 6,767,994 *
Restricted assets	2,748,772	2,274,332 *
Net capital assets	71,351,015	73,700,458
Other assets	10,209	130,024
Total assets	\$ 82,352,291	\$ 82,872,808
Current liabilities	\$ 4,917,850	\$ 4,594,923
Long-term liabilities	4,567,540	8,832,417
Total liabilities	\$ 9,485,390	\$ 13,427,340
Net position:		
Investment in capital assets	\$ 62,712,500	\$ 61,357,709
Restricted for capital projects	842,948	841,368
Unrestricted net position	9,311,453	7,246,391
Total net position	\$ 72,866,901	\$ 69,445,468
Total Liabilities and Net Position	\$ 82,352,291	\$ 82,872,808

*Restated for Comparative Purposes

PORT OPERATING FINANCIAL ACTIVITY:

As noted earlier, the Port uses only one fund, an enterprise fund, to comply with Washington State mandated reporting requirements. The Port's operations consist of airport and industrial park operations, land and building leases, and operating a variety of recreational facilities. Of the recreational facilities, the Port Orchard and Bremerton marinas produce the largest portion of revenue from these sources. The remaining recreational facilities, such as boat ramps and parks produce little to no revenue.

Summary of Statement of Revenues, Expenses and Changes in Fund Net Position: The Statement of Revenues, Expenses and Changes in Fund Net Position shows how the Port's net assets changed during the current and previous fiscal year as a result of operations. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will only affect future period cash flows.

The following summary represents the 2011 operating results to budget:

Revenues: In 2011 operating revenues fell only 1.5% below budgeted revenues or \$50,635 short of budget. In 2010 operating revenues were below budget by 6.8% or \$235,061. Because of the economic downturn and poor real estate market, the Olympic View Business Park facility was only partially leased during both 2011 and 2010, but a more conservative approach was taken in projecting lease revenues in 2011. The Business Park showed a shortfall in 2010 against budget of \$86,052 (40.5%) . Permanent and transient moorage were also below budget in 2010.

Expenses: 2011 operating expenses, before depreciation, were \$635,653 (11.4%) below budget, attributed to operational cutbacks in overall spending. Airport, industrial and business park operations reduced spending to achieve a combined total of \$282,406 below budget. Marina operations achieved over \$200,000 in budget savings, with general and administration spending for the year of over \$155,000 below budget.

Operating expenses in 2010 were \$797,648 lower than budgeted.

Non-Operating: 2011 non-operating revenues were \$275,943 above budget (3.5%), with other non-operating expenses of \$129,952 (20.8%) under budget. Non-operating revenues exceeded budget from unexpectedly high timber revenue generated from tree thinning, while interest expense was below budget because of the early payoff of a note payable for real estate property. In 2010, non-operating revenues fell below budget by \$8,918, less than 1%, with non-operating expenses \$56,268 below budget.

Grant contributions were down in 2011 from 2010 by \$1.6 million as Port projects were completed, and as the legislature continues to make fewer grant funds and appropriations available than in prior years.

**PORT OF BREMERTON'S CONDENSED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION:**

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Airport operations	\$ 216,843	\$ 217,595
Marina operations	1,702,583	1,647,755
Property lease/rental operations	1,422,499	1,370,761
Other	264	617
Total operating revenues	3,342,189	3,236,728
Non-operating Revenues		
Ad valorem tax revenues	7,772,679	7,860,705
Investment income	18,016	22,095
Other non-operating income	276,637	155,750
Total non-operating revenues	8,067,332	8,038,550
Total revenues	11,409,521	11,275,278
Operating expenses	7,711,816	7,468,108
Non-operating expenses	495,174	615,535
Total expenses	8,206,990	8,083,643
Excess	3,202,531	3,191,635
Capital contributions	710,894	2,308,492
Special and extraordinary items	(10,101)	(327)
Increase in Fund Net Position	\$ 3,903,324	\$ 5,499,800
Net Position - Beginning of period	69,445,468	63,945,668
Prior period adjustment	(481,891)	0
Net Position - End of period	\$72,866,901	\$69,445,468

The Port's overall financial position improved in both 2011 and 2010.

The Port transferred \$125,000 to assigned fund balances for 2011 to be used for projects so directed by the Board of Commissioners.

CAPITAL ASSETS:

The Port's capital asset investment at the end of 2011 is \$71,351,015, net of accumulated depreciation and \$73,700,458 for 2010. Capital assets consist of land, buildings, machinery and equipment, and construction in progress. Refer to Note 4 of the Notes to Financial Statements.

The Port purchased a waterfront parcel adjacent to the Bremerton marina for \$3,500,000 in 2009, for the purpose of providing parking to the marina tenants. The property contains underground contamination, with estimated remediation costs ranging between approximately \$210,000 to \$390,000. Please see Note 154 for further information.

In 2011 the Port reduced Capital Assets by \$489,657 with a prior period write off of funds expended on the development of a portion of land which had previously been designated for the Sustainable Energy campus. Costs for site stabilization and an access road were deemed abandoned at the time the land parcel was incorporated into a new land lease for development of a 230 acre parcel by a tenant in the industrial park.

There are no restrictions, commitments, or other limitations that significantly affect the availability of fund resources for future use.

DEBT ADMINISTRATION:

The Port has outstanding general obligation debt at December 31, 2011 of \$7,895,000 compared to \$11,710,000 in 2010. The Port's six-year Industrial Development District tax levy which began in 2007 to pay debt service on the 2006 Bonds issued for construction of the Bremerton marina, will be fully paid in 2012.

The Port's \$432,000 low interest loan through CERB (Community Economic Revitalization Board) was used as a funding source for the FBO (Fixed Base Operator) building at the airport. The repayment schedule for this loan began in January 2005 and continues through January 2024. The balance at December 31, 2011 and 2010 respectively were \$307,041 and \$326,405. Funds from a low interest \$364,471 CERB loan were received for investment in infrastructure at the Bremerton National Airport, with outstanding balances of \$348,323 and \$364,471 for 2011 and 2010 respectively. The principal balance on rental property purchased in 2005 for \$264,000 was fully paid in 2011, saving the Port an estimated \$44,000 in future interest. The note had an outstanding balance of \$242,038 as of December 31, 2010. See Note 9 of the Notes to Financial Statements.

2012 BUDGET:

The Port's 2012 budget anticipates Operating Revenues to grow by 1.4% percent over comparable operations for 2011 while operating expenses are budgeted to grow at approximately 13.5% percent over 2011, because of severe spending restrictions implemented during 2011, but less than 1% over 2011's budget. The loss from Port operations before depreciation and before the general tax levy (partially used for operations) is anticipated to be approximately \$2.2 million. After including the general tax levy, operating income is estimated at \$847,430.

In addition to \$760,000 of 2009 bond proceeds and other assigned cash, \$829,696 is required in 2012 for capital projects, net of anticipated grants. This total includes various capital improvements in airport, marinas and real estate projects. Many of these projects are complex and are anticipated to occur over multiple years and are currently in various stages of planning, design and permitting.

The Port plans to transfer a total of \$369,089 into various assigned cash funds during 2012.

The Port's budget is developed with consultation of much of the Port's management and through analysis of Port operations. However, all budgets inherently are forecasts and the actual results will likely vary from that provided for in the budget. Assumptions regarding interest rates, economic growth and natural disasters are among the many factors that may cause a significant variance of actual results to the budget.

REQUEST FOR INFORMATION:

The Port of Bremerton designed this financial report to provide our citizens, customers, investors and creditors with an overview of the Port's finances. If you have questions or need additional information, please visit our website at www.portofbremerton.org or contact the Chief Financial Officer at 8850 SW State Hwy 3, Bremerton, WA 98312. Telephone: 360/674-2381.

PORT OF BREMERTON
Statement of Net Position
December 31, 2011

ASSETS**CURRENT ASSETS:**

Cash and cash equivalents (Note 1 and 2)	\$ 6,936,506
Investments (Note 2)	
Restricted assets:	
Cash and cash equivalents (Note 1 and 2)	2,748,772
Taxes receivable (Note 3)	604,900
Accounts receivable (net of allowance for uncollectibles) (Note 1)	269,154
Other receivables	151,793
Inventory (Note 1)	54,473
Prepaid expenses	225,469

TOTAL CURRENT ASSETS	10,991,067
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NON-CURRENT ASSETS:**Capital assets not being depreciated (Note 4)**

Land	7,139,948
Construction in progress	1,876,895

Capital assets being depreciated (Note 4)

Buildings & structures	41,015,809
Machinery and equipment	1,839,038
Marina and other improvements	49,077,866
Less: Accumulated depreciation	(29,598,541)

TOTAL NET CAPITAL ASSETS	71,351,015
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Other noncurrent assets (Note 1)	10,209
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TOTAL NONCURRENT ASSETS	71,361,224
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TOTAL ASSETS	\$ 82,352,291
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DEFERRED OUTFLOWS OF RESOURCES	0
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See Accompanying Notes to Financial Statements

PORT OF BREMERTON
Statement of Net Position
December 31, 2011

LIABILITIES**CURRENT LIABILITIES:**

Warrants payable	\$ 259,907
Accounts payable	139,493
Payable from restricted assets (customer deposits)	198,459
Accrued expenses	156,953
Accrued interest payable	38,786
Current portion of long-term debt (Note 9)	<u>4,124,252</u>

TOTAL CURRENT LIABILITIES **4,917,850**

NON-CURRENT LIABILITIES:

General obligation bonds (Note 9)	3,841,850
CERB loans (Note 9)	618,745
Employee leave benefits (Note 1)	<u>106,945</u>

TOTAL NON-CURRENT LIABILITIES **4,567,540**

TOTAL LIABILITIES **\$ 9,485,390**

DEFERRED INFLOWS OF RESOURCES **0**

NET POSITION:

Net investment in capital assets	62,712,500
Restricted for capital projects (Note 10)	842,948
Unrestricted	<u>9,311,453</u>

TOTAL NET POSITION **\$ 72,866,901**

See Accompanying Notes to Financial Statements

PORT OF BREMERTON
Statement of Revenues, Expenses and Changes in Fund Net Position
For Year Ended December 31, 2011

REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**OPERATING REVENUES:**

Airport operations	\$ 216,843
Marina operations	1,702,583
Property lease/rental operations	1,422,499
Other	264
Total Operating Revenues	<u>3,342,189</u>

OPERATING EXPENSES:

General operations	4,066,349
Maintenance	273,802
General and administrative	583,662
Depreciation (Note 4)	2,788,003
Total Operating Expenses	<u>7,711,816</u>

Operating Income (Loss) **(4,369,627)**

NONOPERATING REVENUES (EXPENSES):

Investment income	18,016
Taxes levied for:	
General purposes (Note 3)	3,026,502
Debt service principal/interest (Note 3)	323,932
Industrial Development District (Note 3)	4,422,245
Interest expense	(463,184)
Election Expense	(31,990)
Other nonoperating revenues (expenses)	276,637
Total Non-Operating Revenues (Expenses)	<u>7,572,158</u>

**Income (loss) before other revenues, expenses,
gains, losses and transfers** **3,202,531**

Capital contributions **710,894**
Extraordinary items (Note 16) **(10,101)**

INCREASE (DECREASE) IN FUND NET POSITION **\$ 3,903,324**

Net position - beginning of period **\$ 69,445,468**
Less: Prior Period adjustments (Note 16) **(481,891)**

Net position - end of period **\$ 72,866,901**

See Accompanying Notes to Financial Statements

**Port of Bremerton
Statement of Cash Flows
For the year ended December 31, 2011**

	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,189,634
Payments to suppliers	(2,108,461)
Payments to employees	(2,682,519)
Other receipts (payments)	118,041
Net cash provided (used) by operating activities	<u>(1,483,304)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property tax receipts	2,962,511
Net cash provided (used) by noncapital financing activities	2,962,511
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Property tax receipts for capital assets	4,746,177
Acquisition and construction of capital assets	(884,122)
Capital Contributions	664,620
Proceeds from sale of water system	111,232
Proceeds from timber sales	125,014
Principal paid on bonds and note	(4,119,275)
Interest paid on bonds and note	(477,001)
Net cash provided (used) by capital and related financing activities	<u>166,645</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	18,016
Net increase (decrease) in cash and cash equivalents	<u>1,663,868</u>
Balances - beginning of year	<u>8,021,410</u>
Balances - end of year	<u><u>9,685,278</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (4,369,627)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,788,003
Change in assets and liabilities:	
(Increase) decrease in accounts receivable (net)	(136,842)
(Increase) decrease in fuel inventory	(8,341)
(Increase) decrease in prepayments	(29,426)
Increase (decrease) in warrants payable	192,078
Increase (decrease) in accounts payable	(17,723)
Increase (decrease) in customer deposits	(15,713)
Increase (decrease) in accrued expenses	114,287
Net cash provided (used) by operating activities	<u>(1,483,304)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

PORT OF BREMERTON

Notes to Financial Statements

January 1, 2011 through December 31, 2011

These notes are an integral part of the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port of Bremerton was incorporated in October 1913 and operates under the laws of the State of Washington applicable to a Port District. The financial statements of the Port have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The Port has elected to apply Financial Accounting Standards Board (FASB) guidance issued after November 20, 1989, to the extent that it does not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

In June 1999, GASB approved Statement 34, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments*. This and consecutive statements are reflected in the accompanying financial statements (including notes to financial statements).

As allowed by Government Accounting Standards Board, the Port has chosen early implementation of GASB 63, *Financial Reporting of Deferred Outflows/Inflows of Resources and Net Position*.

A. Reporting Entity

The Port is a special purpose government and provides airport, harbor and industrial park facilities to the general public and is supported primarily through user charges.

The Port is governed by an elected three member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Port has no component units.

B. Basis of Accounting and Reporting

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

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

The Port uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund(s).

The Port distinguishes between operating revenues and expenses from nonoperating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a district's principal ongoing operations. The principal operating revenues of the Port are charges to customers for boat moorage and aircraft hanger rent and tie-down. The Port also recognizes land and building lease revenue as operating revenue. Operating expenses for the Port include general operations expenses, maintenance, administrative expenses, and depreciation on capital assets, etc. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Port receives federal and state grants for both capital reimbursement as well as operating grants for specific purposes. Operating grants and related expenses are accounted for as Non-operating Revenues and Expenses while Capital grants are accounted for as Capital Contributions increasing the Net Position of the Port.

Use of Estimates

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

Significant Risks and Uncertainties

The Port is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, collective bargaining disputes, federal, state and local government regulations, and changes in law.

C. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

The Port acts as its own treasurer. It is the Port's policy to invest all temporary cash surpluses. At December 31, 2011, the Port was holding \$9,486,819 in short-term residual investments of surplus cash. This amount is classified on the statement of net position as cash and cash equivalents.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2011 were approximately \$220,350.

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

2. Short-Term Investments – See Deposits and Investments Note No. 2.

3. Receivables

Taxes receivable consist of property taxes and related interest and penalties. See Property Tax Note No. 3. Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

Receivables have been recorded net of estimated uncollectible amounts. Because property taxes and special assessments are considered liens on property, no estimated uncollectible amounts are established. The allowance method is used to account for bad debt expense. The allowance for doubtful accounts for customer accounts receivables are \$9,000 at December 31, 2011.

4. Amounts Due To and From Other Governments

The Port has an unrecorded receivable for reimbursable costs related to the design and construction costs of the Passenger Only Ferry Operations Float and Service Float in Bremerton in the amount of \$2,999,905, adjusted annually by applying the Consumer Price Index. The receivable is conditioned upon regularly scheduled full daily passenger only ferry service operating from the Bremerton ferry terminal. An Interlocal Agreement and Memorandum of Agreement have been executed. Because there is no determinable

time period that this receivable will be collected, it has not been recorded in the financial records of the Port.

5. Inventories

Inventories for retail and fuel sales are valued by the FIFO method (which approximates the market value).

6. Restricted Assets and Liabilities

In accordance with bond resolutions and certain related agreements, separate restricted accounts are required to be established. The assets held in these funds are restricted for specific uses, including construction, debt service and other special restricted requirements. Specific debt service reserve requirements are described in Long-Term Debt and Leases Note 9.

The restricted assets are composed of the following:

Cash and Cash Equivalent – General Obligation Bond Debt Service	\$ 1,707,365
Cash and Cash Equivalents – Unspent Bond Proceeds	842,948
Customer Deposits	<u>198,459</u>
Total Restricted Assets	\$ 2,748,772

Only customer deposits is shown with a related liability.

7. Capital Assets and Depreciation - See Capital Assets and Depreciation Note No. 4.

8. Other Assets and Debits

In accordance with generally accepted accounting principles for regulated businesses, the Port has deferred costs of \$10,209 in 2011, comprised of the remainder of deferred real estate lease broker fees.

9. Compensated Absences

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

Vacation pay, which may be accumulated up to a maximum of 40 days, is payable upon resignation, retirement or death at employee’s regular pay rate. Sick leave may accumulate up to a maximum of 90 days. For employees who have reached their

maximum sick leave accrual, the monthly value of excess sick leave is deposited into the employee's VEBA account.

Administrative, non-union employees are provided, at termination, a sick leave cash out payment at his/her regular pay rate according to the following schedule:

Less than 5 years service	0 %
At least 5 but less than 10 years of service	20 %
At least 10 but less than 15 years of service	35 %
At least 15 but less than 20 years of service	50 %
20 or more years of service	75%

Union employees who retire from the Port under the Port's retirement plan shall be provided a sick leave cashout payment at seventy-five percent (75%) of the employee's accrued and unused sick leave hours.

10. Other Accrued Liabilities

These accounts consist of wages payable, employee withholdings, and sales and business taxes.

11. Long-Term Debt – See Long-Term Debt and Leases Note No. 9

NOTE 2 – DEPOSITS AND INVESTMENTS

DEPOSITS

The Port's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or for deposits in the Washington State Local Government Investment Pool are secured by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). In accordance with GASB criteria, PDPC protection is of the nature of collateral, not of insurance. The Pool is a 2a7-like investment operated by the Washington State Treasurer that is not rated and is subject to annual audits by the Washington State Auditor's Office.

INVESTMENTS

As of December 31, 2011, the Port had the following short term investments with the Local Government Investment Pool (LGIP), which are considered cash or cash equivalent:

Local Government Investment Pool	\$9,494,513
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All temporary investments are stated at cost, which is equivalent to fair value for these investments.

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the Port would not be able to recover the value of the investment or collateral securities. None of the Port's investments are held by counterparties.

Investment Type	Moody's Investor Service	Standard & Poor's
Washington Local Government Investment Pool	N/R	N/R

NOTE 3 – PROPERTY TAXES

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

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

Property taxes are recorded as a receivable and revenue when levied. No allowance for uncollectible taxes 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 may levy up to \$.45 per \$1,000 of assessed valuation for general governmental services. Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. The Port may also levy taxes at a lower rate.

Special levies approved by the voters are not subject to the above limitations.

The Port's regular and debt service levy for 2011 was \$.3416 per \$1,000 on an assessed valuation of \$9,776,001,173 for a total regular levy of \$3,339,150. In 2010, the regular levy was \$3,298,564.

The second six-year Industrial Development District tax levy imposed by the Port is not subject to the limitations listed above. In 2011, the Port levied an additional \$.4500 per \$1,000 for the expansion of the Bremerton Marina and for other capital projects as approved by the Port Commission for a total additional levy of \$4,399,200. In 2010, the Port levied an additional \$4,576,631.

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

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

All capital assets are valued at historical cost (or estimated historical cost, where historical cost is not known/or estimated market value for donated assets).

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

The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation. However, in the case of the sale of a significant system, the original cost is removed from the Port's plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

An allowance for funds used during construction is capitalized as part of the cost of Port plant. The procedure is intended to remove the cost of financing construction activity from the income statement and to treat such cost in the same manner as construction labor and material costs.

The Port's policy is to capitalize all asset additions greater than \$2,500, with an estimated life of more than one year. Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight line method. Buildings and improvements are assigned useful lives of 25 to 33 years; equipment 5 to 10 years; and furniture and fixtures 5 to 10 years.

B. Capital assets activity for the year ended December 31, 2011, was as follows:

	BEGINNING ASSET BALANCE January 1, 2011	ADDITIONS	DELETIONS	ENDING ASSET BALANCE December 31, 2011
Capital assets, not being depreciated:				
Land	\$ 7,139,949	\$ 0	\$ 0	\$ 7,139,949
Construction in progress	5,320,787	1,041,091	4,484,983	1,876,895
Total capital assets, not being depreciated	12,460,736	1,041,091	4,484,983	9,016,844
Capital assets being depreciated:				
Buildings & structures	40,861,051	304,758	150,000	41,015,809
Machinery and equipment	1,717,773	122,829	1,565	1,839,037
Marina and other improv.	45,473,000	3,604,866	0	49,077,866
Total capital assets being depreciated	88,051,824	4,032,453	151,565	91,932,712
Less accumulated depreciation for:				
Buildings & structures	14,689,343	1,180,303	0	15,869,646
Machinery and equipment	1,312,163	123,725	1,564	1,434,324
Marina and other improv.	10,810,596	1,483,975	0	12,294,571
Total accumulated depreciation	26,812,102	2,788,003	1,564	29,598,541
Total capital assets, being depreciated, net	61,239,722	1,244,450	150,001	62,334,171

C. Construction Commitments

The Port has active construction projects as of December 31, 2011. The projects include: Cross SKIA connector road, wildlife fencing, Water Street boat launch, marina park extension and terminal improvements.

At year-end the Port’s commitments with contractors are as follows:

Project	Spent To Date	Remaining Commitment
Clean Tech Incubator	\$1,292,843	\$ 0
Cross SKIA Phase 2 (Design)	230,114	210,386
AIP 24 Fencing	202,501	7,145
OVIP #5 Electrical	81,486	3,981
Marina Park Extension	22,383	15,547
NE Campus Phase 2 Basin 7	16,879	4,081
Water Street Boat Ramp	15,682	15,834
Viking Fence Sewer	5,470	9,418
OVIP Tenant Improvements	5,326	0
Airport Plans Update	4,212	0
	\$ 1,876,895	\$ 266,392

Of the committed balance of \$266,392, the Port will not be required to raise funds in future financing.

NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 6 – PENSION PLANS

Substantially all Port 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 retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan.

The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, PO Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

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

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.43 and 41.40 RCW and may be amended only by the State Legislature.

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

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2% of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired

20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) was granted at age 66 based upon years of services times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is two percent of the AFC for each year of service reduced by two percent for each year that the member's age is less than 55. The total benefit is limited to 60% of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance is granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is two percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

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

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

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 % annually. The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

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

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2. PERS Plan 3 defined contribution retirement benefits are solely dependent upon contributions and the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is two percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1% of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at three percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not a normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans as of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	\$ 76,899
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,860
Active Plan Members Vested	105,521
Active Plan Members Non-vested	<u>51,005</u>
Total	\$262,285

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Plan 3 employee portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choices. Two of the options are graduated rates dependent on the employee's age.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, are as follows:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.25%**	7.25%**	7.25%***
Employee	6.00%****	3.90%****	*****

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

**The employer rate for state elected officials is 10.80% for Plan 1 and 7.25% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

****The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.

*****Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

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

Year	PERS Plan 1	PERS Plan 2	PERS Plan 3
2011	\$ 0	\$ 98,148	\$ 19,666
2010	0	83,171	16,513
2009	2,435	102,111	21,748

Deferred Compensation Plans

The Port offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. These plans are with independent plan Administrators (Nationwide Retirement Solutions and the Washington State Committee for Deferred Compensation). The plans, available to eligible employees at their option, permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Compensation deferred under the plans and all income attributable to the plans is solely the property of the employee. The plan administrator holds the money, in the employee's name, in a custodial trust fund.

NOTE 7 – RISK MANAGEMENT

The Port participates in the Pacific Northwest Port Association Group, comprised of eight ports to go to the property and liability insurance market for its insurance needs to take advantage of group size to obtain efficiencies in insurance costs. Each member of the group obtains individual policies and individual premiums for its coverage. There is no sharing of risks or claims.

General liability coverage is in effect to a limit of \$1 million with a \$25,000 deductible. Excess liability coverage is in effect with a limit of \$50 million over the first \$1 million of loss. Airport liability coverage of \$20 million has a deductible of \$250,000. Commercial property coverage with a lost limit of \$100 million including \$30 million of earthquake and flood is in effect with a deductible of \$25,000. In addition, the Port maintains standard business automobile, skiff, boiler and machinery, crime and public officials' coverage.

In comparison to prior years, there were no significant changes in the type and coverage of insurance policies purchased by the Port. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE 8 – SHORT-TERM DEBT

There was no short-term debt activity during 2011.

NOTE 9 – LONG-TERM DEBT AND LEASES

A. Long-Term Debt

The Port issued general obligation bonds in 2006 to finance the construction of the Bremerton marina and in 2009 for the purchase of property adjacent to the marina. The Port is also liable for low interest CERB loans to finance the construction of the FBO building and a waterline project. The principal balance of a note payable, entered into for the purchase of real property, with a balloon payment due in 2014, was paid in full in 2011.

The general obligation bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2006 Series – Rebuilding and expanding Bremerton and other Capital Projects	2012	3.55%-5.75%	\$17,575,000	\$ 3,964,224
2009 Series – Purchase of waterfront property adjacent to Bremerton marina	2029	1.75%-4.30%	\$ 4,425,000	\$ 321,242

The annual debt service requirements to maturity for general obligation bonds and other contracts are as follows:

Year Ending December 31	2006 Series		2009 Series		Other Contracts	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	3,795,000	169,225	170,000	151,243	36,620	12,080
2013			180,000	144,443	37,344	11,356
2014			180,000	141,293	38,086	10,614
2015			185,000	137,333	38,845	9,855
2016			190,000	132,800	39,624	9,077
2017-2021			1,045,000	571,675	210,454	33,047
2022-2026			1,260,000	353,795	175,112	12,109
2027-2029			890,000	77,615	79,281	2,000
Total	\$ 3,795,000	\$ 169,225	\$ 4,100,000	\$ 1,710,197	\$ 655,366	\$ 100,138

RCW 39.36 limits the amount of general obligation debt that the Port may issue. Bond indebtedness without a vote is limited to .25% of the assessed value of the taxable property in the Port District.

At December 31, 2011, the Port's assessed value and limitation of unvoted general obligation debt are as follows:

Total Taxable Property Value	\$ 9,252,295,752
General Purpose Indebtedness Available Without a Vote	\$ 23,130,739
Indebtedness Incurred	<u>6,842,486</u>
Margin of Indebtedness Available Without a Vote	\$ 16,288,253

Unamortized debt issue costs are recorded as deferred charges 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.

At December 31, 2011, the Port had \$1,707,365 available in assigned funds for payment of bond indebtedness.

The Port issued \$4,425,000 General Obligation Bonds on September 30, 2009 to purchase a waterfront parcel adjacent to the Bremerton marina for \$3,500,000 to be used for parking. The remaining bond proceeds, which are invested in the State of Washington Local Government Investment Pool, are to be used for other projects as approved by the Port Commission. After issue costs of \$123,032 for underwriting, rating, insurance, legal and other issue costs, the Port received proceeds of \$4,301,968. An Aa2 rating was assigned by Moody's Investment Service at the time the bonds were issued. The bonds are to be paid from an assigned portion of the regular property tax levy.

On October 10, 2006, the Port issued \$17,575,000 in General Obligation Bonds, with an average interest rate of 3.82%. The bonds sold at a premium of \$334,553, with net proceeds of \$17,730,096 to the Port after payment of \$179,457 in underwriting, rating, insurance and legal fees and other issuance costs. The bond issue was assigned an A2 rating by Moody's Investment Service. These funds were used for the expansion of the Bremerton marina. The bonds are to be paid through collection of a six-year Industrial Development District tax levy.

These bonds are subject to federal arbitrage regulations. The Port is required to comply with certain requirements of the Internal Revenue Code of 1986, after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances, and the requirement to comply with arbitrage rebate requirements to the extent applicable to the Bonds. The Port has covenanted in the Bond Resolution to comply with those requirements, but if the Port

fails to comply, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. During this audit period arbitrage is not applicable.

B. Operating Leases

The Port leases office space in the Norm Dicks Government Center from the Kitsap County Housing Authority (KCCHA) under a noncancelable operating lease. The KCCHA sublease for 73.3% of the space was cancelled effective October 6, 2009 as a condition of the waterfront property purchase from KCCHA. In 2011 KCCHA entered into a 3 year sublease with two, three year extensions. The total lease cost in 2011 was \$15,874 (net of \$11,875 paid by KCCHA).

The Port executed a 10 year lease on a newly constructed 24,000 square foot building in the Olympic View Business Park, taking possession of the building in January, 2008. The lease is expressly conditioned and contingent upon a 65 year lease for the 3 acre real property upon which the building stands. The Port subleased a portion of the building to a defense contractor in 2009 and the remainder in 2011. The total lease cost to the Port in 2011 was \$238,827.

The Port leases other office equipment under operating leases that expire in 2012, with a total lease cost in 2011 of \$5,583.

The Port concluded the renewals of long-term Washington State Department of Natural Resource (DNR) land leases during 2011. The leases call for initial lease payments of \$60,316, adjusted annually by the Consumer Price Index – All Urban Consumers for the Seattle-Everett region, except for each four years when the non water-dependent annual rent will be revalued to reflect the then-current fair market value. The land leases are:

Land Leases				
December 31, 2011				
LESSOR	DATE OF LEASE	LEASE NUMBER	ANNUAL RENT	LAND RENTED
Dept of Natural Resources	9/1/10	2235A	\$ 13,321	Port Orchard Marina
Dept of Natural Resources	9/1/10	9891	31,847	P.O. Marina Parking
Dept of Natural Resources	9/1/10	2234	5,029	Port Orchard Area North of Old Post Office
Dept of Natural Resources	9/1/10	2736	8,543	Bremerton
Dept of Natural Resources	1/1/06	2544	1,576	Water St Boat Ramp
Total			\$60,316	

The future minimum lease payments for these leases are as follows:

Year Ending December 31	KCCHA Lease	Olympic View Lease	Office Equipment	Land Leases	Total
2012	\$ 28,537	\$ 247,186	\$ 1,604	\$ 58,740	\$ 336,067
2013	29,283	247,186		58,740	335,209
2014	30,371	247,186		58,740	336,297
2015	31,480	247,186		58,740	337,406
2016	32,532	247,186		58,740	338,458
2017-2021	178,494	10,299		293,700	482,493
2022-2026	183,251			166,312	349,563
2027-2031	183,116			134,465	317,581
2032-2036	91,298			134,465	225,763
2037-2041				134,465	134,465
2042				26,893	26,893
Total	\$788,362	\$1,246,229	\$ 1,604	\$ 1,184,000	\$ 3,220,195

C. Changes in Long-Term Liabilities

During the year ended December 31, 2011, the following changes occurred in long-term liabilities:

	Beginning Balance 1/01/11	Additions	Reductions	Ending Balance 12/31/11	Due Within One Year
Bonds payable:					
L.T.G.O. Bonds	\$11,710,000	\$ 0	\$3,815,000	\$ 7,895,000	\$3,965,000
Deferred Premium/Discount	68,322	0	19,828	88,150	
Total Bonds Payable	\$11,641,678	\$ 0	\$3,834,828	\$ 7,806,850	
Loans/Notes Payable	932,914	0	277,550	655,364	36,620
Compensated Absences	221,811	230,206	222,440	229,577	122,632
 Total Long Term Liabilities	 \$12,796,403	 \$ 230,206	 \$4,334,818	 \$ 8,691,791	

NOTE 10 – RESTRICTED COMPONENT OF NET POSITION

The Port's statement of net position reports \$842,948 of restricted component of net position. The entire amount is unspent general obligation bond proceeds.

NOTE 11 – CONTINGENCIES AND LITIGATION

The Port has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the Port will have to make payment. In the opinion of management, the Port's insurance policies are adequate to pay all known or pending claims. The Port participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Port management believes that such disallowances, if any, will be immaterial.

The Port has been named as a defendant as a result of injuries occurring from an accident involving a motorcycle. The defense has been assumed by an insurance carrier for one of the other named defendants. This comes as a result of a "Tender of Defense" as provided in a port lease that is in existence with that defendant. The Port will continue to monitor this civil action and believes that there is little likelihood of liability for the Port.

As a result of contractor malfeasance, the Port is seeking reimbursement for damages incurred involving the construction of Port facilities. Reimbursement is expected to come from restitution in a criminal case involving the contractor in question as well as a judgment in connection with a civil action brought by the Port against the contractor. Additionally, the Port seeks relief from the federal bankruptcy proceedings initiated by the contractor in question. The total obligation owing to the Port is \$287,068 of which approximately \$1,681 has been collected.

In February, 2010, a longstanding tenant of the Port filed Chapter 11 bankruptcy. On March 22, 2011 a Notice of Order Confirming Plan was issued by the United States Bankruptcy Court. The accounts receivable claim remaining from the Chapter 11 filing as of December 31, 2011 is \$5,589. In April, 2012, the tenant filed for Chapter 7 bankruptcy, leaving an additional outstanding receivable balance of \$26,783 owing to the Port.

NOTE 12 – DEFERRED CREDITS

In accordance with generally accepted accounting principles for regulated businesses, the Port has no deferred costs and revenues for 2011.

NOTE 13 – OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

The Port does not have post employment obligations other than defined pension plans.

NOTE 14 – TERMINATION BENEFITS

The Port is not obligated for termination benefits.

NOTE 15 – POLLUTION REMEDIATION OBLIGATIONS

In November 2006, the Government Accounting Standards Board issued GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The provisions of this Statement are effective for fiscal periods beginning after December 15, 2007.

The Port purchased a waterfront property in 2009, which has known underground contaminants, resulting from the presence of former underground storage tanks. The site is listed by the Department of Ecology as a Voluntary Cleanup Site. The governmental agencies having jurisdiction over the property are not requiring remediation of the site or removal of contaminated soil at this time, but such action will likely be required in the future if the property is developed. There has been no obligating event to require recording a pollution remediation obligation on the financial statements. At the time of purchase of the property, it was estimated between \$210,000 and \$390,000 for remediation cleanup. The Port assumed all costs from the seller with regard to environmental clean-up.

NOTE 16 – OTHER DISCLOSURES

A. Prior Period Adjustments

The Port signed a long term land lease during 2011, which incorporated a portion of the land originally designated for the Sustainable Energy campus, where funds had been expended for building site stabilization and an access road. Construction of the campus project was stopped in 2010, and when the land was incorporated into a new land lease, a prior period adjustment of \$489,657 was recorded to write off costs incurred at that site. In addition, a small adjustment of \$7,766 reduced prior expenses for storm water fees.

B. Major Receivables

In 2011, 14% of the operating revenues or \$468,537 charged for property lease/rental income was billed to a manufacturing company for several land and facility leases.

C. Extraordinary/Special Items

The Port incurred \$10,101 in net extraordinary expense for 2011, consisting of environmental costs related to the former Norseland Estate Site. Compliance monitoring actions, which focused on cap integrity, ambient air monitoring and groundwater testing, have been done consistent with the Compliance Monitoring Plan (CMP) for the Site. Removal of the former Norseland Estates Site from the Hazardous Sites List was approved by the State of Washington Department of Ecology in early 2012.

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SECTION 3

STATISTICAL



Port of Bremerton

STATISTICAL SECTION NARRATIVE AND SCHEDULES

This section of the Port's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures present about the Port's overall financial health.

CONTENTS

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the Port's financial performance and well-being has changed over time. The schedules include fiscal year 2002 and forward, and include:

Schedule 1 – Revenue, Expenses, and Changes in Fund Net Position, Last Ten Years

Schedule 2 – Fund Net Position by Component, Last Ten Years

REVENUE CAPACITY

These schedules contain information to help the reader assess the factors affecting the Port's ability to generate its property taxes and how the property tax rates have changed over time. Schedules included are:

Schedule 3 – Property Tax Levies and Collections, Last Ten Years

Schedule 4 – Assessed Value of Property, Last Ten Years

Schedule 5 – Property Tax Rates, Last Ten Years

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the Port's current levels of outstanding debt and the Port's ability to issue additional debt in the future. Details regarding the Port's outstanding debt can also be found in the notes to the financial statements. Schedules included are:

Schedule 6 – Computation of Legal Debt Margin, Current Year

Schedule 7 – Computation of Direct & Overlapping Bonded Debt, Current Year

DEMOGRAPHIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment in which the port's financial activities take place. Schedules included are:

Schedule 8 – Demographic/Economic Statistics, Last Ten Years

Schedule 9 – Ratios of Outstanding debt, Last Ten Years

Schedule 10 – Principal Employers of Kitsap County, Current Year and 2001

OPERATING INFORMATION

These schedules contain data about the Port's operations to help the reader understand how the information in the Port's financial report relates to the services it provides and the activities it performs.

Schedule 11 – Number of Port Employees by Division, Current Year

Schedule 12 – Bremerton National Airport Enplaned/Deplaned Freight, Last Ten Years

Schedule 13 – Bremerton National Airport Landings & Takeoffs, Last Ten Years

Schedule 14 – Existing Kitsap County Moorage Facilities, As of April 2012

Schedule 15 – Largest Property Leases, Current Year

Schedule 16 – Capital Assets Information – Current Year

Port of Bremerton

Statistical Section - Schedule 1

**Revenues, Expenses, and Changes in Fund Net Position
Last Ten Years**

Page 1 of 3

	2002	2003	2004	2005	2006
Operating Revenues					
Airport	\$ 394,449	\$ 293,220	\$ 200,178	\$ 202,586	\$ 208,103
Marinas	1,029,210	1,123,949	1,215,298	1,322,327	978,910
Property Lease	664,061	773,553	918,879	1,032,097	1,071,645
Other	-	2,247	2,820	46,188	1,140
Total	2,087,720	2,192,969	2,337,175	2,603,198	2,259,798
Operating Expenses					
Direct	3,093,890	3,065,918	3,196,503	3,555,575	3,546,800
Administrative	221,495	256,194	279,372	332,092	329,570
Depreciation	1,408,086	1,381,173	1,460,007	1,497,749	1,401,468
Total	4,723,471	4,703,285	4,935,882	5,385,416	5,277,838
Operating Income (Loss)	(2,635,751)	(2,510,316)	(2,598,707)	(2,782,218)	(3,018,040)
Non-Operating Revenues(1)					
Ad valorem tax revenues	2,592,127	2,652,634	2,730,525	2,838,978	2,965,555
Interest income	164,833	95,478	99,242	212,255	463,342
Gain on disposition of assets	435,189	(8,317)	(41,547)	(79,502)	
Other non-operating revenues	50,569	55,311	595,609	80,448	128,541
Total	3,242,718	2,795,106	3,383,829	3,052,179	3,557,438
Non-Operating Expenses					
Interest Expense	171,352	155,100	141,777	135,415	294,801
Other non-operating expenses	34,253	34,606	334,666	70,264	31,821
Total	205,605	189,706	476,443	205,679	326,622
Capital Contributions	465,931	227,884	939,350	3,649,914	1,834,438
Increase (Decrease) in net position	867,293	322,968	1,248,029	3,714,196	2,047,214
Total Net Position					
Beginning of Year	33,031,354	33,898,647	34,221,615	35,459,644	39,173,840
End of Year	\$ 33,898,647	\$ 34,221,615	\$ 35,459,644	\$ 39,173,840	\$ 41,221,054

(1) Other non-operating revenues include timber thinning revenue and miscellaneous tax receipts.

(2) Other non-operating expenses include election costs and extraordinary items.

Port of Bremerton

Statistical Section - Schedule 1

**Revenues, Expenses, and Changes in Fund Net Position
Last Ten Years**

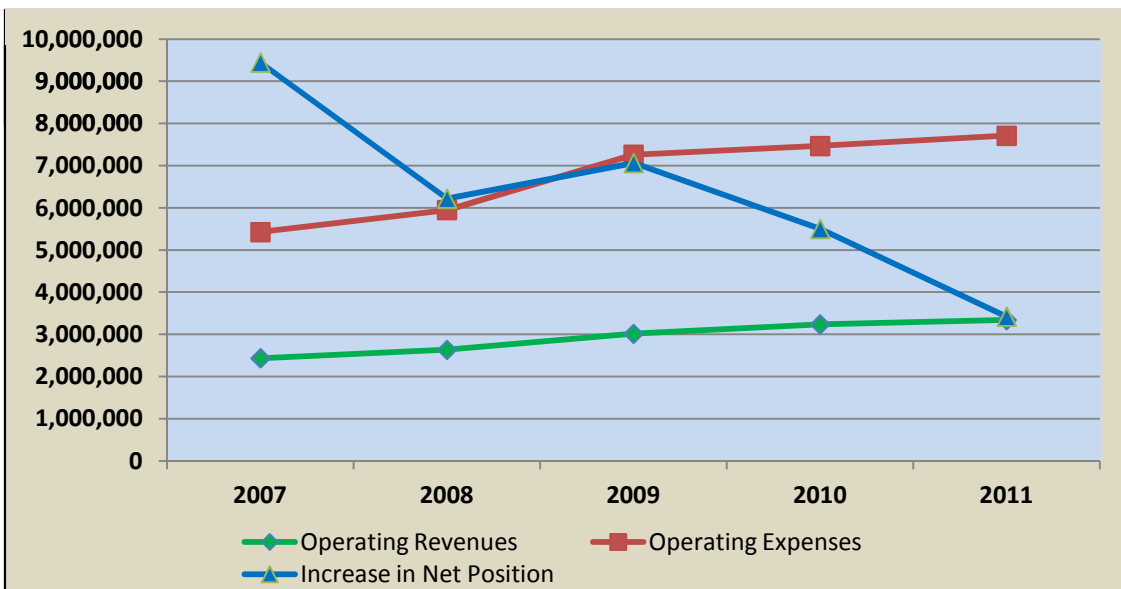
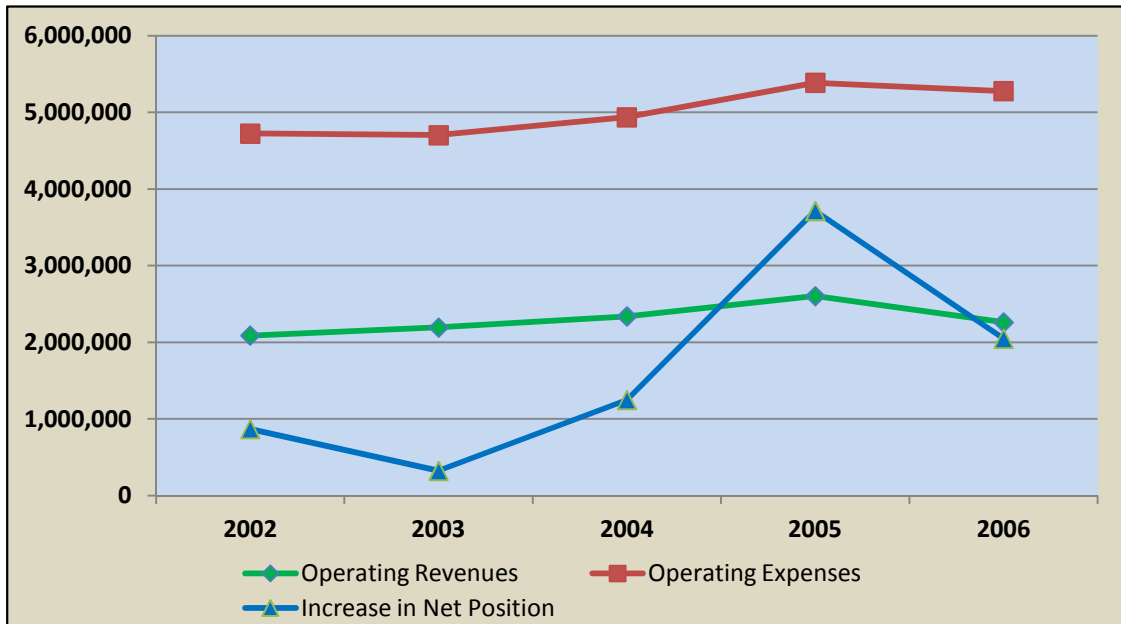
Page 2 of 3

	2007	2008	2009	2010	2011
Operating Revenues					
Airport	\$ 209,490	\$ 217,149	\$ 217,646	\$ 217,595	\$ 216,843
Marinas	1,074,630	1,248,785	1,552,448	1,647,755	1,702,583
Property Lease	1,149,015	1,168,103	1,241,556	1,370,761	1,422,499
Other	421	393	1,572	617	264
Total	2,433,556	2,634,430	3,013,222	3,236,728	3,342,189
Operating Expenses					
Direct	3,652,393	4,269,532	4,136,970	4,193,133	4,340,151
Administrative	342,338	370,909	585,452	640,938	583,662
Depreciation	1,433,253	1,305,868	2,537,146	2,634,037	2,788,003
Total	5,427,984	5,946,309	7,259,568	7,468,108	7,711,816
Operating Income (Loss)	(2,994,428)	(3,311,879)	(4,246,346)	(4,231,380)	(4,369,627)
Non-Operating Revenues(1)					
Ad valorem tax revenues	7,577,576	7,728,339	7,908,740	7,860,705	7,772,679
Interest income	934,485	221,147	39,935	22,095	18,016
Gain on disposition of assets	314,578	(24,940)	(2,266)	(1,672)	-
Other non-operating revenues	152,308	985,165	140,252	150,644	276,637
Total	8,978,947	8,909,711	8,086,661	8,031,772	8,067,332
Non-Operating Expenses					
Interest Expense	774,622	740,975	629,167	615,535	463,184
Other non-operating expenses	93,694	24,284	258,050	327	523,982
Total	868,316	765,259	887,217	615,862	987,166
Capital Contributions	4,329,936	1,384,655	4,108,148	2,315,270	710,894
Increase (Decrease) in net position	9,446,141	6,217,228	7,061,246	5,499,800	3,421,433
Total Net Position					
Beginning of Year	41,221,054	50,667,194	56,884,422	63,945,668	69,445,468
End of Year	\$ 50,667,194	\$ 56,884,422	\$ 63,945,668	\$ 69,445,468	\$ 72,866,901

(1) Other non-operating revenues include timber thinning revenue and miscellaneous tax receipts.

(2) Other non-operating expenses include election costs and extraordinary items.

Revenues, Expenses, and Changes in Fund Net Position
Last Ten Years



Fund Net Position by Component
Last Ten Years

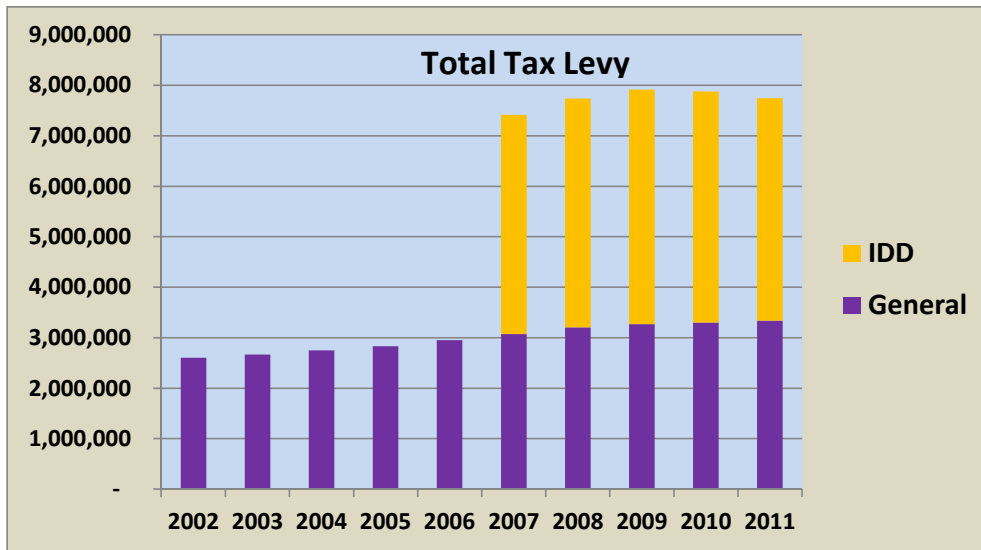
	2002	2003	2004	2005	2006
Net Investment in capital assets	\$ 25,584,368	\$ 26,806,007	\$ 28,033,562	\$ 32,221,320	\$ 34,530,650
Restricted for Capital Assets	0	0	0	0	455,054
Unrestricted	8,314,279	7,415,608	7,426,082	6,952,520	6,235,350
Total net position	33,898,647	34,221,615	35,459,644	39,173,840	41,221,054

	2007	2008	2009	2010	2011
Net Investment in capital assets	\$ 38,733,438	\$ 52,144,361	\$ 57,850,558	\$ 61,357,709	\$ 62,712,500
Restricted for Capital Assets	5,091,208	0	838,958	841,368	842,948
Unrestricted	6,842,548	4,740,061	5,256,152	7,246,391	9,311,453
Total net position	50,667,194	56,884,422	63,945,668	69,445,468	72,866,901

Source: Port of Bremerton Records

Property Tax Levies and Collections
Last Ten Years

Year	Type	Total Tax Levy	Total Tax Collections	% of Total Tax Collection to Levy	Net Tax Adjustments Inc. (Dec.)	Outstanding Delinquent Taxes	% Delinquent Taxes to Tax Levy
2002	General	2,600,537	2,584,943	99.40%	(12,753)	2,841	0.11%
2003	General	2,666,721	2,644,781	99.18%	(16,958)	4,982	0.19%
2004	General	2,747,000	2,731,955	99.45%	(11,206)	3,839	0.14%
2005	General	2,834,641	2,828,865	99.80%	844	6,620	0.23%
2006	General	2,950,380	2,970,264 1)	100.67%	24,430	4,546	0.15%
2007	General	3,073,157	3,137,899 1)	102.11%	68,310	3,568	0.12%
	IDD	4,338,806	4,430,207		96,443	5,042	
2008	General	3,204,366	3,195,858	99.73%	(2,064)	6,444	0.20%
	IDD	4,535,604	4,523,564		(2,922)	9,117	
2009	General	3,271,818	3,234,524	98.86%	(3,137)	34,158	1.04%
	IDD	4,641,236	4,588,332		(4,450)	48,454	
2010	General	3,299,841	3,232,107	97.95%	(8,932)	58,803	1.78%
	IDD	4,578,373	4,484,396		(12,393)	81,584	
2011	General	3,340,667	3,214,023	96.21%	(9,025)	117,620	3.52%
	IDD	4,401,211	4,234,358		(11,890)	154,963	

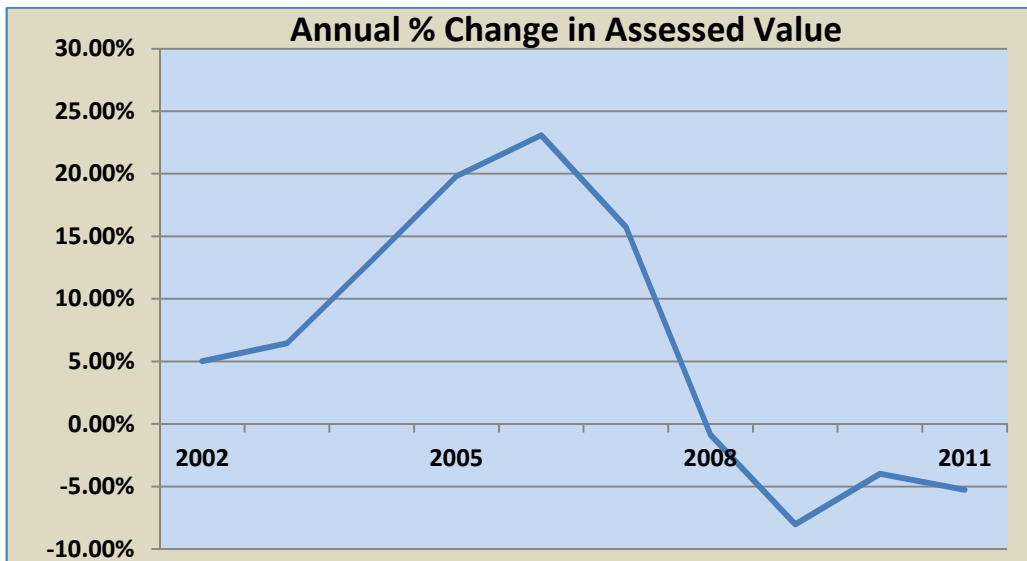


1) Exemptions are audited by the Assessor's office every 2-3 years; if criteria is not met, taxes are adjusted back to the normal amount going up to three years back, which may cause collections to exceed Certified tax levy.

Note: Industrial Development District (IDD) Tax Levy to be assessed and collected over a six year period beginning in 2007.

***Assessed Value of Property
Last Ten Years**

Fiscal	Tax	Real Property	Personal Property	Public Utilities	Total	% Change
2002	2003	5,198,155,322	81,740,162	149,962,036	5,429,857,520	5.02%
2003	2004	5,549,792,706	91,197,774	138,851,156	5,779,841,636	6.45%
2004	2005	6,281,658,981	116,457,240	136,455,678	6,534,571,899	13.06%
2005	2006	7,577,852,584	128,726,727	122,712,275	7,829,291,586	19.81%
2006	2007	9,362,326,907	142,399,865	132,239,232	9,636,966,004	23.09%
2007	2008	10,865,024,326	151,721,437	136,244,156	11,152,989,919	15.73%
2008	2009	10,756,985,692	167,735,860	132,202,720	11,056,924,272	-0.86%
2009	2010	9,884,370,695	159,160,808	126,760,394	10,170,291,897	-8.02%
2010	2011	9,450,684,124	189,793,292	125,523,757	9,766,001,173	-3.98%
2011	2012	8,953,332,303	172,727,851	126,235,598	9,252,295,752	-5.26%

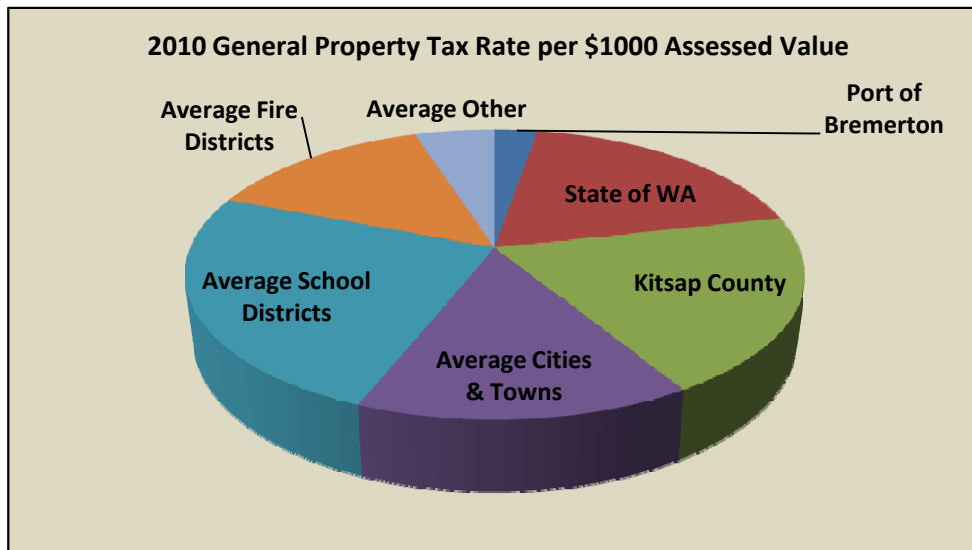


Source: Kitsap County Statement of Assessments

*All property in Kitsap County is physically inspected at least once every six years. Values are updated countywide on an annual basis by statistical analysis.

**Property Tax Rates
Per \$1,000 of Assessed Value
Direct and Overlapping Governments
Last Ten Years**

Year	Type	Port of Bremerton	State of WA	County	Average Cities & Towns	Average School Districts	Average Fire Districts	Average Other	Aggregate Consolidated Total
2002	General	0.503	3.15	3.65	2.43	4.43	1.78	0.71	16.653
2003	General	0.491	2.93	3.52	2.33	4.08	1.71	0.97	16.031
2004	General	0.475	3.08	3.28	2.33	3.94	1.69	0.66	15.455
2005	General	0.434	2.96	3.03	2.21	3.64	1.58	0.75	14.604
2006	General	0.377	2.60	2.60	1.97	3.14	1.43	0.54	12.657
2007	General IDD	0.319 0.450	2.30	2.21	1.71	2.83	1.41	0.58	11.809
2008	General IDD	0.237 0.407	2.03	2.02	1.52	2.58	1.34	0.54	10.674
2009	General IDD	0.296 0.420	2.03	2.08	1.57	2.72	1.40	0.57	11.085
2010	General IDD	0.324 0.450	2.13	2.32	1.73	3.08	1.70	0.62	12.354
2011	General IDD	0.342 0.450	2.38	2.50	1.87	3.14	1.79	0.63	13.102



Source: Kitsap County Assessors Office

Computation of Legal Debt Margin
As of December 31, 2011

INDEBTEDNESS FOR GENERAL PURPOSES	
2011 Assessed Value of Taxable Property in the Taxing District	\$ 9,252,295,752
Legal Limit at 3/4 of 1% of Property Value	69,392,218
<i>GENERAL PURPOSE INDEBTEDNESS INCURRED</i>	
Current G.O. Bond Liabilities:	
2006 G.O Bond	3,795,000
2009 G.O. Bond	4,100,000
Other Loans	<u>655,364</u>
<i>Total General Purposes Indebtedness</i>	8,550,364
Assigned Cash and Investments:	
G.O. Bond Cash	<u>1,707,365</u>
Total	1,707,365
Excess Liabilities Over Assets	6,842,999
Margin of Indebtedness Available	62,549,219
Margin of Indebtedness Available Without a Vote of the People (1/4 of 1% of Assessed value of Property Less Excess Liabilities Over Assets)	
Total Margin Available	\$ 16,288,253

Port of Bremerton

Statistical Section - Schedule 7

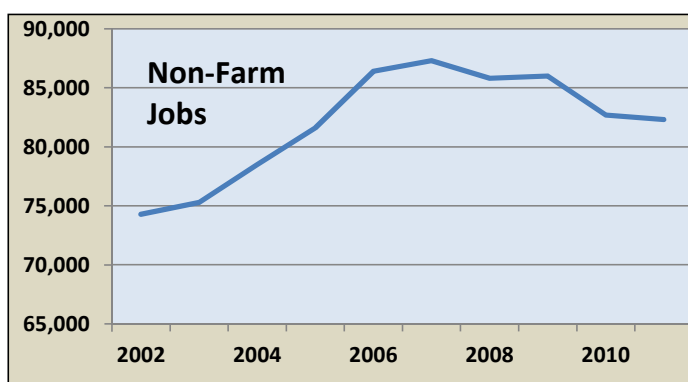
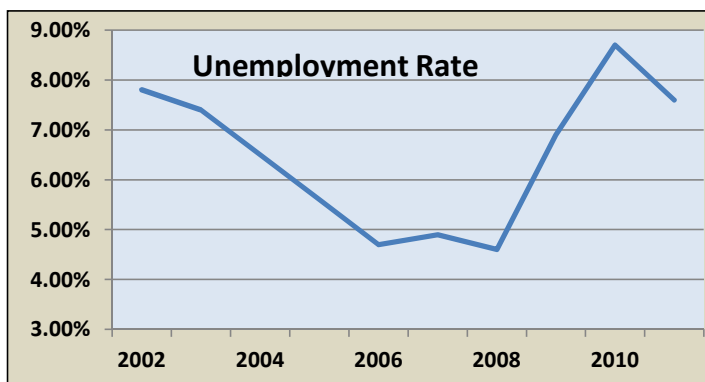
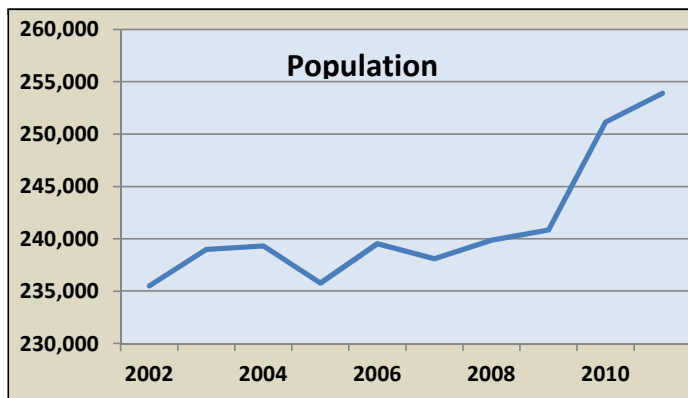
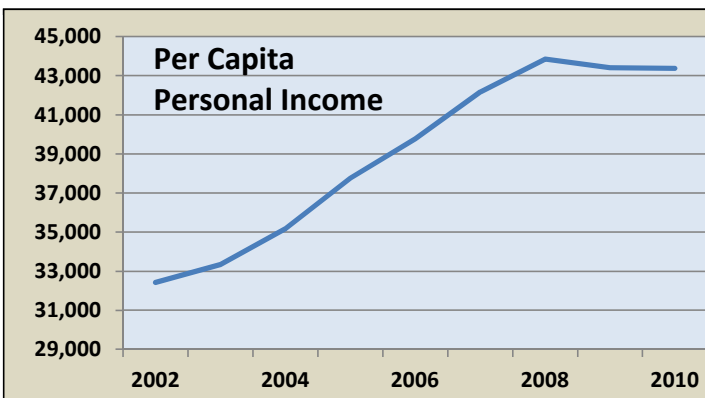
**Computation of Direct & Overlapping Bonded Debt
General Obligation Bonds
As of December 31, 2011**

Jurisdiction	Gross Debt Outstanding	Percentage Applicable to Port of Bremerton	Amount Applicable to Port of Bremerton
School Districts			
Bremerton School District	19,586,812	75.00%	14,690,109
South Kitsap School District	3,428,079	70.00%	2,399,655
Central Kitsap School District	-	50.00%	-
Subtotal	<u>23,014,891</u>		<u>17,089,764</u>
Cities and Towns			
Port Orchard	1,555,000	50.00%	777,500
Bremerton	<u>39,463,000</u>	90.00%	<u>35,516,700</u>
Subtotal	41,018,000		36,294,200
Port of Bremerton	7,895,000	100.00%	7,895,000
Kitsap County	116,445,722	33.00%	38,427,088
Totals	188,373,613		99,706,053

Note: The Port of Bremerton is not a county wide district.

Demographic/Economic Statistics
Kitsap County, Washington
Last Ten Years

Fiscal Year Ended	Population (1)	Personal Income (thousands of \$) (3)	Per Capita Personal Income (3)	Non Farm Employment (2)	Unemployment Rate (2)	School Enrollment (4)
2002	235,499	7,634	32,420	74,300	7.80%	16,956
2003	238,988	7,969	33,348	75,300	7.40%	16,754
2004	239,311	8,418	35,178	78,500	6.50%	16,548
2005	235,769	8,904	37,769	81,600	5.60%	15,973
2006	239,543	9,528	39,777	86,400	4.70%	15,744
2007	238,087	10,038	42,163	87,306	4.90%	15,631
2008	239,865	10,518	43,851	85,800	4.60%	15,376
2009	240,862	10,454	43,404	86,000	6.90%	14,902
2010	251,133	10,697	43,374	82,700	8.70%	14,733
2011	253,900 (5)	NA	46,840	82,300 (6)	7.6% (6)	14,863



Sources: (1) Washington State Office of Financial Management
 (2) Washington State Employment Security Dept.
 (3) Bureau of Economic Analysis, Department of Commerce
 (4) OSPI - Superintendent of Public Instruction
 (5) Ur Wikipedia, Kitsap County, WA
 (6) Kitsap Economic Development Alliance
 NA: Not available at time of publication

Ratios of Outstanding Debt
Last Ten Years

Year	General Obligation Bonds (net)	Notes Payable & Other	Total Government Debt	Percentage of personal income	Per Capita Taxes
2002	3,000,000	-	3,000,000	0.04%	12.74
2003	2,580,000	432,000	3,012,000	0.04%	12.60
2004	2,140,000	432,000	2,572,000	0.03%	10.75
2005	1,680,000	676,905	2,356,905	0.03%	10.00
2006	18,921,788	656,631	19,578,419	0.21%	81.73
2007	18,385,938	635,675	19,021,613	0.19%	79.89
2008	14,580,088	614,029	15,194,117	0.14%	63.34
2009	15,331,505	891,257	16,222,762	0.16%	67.35
2010	11,641,678	932,914	12,574,592	0.12%	50.07
2011	7,806,850	655,364	8,462,214	0.08%	33.33

Source: Port of Bremerton Records

Notes: (1) Net bonds are bond totals less unamortized premiums and discounts
See Schedule 8 for per capita personal income and population data.

Principal Employers of Kitsap County
Current Year and 2001

Employer	2011			2001		
	Employees	Rank	Percentage of total county employment	Employees	Rank	Percentage of total county employment
Naval Base Kitsap	30,649	1	12.20%	12,511	1	5.43%
Harrison Hospital	2,379	2	0.95%	1,162	5	0.50%
Kitsap County	1,169	3	0.47%	1,050	7	0.46%
Central Kitsap School District	1,491	4	0.59%	1,859	3	0.81%
Wal-Mart	1,003	5	0.40%	-		0.00%
South Kitsap School District	1,002	6	0.40%	1,100	6	0.48%
North Kitsap School District	824	7	0.33%	873	8	0.38%
Port Madison Enterprises	770	8	0.31%	-		0.00%
Bremerton School District	729	9	0.29%	750	10	0.33%
Safeway	623	10	0.25%	-		0.00%
Total	<u>40,639</u>		<u>16.18%</u>	<u>19,305</u>		<u>8.39%</u>

Source: Kitsap Regional Economic Development Alliance

Port of Bremerton

Statistical Section - Schedule 11

**Number of Employees by Division
Current Year**

Division	Number of Employees	Percentage of Employees
Airport / Business and Industrial Park	6	21.43%
Marinas	8	28.57%
Administration		
Marinas	4	14.29%
Finance	3	10.71%
General	2	7.14%
Executive	5	17.86%
Totals	28	

Port of Bremerton**Statistical Section - Schedule 12****Bremerton National Airport
Enplaned/Deplaned Freight**

Year	# Landings	Freight (pounds)		Total
		Enplaned	Deplaned	
2002	Contracted Air Cargo Services Did Not Begin Until 2003			
2003	63	242,550	0	242,550
2004	256	985,600	0	985,600
2005	247	950,950	0	950,950
2006	247	950,950	0	950,950
2007	230	1,751,450	0	1,751,450
2008	262	550,978	16,339	567,317
2009	254	138,179	41,784	179,963
2010	257	399,650	31,877	431,527
2011	358	193,657	65,877	259,534
Totals		6,163,964	155,877	6,319,841

Source: Port of Bremerton Records

Port of Bremerton

Statistical Section - Schedule 13

**Bremerton National Airport
Landings and Takeoffs**

Year	Air	Air	Itinerant		Local		Total
	Carrier	Taxi	General	Military	General	Military	
2002	0	400	19,800	900	29,700	0	50,800
2003	0	400	19,800	900	29,700	0	50,800
2004	0	416	20,691	900	31,037	0	53,044
2005	0	432	21,582	900	32,374	0	55,288
2006	0	445	22,273	900	33,412	0	57,030
2007	0	459	22,987	900	34,483	0	58,829
2008	0	73	23,724	900	35,588	0	60,285
2009	0	487	24,485	900	36,729	0	62,601
2010	0	502	25,270	900	37,905	0	64,577
2011	0	103	43,348	900	67,085	0	111,436

Source: FAA Terminal Area Forecast: National Forecast 2007 - Airport Operations
 Bremerton National Airport - Airport Master Plan, May 2004
 Model for estimating General Aviation Operations at non-towered airports, prepared for the FAA Statistical & Forecast
 Branch

**Existing Kitsap County Moorage Facilities
As of April 30, 2012**

Moorage Facility	No. on Waiting List Open	No. on Waiting List Cov	Moorage Berths Open	Moorage Berths Cov	Moorage Occupancy % Open	Moorage Occupancy % Cov	Number Visitor Berths
Port Orchard Marina	0	14	184	157	89%	91%	90
Bremerton Marina	0	NA	221	0	39%	NA	100
Yachtfish	0	0	9	0	55%	NA	0
Kitsap Marina	0	NA	22	0	80%	NA	0
Port Orchard Marine Railway	0	NA	75	0	90%	NA	0
Sinclair Inlet	0	6	30	43	93%	96%	0
Suldan's	0	NA	72	0	50%	NA	0
Brownsville	131	NA	379	0	98%	NA	60
Kingston	344	152	206	54	100%	100%	49
Poulsbo	10	NA	269	0	96%	NA	135

Source: Survey of Marinas conducted by Port of Bremerton

**Current Moorage Rates and Tariffs
As of April 30, 2012 (\$/mo.)**

Moorage Facility	28 Open	28 Cov	38 Open	38 Cov	50 Open	50 Cov
Port Orchard Marina	\$177.94	\$191.28	\$294.91	\$402.42	\$389.21	\$594.50
Bremerton Marina	n/a	n/a	329.80	n/a	434.90	n/a
Yachtfish	198.80	n/a	269.80	n/a	355.00	n/a
Kitsap Marina	220.00	n/a	220.00	n/a	275.00	n/a
Port Orchard Marine Railway	182.00	238.00	247.00	323.00	325.00	425.00
Sinclair Inlet	196.00	252.00	266.00	342.00	350.00	450.00
Suldan's	182.00	n/a	247.00	n/a	325.00	n/a
Brownsville	121.17	n/a	164.45	n/a	216.37	n/a
Kingston	160.50	n/a	229.29	343.48	321.01	429.36
Poulsbo	132.16	n/a	179.36	n/a	236.00	n/a

Source: Survey of Marinas conducted by Port of Bremerton

**Historical Moorage Rates and Tariffs
at Port of Bremerton Marinas**

PORT ORCHARD MARINA (1)

Year	Effective LHT Rate	28 Open	28 Covered	(40') 38 Open	(42') 38 Cov	50 Open	(52') 50 Cov
2003	1.3000%	109.49	138.70	156.41	230.17	195.51	284.98
2004	4.5443%	119.14	151.05	170.20	250.72	212.75	310.41
2005	4.8535%	125.95	159.71	179.93	265.11	224.91	328.23
2006	3.2788%	169.75	182.47	281.33	383.89	371.29	567.12
2007	4.5345%	171.81	184.69	284.75	388.55	375.80	574.02
2008	5.2892%	173.05	186.02	286.81	391.36	378.51	578.16
2009	5.4551%	173.33	186.32	287.26	391.98	379.11	579.08
2010	7.1025%	176.03	189.23	291.75	398.10	385.03	588.12
2011	7.7450%	177.09	190.36	293.50	400.49	387.34	591.65
2012	8.2640%	177.94	191.28	294.91	402.42	389.21	594.50

BREMERTON MARINA (1)

Year	Effective LHT Rate	28 Open	28 Covered	38 Open	38 Cov	50 Open	50 Cov
2008	0.8308%	n/a	n/a	\$312.71	n/a	\$412.37	n/a
2009	5.4093%	n/a	n/a	326.91	n/a	431.09	n/a
2010	5.5575%	n/a	n/a	327.37	n/a	431.70	n/a
2011	5.9003%	n/a	n/a	328.43	n/a	433.10	n/a
2012	6.3415%	n/a	n/a	329.80	n/a	434.90	n/a

Guest Moorage Only Prior to 2008

Source: (1) Port of Bremerton Records

**Largest Property Leases
As of December 31, 2011**

Tenant Name	Type of Activity	2011 Lease Payment	Lease Expires	Renewal Option Year
1 SAFE Boats	Boat Manufacturer	\$ 468,538	2012	None
2 Electric Boat	Submarine Manufacturer/ Refurbisher	113,296	2012	2017
3 Avian Flight Center, Inc.	Fix Based Operator	80,815	2022	2042
4 Westech	Aerosol Adhesive Manufacturer	70,309	2015	2020
5 Kitsap County Storm Division	Utility	69,322	2053	2073
6 Fred Hill Materials	Cement Batch Plant	63,863	2013	2033
7 Coastal Marine	Marine Vessel Refurbisher	42,366	2013	2015
8 Viking Fence	Fence Installer	39,100	2012	None
9 Electro Forming	Chrome Plating	31,987	2015	2020
10 Brem-Air, Inc.	Waste Removal	31,942	2029	None
Largest 10 Property leases		\$ 1,011,538		
Total Real Estate Revenues		\$ 1,422,499		
Largest 10 Leases as a Percentage of Total Real Estate Revenues		71.11%		

Source: Port of Bremerton Financial Division

**Capital Assets Information
As of December 31, 2011**

Bremerton National Airport

Location:	8 miles south of Bremerton
Airport Identifier:	PWT
Runways:	1/19 at 6,000' 150'
Use:	General Aviation/Corporate
Instrumentation:	ILS/NDB/GPS
Area:	1,200 acres
Foreign trade Zone:	217 Acres
Tenants/Employees:	11/121

Olympic View Business & Industrial Parks

Location:	8 miles south of Bremerton
Area:	587 acres
Leasable Area	
Building Area:	527,000 sq. ft.
Land	348 acres
Tenants/Employees:	29/848
Foreign trade Zone:	312 acres
Intermodal Rail Facility:	1

Marinas

Bremerton Marina	
Permanent Slips:	220
Visiting Slips:	100
Port Orchard Marina	
Permanent Slips:	342
Visiting Slips:	90
Fueling Station:	1
Boat Launches:	3
Recreation Piers:	2
Parks	3

See Schedule 14

Source: Port of Bremerton Records

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