ANNUAL REPORT 2009

PORT OF LONGVIEW

CONTENTS

FINANCIAL REPORT

REQUESTS FOR INFORMATION

This financial report is designed and intended to provide a general overview of the Port of Longview's financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Port of Longview, Director of Finance, P.O. Box 1258, Longview, WA 98632.

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YEAR IN REVIEW 09

A consistent mix of cargo through the Port of Longview's multi-purposes facilities has contributed toward a strong performance in 2009. The Port handles all types of bulk, breakbulk, and heavy-lift commodities, as well as project-based industrial products and equipment.

During 2009, the Port had 123 vessel calls and 2 barge calls, totaling 1.5 million metric tons of cargo. Overall, vessel calls were down 15%. Import cargo of 214,088 metric tons, was up 9% from the previous year's total of 196,684 metric tons. Export cargo increased overall by 13%, from 1.13 million metric tons in 2008 to 1.28 million metric tons in 2009.

Due to an increase in total tonnage, particularly export logs, export agricultural products and import wind energy components, the Port posted record earnings in 2009. The Port's gross revenue for the year was $25,115,703, an increase over 2008 by 7%.

Export shipments were stronger in 2009, due to increased volumes of dry bulk commodities and export logs to Japan, China, and Korea. Bulk agricultural products and minerals, such as soya meal, distilled dried grains, and bentonite clay, loading at the Port's Berth 2 Terminal, were up 32%, at 321,418 metric tons, compared to 217,771 metric tons in 2008. Export log shipments totaled 60,749 million board feet, compared to 31,758 million board feet in 2008. Calcined coke exports were 746,673 metric tons, down 2.8%, compared to 2008.

Import shipments were steady as the Port saw increased vessel calls from Japan, China, Korea, and India. These shipments consisted of wind turbines and towers, heavy machinery/equipment, and parcels of steel. Overall, wind energy and project cargo tonnages were higher than those from the previous year, with an increase of 19.7%, at 89,648 metric tons. The future outlook for the wind energy market remains positive as Pacific Northwest wind projects gain momentum, and developers obtain access to credit for construction of future wind farms. Foreign steel shipments were reduced due to competitive domestic steel pricing in the U.S., along with rising ocean freight rates.

Domestic markets continued to weaken under a strained economy. The Port saw a decrease in domestic steel handling, down from 40,622 metric tons in 2008, to just 10,889 metric tons total in 2009. The Port handled cargo for two barge sailings to Hawaii in 2009. Both barges were laden with lumber, heavy equipment and machinery, and other construction materials.

In a rebounding economy, tonnage forecasts for 2010, along with the overall number of vessel calls at the Port, are expected to decline.

MANAGEMENT'S DISCUSSION & ANALYSIS 09

The following is the Port of Longview's (the Port) Management Discussion and Analysis (MD&A) of financial activities and performance for the fiscal years ended December 31, 2009 and 2008. It provides an introduction to the Port's 2009 and 2008 financial statements. Information contained in the MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and the notes.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three components: MD&A, the basic financial statements, and the notes to the financial statements. The basic financial statements include: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The notes provide additional information that is essential to a full understanding of the data provided in the Port's financial statements. The notes to the financial statements can be found on pages 10-21 of this report.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets tell us whether the Port's financial position has improved as a result of the year's activities. The Statement of Net Assets presents information on all of the Port's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets 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 Net Assets show how the Port's net assets changed during the year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Port uses only one fund, an enterprise fund, which is a type of proprietary fund. An enterprise fund reports business type activities.

FINANCIAL ANALYSIS

Condensed Financial Position Information

The Statement of Net Assets reflects the financial position of the Port at year end. Financial position is represented by the difference between assets owned and liabilities owed at a specific point in time, with the difference between the two reported as net assets. As previously noted, changes in net assets can be a good indicator of the Port's financial position.

Financial Highlights

The Port's net assets increased by $5,385,218 in 2009, up 8.1% from the previous year. Of the Port's $72.2 million in net assets, the largest portion, $50.4 million or 69.8%, reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, infrastructure and construction in progress), less any outstanding debt used to acquire those assets. The remaining balance of $21.8 million or 30.2% in unrestricted net assets may be used in the Port's continuing operations.

In 2009, the Port's capital assets, net of accumulated depreciation, increased by nearly $2.6 million, an increase of 3.1%. The increase was primarily due to the purchase of real property. Total assets increased by nearly $11.7 million, or 11.7%, from the prior year.

At December 31, 2009, the Port had outstanding liabilities of $39.4 million, an increase of $6.3 million or 19% from 2008.

The following condensed financial information provides an overview of the Port's assets, liabilities, and net assets for fiscal years ended December 31.

NET ASSETS

	2009	2008	2007
ASSETS			
Current and other assets	$25,054,286	$15,969,149	$17,080,293
Capital assets, net	86,540,417	83,960,054	81,585,214
Total Assets	111,594,703	99,929,203	98,665,507
LIABILITIES			
Current liabilities	5,532,009	3,827,952	8,052,210
Long-term liabilities	33,833,344	29,257,119	26,397,716
Total Liabilities	39,365,353	33,085,071	34,449,926
NET ASSETS			
Invested in capital assets, net of related debt	50,446,051	52,758,916	49,133,788
Unrestricted net assets	21,783,299	14,085,216	15,081,793
Total Net Assets	$72,229,350	$66,844,132	$64,215,581

Summary of Operations and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets shows how the Port's net assets changed during the most recent and previous fiscal year as a result of operations. These changes are reported as the underlying event 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, e.g. uncollected receivables.

Total operating revenues in 2009 increased by $1.6 million or 6.9% from 2008 operating revenues, primarily from marine terminal charges. The Port's maritime business continued to see increases in wind energy components. Growth within the realm of power generation continued with the Port handling specialized project cargo associated with wind energy projects. Receiving of domestic products declined in 2009. On the foreign export side, the Port saw continued increases in logs and bulk agricultural products and minerals. Domestic shipments outbound showed decreased shipments overall with the exception of a slight increase in containerized cargo in 2009. Property lease revenues declined by 5.7% over the prior year.

Total 2009 operating expenses, before depreciation, increased by $1.8 million or 8.5% from 2008 expenses as a result of the increased tonnage and the mixture of cargo handling activities. Operating income, before depreciation, decreased by $125,000, down by 4.3% from 2008.

In 2009, net non-operating revenue increased by nearly $1.3 million or nearly 70% compared to 2008.

A summarized comparison of the Port's statement of revenues and expenses and changes in net assets at fiscal years ending December 31 follows on the next page.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	2009	2008	2007
OPERATING REVENUES			
Marine terminal	$24,010,062	$22,430,125	$17,849,630
Property lease/rental	816,776	866,147	811,360
Sales and miscellaneous	288,865	190,658	128
Total operating revenues	25,115,703	23,486,930	18,661,118
OPERATING EXPENSES			
General operations	16,884,511	15,597,561	12,925,942
Maintenance	2,827,541	2,885,198	2,374,648
General and administrative	2,674,095	2,149,479	1,935,061
Depreciation	2,454,376	2,439,878	2,315,967
Total operating expenses	24,840,523	23,072,116	19,551,618
Operating Income	$275,180	$414,814	($890,500)
NON-OPERATING REVENUES (EXPENSES)			
Ad valorem taxes	$2,946,219	$2,766,522	$2,713,757
Investment income	94,198	325,600	410,154
Interest expense	(1,433,277)	(1,564,980)	(1,528,557)
Gain/<Loss> on disposition of asset	(75,795)	383,852	(28,240)
Other income (expense), net	1,636,828	(47,257)	166,667
Net non-operating revenues (expenses)	3,168,173	1,863,737	1,733,781
Changes in net assets, before capital contribution & special items	$3,443,353	$2,278,551	$843,281
Capital Contributions	1,941,865	350,000	0
Increase (decrease) in net assets	5,385,218	2,628,551	843,281
Net assets at beginning of year	$66,844,132	$64,215,581	$63,372,300
Net assets at end of year	$72,229,350	$66,844,132	$64,215,581

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Port's investment in capital assets for its business activities as of December 31, 2009, totaled $86.5 million, net of accumulated depreciation. The Port's investment in capital assets includes land; berths, dolphins, floats; buildings; improvements (other than buildings); machinery and equipment; and construction in process. The total increase in the Port's investment in capital assets for the year ended December 31, 2009 was 2.9%. Major capital asset events during 2009 included the following:

- A variety of improvements and repairs were made to facilities, general plant systems, storage yard areas and trackage. Construction on the Berth 9 ship dock commenced. In addition, the Port acquired and began implementation of a new accounting software system.

- The Port acquired 6 acres of industrial property adjacent to currently owned property and prepared for the purchase of an additional 35 acres of industrial property to occur in early 2010.

CAPITAL ASSETS, NET

	2009	2008	2007
Land and Land Reclamation	$25,079,655	$23,036,601	$23,547,708
Berths, dolphins, floats	12,660,455	13,111,225	13,569,063
Building and structures	16,845,519	19,302,414	20,063,884
Other improvements	16,675,838	17,454,747	17,446,442
Machinery and Equipment	8,091,885	10,572,820	6,363,556
Construction in process	1,876,119	482,247	594,561
	$81,229,471	$83,960,054	$81,585,214

Long-Term Debt
At December 31, 2009, long-term debt outstanding totaled $33.8 million. Of this amount, $18 million is general obligation debt, $14.8 million represents revenue bonds secured by revenue sources of the Port, and $423,624 are capital leases.

Additional information on the Port's long-term debt activity may be found in Note 9 of this report.

ECONOMIC FACTORS

As the recession continued to impact Ports nationwide, the Port of Longview maintained its core customer base and realized growth in several key markets. The Port's ability to handle multiple commodity groups (dry bulk, breakbulk and project cargo) simultaneously has encouraged maritime business and terminal operations to increase. Pricing stability, operational efficiencies, and facility improvements were fundamental elements of the Port's record financial results in 2009.

Marketing efforts targeted commodities in emerging markets to identify future business opportunities. Consistent market visibility, through a print advertising campaign and exhibition at strategic trade shows, has enabled the Port to maintain industry recognition in the areas of breakbulk and project cargo. Facility and infrastructure improvements have positioned the Port to attract and secure new customers who sought cargo handling services in the Pacific Northwest.

- Import: The Port continued to add new customers to its expanding roster of renewable energy companies. During 2009, the Port received vessels delivering wind towers and associated turbine components from China, Korea, Japan, and India. Several of those inbound vessels also delivered heavy machinery from Southeast Asia, or reloaded equipment for export.

- Export: Export shipments continued their momentum from 2008, and made up a majority of the Port's total annual outbound tonnage. Dry bulk commodities such as petroleum coke, soya meal, sulfate of potash, bentonite clay, and distiller's dried grain (DDG) were handled through the Port's specialized bulk handling facilities. Log exports to Japan remained steady, while new log business to China and Korea emerged and increased throughout the year.

- The Port handled 1.5 million metric tons of cargo in 2009, an overall increase of 12%. Vessel calls were down by 15.2% to 123, and barge calls declined from 19 in 2008, to 2 in 2009. The Port unloaded 11,797 bulk railcars in 2009 versus 11,920 bulk railcars in 2008. Import cargo of 214,088 metric tons, was up 9% from the previous year's total of 196,684 metric tons. Export cargo increased overall by 13%, with 1.28 million metric tons handled in 2009, compared to 1.13 million metric tons handled in 2008.

- The Columbia River Channel Improvement Project is a bi-state project which is supported by port sponsors from the states of Oregon and Washington. Oregon's Port of Portland and Port of St. Helens, and Washington's Port of Kalama, Port of Longview, Port of Vancouver, and Port of Woodland are promoting the deepening of the lower Columbia river to 43 feet. The Army Corps of Engineers began deepening the 103 mile long Columbia River navigation channel from 40 to 43 feet in June 2005. At the end of 2009, the deepening project was 95% complete. Completion of the project is expected in Fall 2010.

- In 2009 the Port entered into a long-term lease with EGT, LLC, who will construct and operate the first export grain terminal built in the United States in more than 25 years. Construction of the $200 million project began in June 2009 and is expected to be operational for the Fall 2011 harvest. The facility will handle approximately 8 million metric tons of product annually and generate up to 200 vessel calls and 650 unit trains per year. During construction the project will generate up to 200 construction jobs and upon completion generate 50 full time jobs and 35 ancilliary jobs.

- Federal security mandates continue to be a challenge due to limited financial resources. To date, the Port has received $96,000 in federal funding from the Department of Homeland Security for the installation of perimeter fencing. Additional federal funding is expected in 2010. Planned improvements to current security include surveillance cameras, security lighting and a patrol boat. These projects will be completed in 2010.

STATEMENT OF NET ASSETS
For the Year Ended December 31, 2009 and 2008

ASSETS	2009	2008
CURRENT ASSETS:		
Cash and cash equivalents	$11,387,511	$5,255,476
Taxes receivable	178,358	141,680
Accounts receivable (net of allowance for uncollectibles)	5,586,353	4,826,670
Contracts receivable	12,520	17,760
Prepaids	220,593	235,478
Total Current Assets	17,385,335	10,477,064
RESTRICTED ASSETS:		
Cash and cash equivalents	2,453,897	192,561
Investments	113,530	2,424,140
Total Restricted Assets	2,567,427	2,616,701
CAPITAL ASSETS:		
Property, plant and equipment	131,597,481	127,956,614
Construction in progress	1,876,119	482,247
Less: Accumulated depreciation	(46,933,183)	(44,478,807)
Total Net Capital Assets	86,540,417	83,960,054
OTHER NONCURRENT ASSETS:		
Intangible assets	23,093	23,093
Deferred charges	5,078,431	2,852,291
Total Other Noncurrent Assets	5,101,524	2,875,384
TOTAL ASSETS	**$111,594,703**	**$99,929,203**

LIABILITIES	2009	2008
CURRENT LIABILITIES:		
Warrants payable	$78,804	$173,181
Accounts payable	1,750,040	493,705
Accrued interest payable	256,814	231,173
Deferred credits	27,153	10,223
Current portion long-term obligations	2,842,353	2,464,817
Other current liabilities	576,845	454,853
Total Current Liabilities	5,532,009	3,827,952
NONCURRENT LIABILITIES:		
General obligation bonds	15,290,763	8,788,780
Revenue bonds	14,765,000	16,185,000
Capital leases	423,624	563,714
Employee leave benefits	581,331	520,798
Other noncurrent liabilities	2,772,626	3,198,827
Total Noncurrent Liabilities	33,833,344	29,257,119
Total Liabilities	39,365,353	33,085,071
NET ASSETS:		
Invested in capital assets, net of related debt	50,446,051	52,758,916
Unrestricted	21,783,299	14,085,216
TOTAL NET ASSETS	**$72,229,350**	**$66,844,132**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2009 and 2008

	2009	2008
OPERATING REVENUES:		
Marine terminal operations	$24,010,062	$22,430,125
Property lease/rental operations	816,776	866,147
Sales and miscellaneous revenues	288,865	190,658
Total Operating Revenues	25,115,703	23,486,930
OPERATING EXPENSES:		
General operations	16,884,511	15,233,969
Maintenance	2,827,541	2,885,198
General and administrative	2,674,095	2,513,071
Depreciation	2,454,376	2,439,878
Total Operating Expenses	24,840,523	23,072,116
Operating Income (Loss)	275,180	414,814
NON-OPERATING REVENUES (EXPENSES):		
Investment income	94,198	325,600
Taxes levied for:		
Capital improvements	1,827,550	1,881,560
Debt service principal/interest	1,118,669	884,962
Gain <loss> on disposition of assets	(75,795)	383,853
Sand sales	0	4,682
Interest expense	(1,433,277)	(1,564,980)
Other non-operating revenues (expenses)	1,636,828	(51,939)
Total Nonoperating Revenues (Expenses)	3,168,173	1,863,738
Income (loss) before capital contributions & special items	3,443,353	2,278,552
Capital contributions	1,941,865	350,000
Increase (decrease) in net assets	5,385,218	2,628,552
Net assets - beginning of period	**66,844,132**	**64,215,580**
Net assets - end of period	**$72,229,350**	**$66,844,132**

STATEMENT OF CASH FLOWS
For Year Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Cash received from customers	$24,215,530	$21,132,534
Cash received from other operating activities	367,792	225,464
Cash payment for goods and services	(10,805,174)	(10,422,299)
Cash payments to employees	(10,244,695)	(10,300,419)
Other payments made	(86,174)	(132,428)
Net cash provided by operating activities	3,447,279	502,852
Cash flows from noncapital financing activities		
Non operating grants received	0	356,300
Proceeds from unrestricted property taxes	87,217	2,005,110
Net cash provided (used) by noncapital financing activities	87,217	2,361,410
Cash flows from capital and related financing activities		
Proceeds from taxes - restricted for debt	2,909,541	884,962
Receipts from tenants for debt payment	237,950	0
Contributions from tenants for capital outlay	2,191,776	0
Proceeds from bond refunding	0	10,721
Proceeds from capital related debt	7,476,998	0
Proceeds from sale of fixed assets	1,537,536	378,554
Payment on loans and notes	(352,875)	(169,286)
Payment on capital lease	(130,881)	(121,825)
Purchase of fixed assets	(7,741,294)	(5,581,294)
Payment of bonds	(2,035,000)	(1,575,000)
Interest and fiscal charges paid	(1,639,684)	(1,405,409)
Net cash used for capital and related financing activities	2,454,067	(7,578,577)
Cash flows from investing activities		
Receipts of interest and dividends	94,198	425,052
Net cash provided from investing activities	94,198	425,052
Net increase (decrease) in cash	6,082,761	(4,289,263)
Cash and cash equivalents - January 1	7,872,177	12,161,440
Cash and cash equivalents - December 31	$13,954,938	$7,872,177
Reconciliation to statement of net assets		
Cash & cash equivalents - unrestricted	11,387,511	5,255,476
Cash & cash equivalents - restricted for capital	2,567,427	2,616,701
Cash and cash equivalents - December 31	$13,954,938	$7,872,177

	2009	2008
Reconciliation of operating income to net cash provided (used) by operating activities		
Net operating income (loss)	$275,181	$420,113
Adjustments to reconcile net operating income to net cash provided by operating activities		
Depreciation	2,454,375	2,434,580
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(759,683)	(2,168,489)
Decrease in other operating receivables	5,240	4,751
Increase (decrease) in accounts payable	1,161,959	(332,490)
Decrease (increase) in prepaid items	(8,207)	15,201
Increase (decrease) in other payables	182,526	226,808
Other receipts (payments)	135,888	(97,622)
Total adjustments	$3,172,098	$82,739
Net cash provided by operating activities	$3,447,279	$502,852
Non Cash Transactions		
Capital Asset Purchased with Lease	0	($359,588)
Capital Lease Debt Issued	0	359,588
Decrease Local Improvement District Debt	(172,545)	(172,545)
Materials Received for Asset Sold	0	674,702
Capital Asset Sold for Materials	0	(674,702)

NOTES TO FINANCIAL STATEMENTS 09

The following notes are an integral part of the enclosed financial statements.

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Port of Longview have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The Port has elected not 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 board for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The State of Washington authorized the establishment of Port districts in 1911 under the provisions of Chapter 53 of the Revised Code of Washington (RCW). The RCW provides enabling as well as constraining legislation. The Port of Longview district (the Port) was declared formed and established in 1921. The Port district resides within Cowlitz County, Washington and comprises territory less than the entire county. The Port is governed by a three-member Board of Commissioners (the Commission) elected by Port district voters. The Commission possesses final decision-making authority and is held primarily accountable for decisions. The Commission appoints Management, who are responsible for the day-to-day operations of the Port. Management is held accountable to the Commission. The Commission and appointed Management possess the ability to significantly influence operations, including authority to review and approve budgets, sign contracts as the contracting authority, approve the hiring and retention of key managerial personnel, exercise control over facilities and properties, and determine the outcome or disposition of matters affecting the customers of services provided. Absolute authority and responsibility over all funds is vested with the Commission and Management. The Port is independent from Cowlitz County, which levies and collects taxes on behalf of the Port. The Port is a primary government and does not have any component units.

The RCW authorizes the Port to provide and charge rentals, tariffs and other fees for docks, wharves and similar harbor facilities for waterborne commerce. The Port may also provide freight and passenger terminals and transfer and storage facilities for other modes of transportation, including air, rail and motor vehicles. The Port may acquire and improve lands for sale or lease for industrial or commercial purposes, and may create industrial development districts.

B. Basis of Accounting and Presentation

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 Classified Port Districts in the State of Washington.

Funds are accounted for on a cost of services or capital maintenance 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 assets. Their reported fund equity (total net assets) is segregated into invested in capital assets, net of related debt, restricted and unrestricted net assets. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net total assets. The Port discloses changes in cash flows by a separate statement that presents their operating, noncapital financing, capital and related financing and investing activities.

Marine terminal charges and fees, property rental revenues and other sales and services are charges for use of the Port's facilities and equipment and are reported as operating revenue. Ad valorem tax levy revenues, interest income, grant reimbursements and other revenues generated from non-operating sources are classified as non-operating revenue.

The Port uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Property, plant and equipment purchases are capitalized and long-term liabilities are accounted for in the appropriate fund.

C. Assets, Liabilities and Equities

1. Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2009 and 2008, the Treasurer was holding $13,841,408 and $5,448,036 respectively, in cash and short-term residual investments. This amount is classified on the balance sheet as cash and cash equivalents.

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. Receivables

Taxes receivable consist of property taxes and related interest and penalties (see Note 3). Accounts receivable consist of amounts owed by customers and tenants for goods, services, leases, and rentals rendered at the end of the year, but unpaid. A reserve for doubtful accounts is established at total outstanding 2008 accounts receivable as of December 31, 2009. Uncollected items are written off after three years, except those in litigation. Contracts receivable consist of amounts owed on open accounts from private individuals for real property purchases.

3. Amounts Due From Other Governmental Units

These accounts include amounts due to or from other governments for grants, appropriations and entitlements.

4. Inventories

It has been determined not cost efficient to maintain an inventory. It is the policy of the Port of Longview to expense supplies and most spare parts for equipment and facility repairs as purchased. An inventory of such items would not be material in relation to either financial position or results of operations.

5. Restricted Assets and Liabilities

In accordance with bond resolutions (and certain related agreements), separate restricted accounts are required to be established. These accounts (assets) contain resources for debt service. Specific debt service reserve requirements are described in Note 9.

Funds restricted as to use at December 31, 2009 and 2008 are:

General Obligation Bonds	2009	2008
2008 C Ltd G.O. & Rev. Ref. Bond Fund	$0	$57,214
2008 G.O. Ref. Bond Redemption Fund A&B	121,836	102,200
Revenue Bonds		
Revenue Debt Service Bond Fund	120,798	132,494
1994 Revenue Refunding Bond Fund	216,611	216,611
1995 Revenue Refunding Bond Fund	74,282	74,282
1998 Revenue Bond Reserve Fund A	62,171	62,171
1998 Revenue Bond Reserve Fund B	70,673	70,673
1998 Revenue Bond Reserve Fund C	471,719	471,719
1999 Revenue Refunding Bond Fund A	1,390,843	1,390,843
1999 Revenue Bond Fund B	38,494	38,494
Total Restricted Assets	$2,567,427	$2,616,701

These represent sinking funds and reserve requirements as contained in the various indentures. There are a number of other limitations and restrictions contained in various bond indentures. The Port is in compliance with all significant limitations and restrictions.

6. Fixed Assets and Depreciation - See Note 4.

7. Compensated Absences

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

   Sick leave is earned at the rate of 8 hours per month of continuous employment, without limit. Upon termination of employment (discharge, death, resignation or retirement), an employee (or in the case of death, the employee's beneficiary) shall be paid for all such leave then accrued; provided however, that such employee shall not in any case be paid for more than 960 hours of sick leave. Accrued sick leave amounts to $494,210 and $434,778, respectively, at December 31, 2009 and December 31, 2008.

   Vacation is earned in amounts varying from 10 days during the first 5 years, to 25 days after 20 years of employment. Vacation must be taken within the anniversary year following its accrual. Vacation pay is payable upon termination of employment. In addition, two floating holidays are accrued per year after the first year of employment. Accrued vacation payable amounts to $87,121 and $86,020, respectively, at December 31, 2009 and December 31, 2008.

8. Other Accrued Liabilities

   These accounts consist of accrued wages, accrued employee benefits, and accrued payroll related liabilities.

9. Long-Term Debt - See Note 9.

10. Deferred Revenues/Credits - See Note 11.

11. Deferred Compensation Plan

    The Port offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Port employees, permits them to defer a portion of their salary until future years. The Plan is fully funded and held in an outside trust.

NOTE 2 – DEPOSITS AND INVESTMENTS

All of the Port's deposits and investments are insured or registered and are held by the Port or its agent in the Port's name.

The Cowlitz County Treasurer is empowered to act as fiduciary for the Port and other taxing districts within the County. Duties include the deposit and prudent investment of public funds as legally prescribed by the laws of the State of Washington.

As required by state law, all deposits and investments of the Port's funds are direct obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, repurchase agreements, bankers' acceptances, time certificates of deposits, deposits with Washington State banks and savings and loan institutions, or other investments allowed by Chapter 39.59 RCW. Qualified bank depositories are those specified by the Washington Public Deposit Protection Commission.

Deposits	2009	2008
Deposits with financial institutions	$29,535	$447,404

The Port's deposits are entirely covered by federal depository insurance (FDIC).

Investments	2009	2008
	Investment Maturities (in Years)	
	Less than 1	
Certificates of Deposit	$ 113,530	$2,424,141
State Local Governmental Investment Pool	7,946,352	5,000,572
	$8,059,882	$7,424,713

The investments in bankers' acceptances, time certificates of deposit, federal agency securities, and cash are protected under the Washington Public Protection Act. Repurchase agreements are fully collateralized with U.S. Government obligations in the name of the Port and are in safekeeping with a third party or in the Port's account.

The Port's investments are categorized to give an indication of the risk assumed at year-end. Category 1 includes investments that are either insured, registered or held by the Port or its agent in the Port's name. The Port's investments are all Category 1 and are carried at cost.

Management intends to hold the time deposits and securities until maturity, thus a valuation allowance account was not established.

NOTE 3 - PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in Cowlitz County for all taxing authorities. Taxes are due in two equal installments on April 30 and October 31. Collections are distributed at the end of each month to the Port by the County Treasurer. Taxes become an enforceable lien on January 1 on properties listed as of the prior May 31. Assessed values are established by the County Assessor at 100% of fair market value, according to the highest and best use of the property. A revaluation of property is required every four years (or six years if values are uniformly adjusted every year).

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

Property taxes are recorded as a receivable and classified as non-operating revenue when levied on January 1. Most property taxes are collected during the year of levy. During the year, property tax revenues are recognized in the month when the County Treasurer collects cash. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. (State law allows for the sale of property for failure to pay taxes.)

The Port is permitted by law to levy up to 45 cents per $1,000 of assessed valuation for general Port purposes. This amount may be reduced for any of the following reasons:

1. Washington State law in RCW 84.55.010 limits the growth of regular property taxes to six percent per year, after adjustments for new construction. If the assessed valuation increases by more than six percent due to revaluation, the levy rate will be decreased.

2. The Port may voluntarily levy taxes below the legal limit.

The 2009 total tax levy of $2,959,467 was 40.8 cents per $1,000 of the assessed valuation and the 2008 total tax levy of $2,754,319 equaled 41.4 cents per $1,000 of the assessed valuation. On December 31, 2009 and 2008, outstanding taxes totaled $178,358 and $141,680, respectively.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

A. Capital assets (defined by the Port as those in excess of $3,000) are tangible assets of a significant value, have a useful life extending beyond one year, and are intended to be held or used in operations. 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.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives using the straight-line method.

Estimated useful lives of various components are as follows:

Dock Structures	50 years
Buildings and Structures	20-50 years
Other Improvements	10-50 years
Cranes and Machinery	30 years
Autos and Trucks	5 years
Other Equipment	5-10 years

B. Capital assets activity for the year ended December 31, 2009 was as follows:

	Beg. Balance 01/01/2009	Increases	Decreases and Transfers	End Balance 12/31/2009
Capital assets, not being depreciated:				
Land and land reclamation	$23,026,601	$3,518,336	$75,796	$26,469,141
Construction in process	482,247	1,393,872	0	1,876,119
Total capital assets, not being depreciated	**$23,508,848**	**$4,912,208**	**$75,796**	**$28,345,260**
Capital assets, being depreciated:				
Berths, dolphins, floats	$20,959,919	$ 0	$ 0	$20,959,919
Buildings and structures	35,974,648	46,482	0	36,021,130
Other improvements	25,156,064	8,879	237,949	24,926,994
Machinery and equipment	22,839,383	380,915	0	23,220,298
Total capital assets being depreciated	**104,930,014**	**436,276**	**237,949**	**105,128,341**
Less accumulated depreciation	**44,478,807**	**2,454,376**	**0**	**46,933,183**
Total capital assets, being depreciated, net	**60,451,207**	**(2,018,100)**	**237,949**	**58,195,158**
Total capital assets, net	**$83,960,055**	**$2,894,108**	**$313,745**	**$86,540,418**

Capital assets activity for the year ended December 31, 2008 was as follows:

	Beg. Balance 01/01/2008	Increases	Decreases and Transfers	End Balance 12/31/2008
Capital assets, not being depreciated:				
Land and land reclamation	$23,547,708	$ 0	$521,107	$23,026,601
Construction in process	594,561	306,602	418,916	482,247
Total capital assets, not being depreciated	**$24,142,269**	**$306,602**	**$940,023**	**$23,508,848**
Capital assets, being depreciated:				
Berths, dolphins, floats	$ 20,959,919	$ 0	$ 0	$ 20,959,919
Buildings and structures	35,936,418	38,230	0	35,974,648
Other improvements	24,597,610	731,000	172,546	25,156,064
Machinery and equipment	17,993,226	4,846,157	0	22,839,383
Total capital assets being depreciated	**99,487,173**	**5,615,387**	**172,546**	**104,930,014**
Less accumulated depreciation	**42,044,228**	**2,439,878**	**5,299**	**44,478,807**
Total capital assets, being depreciated, net	**57,442,945**	**3,175,509**	**167,247**	**60,451,207**
Total capital assets, net	**$81,585,214**	**$3,482,111**	**$1,107,270**	**$83,960,055**

C. Construction Commitments

Construction in process consists of the costs of materials, services and labor for capital projects started but not completed at the end of the year.

Construction in process for the year ended December 31, 2009:

	Beg. Balance 01/01/09	Expended in 2009	Transfer to Capital	End Balance 12/31/09
Project description				
Facilities	$347,830	$939,418	$0	$1,287,248
Tracks	134,417	454,454	$0	588,871
Total Construction in Process	$482,247	$1,393,872	$0	$1,876,119

Construction in process for the year ended December 31, 2008:

	Beg. Balance 01/01/08	Expended in 2008	Transfer to Capital	End Balance 12/31/08
Project description				
Facilities	$187,528	$160,302	$ 0	$347,830
Tracks	407,033	146,299	418,915	134,417
Total Construction in Process	$594,561	$306,601	$418,915	$482,247

NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 6 - PENSION PLAN

Substantially all of the Port's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement 27, Accounting for Pensions by State and Local Government Employers.

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

Plan Description

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.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants 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 exercise an option to transfer their membership to Plan 3. PERS participants 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.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only the State Legislature.

Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, at age 60 with five years of service, or at age 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months. Plan 1 retirements from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by 3 percent annually. Plan 1 members may also elect to receive an additional COLA amount (indexed to the Seattle Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

Plan 2 members are vested after completion of five years of eligible service. Plan 2 members may retire at age 65 with five years of service, or at age 55 with 20 years of service, with an allowance of two percent of the AFC per year of service. The AFC is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced 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 (indexed to the Seattle Consumer Price Index), capped at three percent annually.

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 benefit calculated at one percent of the AFC per year of service. The AFC is based on the greatest compensation during any eligible consecutive 60-month period. Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or at age 55 with 10 years of service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice 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.

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 Employee Retirement Benefits Board.

There are 1,192 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2008:

Retirees and Beneficiaries Receiving Benefits		73,122
Terminated Plan Members Entitled to But Not Yet Receiving Benefits		27,267
Active Plan Members Vested		105,212
Active Plan Members Non-vested		56,456
	Total	262,057

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and 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 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 Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from five to 15 percent; two of the options are graduated rates dependent on the employee's age.
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 covered payrolls, as of December 31, 2009 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	5.31%	5.31%	5.31%**
Employee	6.00%	3.90%	***

*The employer rates include the employer administrative expense fee currently set at 0.16%.
**Plan 3 defined benefit portion only.
***Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 2 member.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2009	$ 6,767	$127,659	$7,532
2008	$ 6,912	$119,055	$8,967
2007	$21,912	$ 84,995	$4,895

NOTE 7 – POST EMPLOYMENT BENEFITS

The Port adopted provision of Government Accounting Standards Board No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions" (GASB 45), in 2008. We have used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 61.22 was assumed for all active members. Termination and mortality rates were assumed to follow the PERS 2 termination and mortality rates used in the September 30, 2005, actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Mercer and used by OSA in the state-wide PEBB study performed in 2007. The results were based on group data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. These assumptions are individually and collectively reasonable for the purposes of this valuation.

Key Results:

Actuarial Accrued Liability (AAL)	$693,355
Annual Required contribution (ARC)	$ 89,427
Annual OPEB Cost	$ 89,427
Net OPEB Obligation (NOO)	$ 83,942

NOTE 8 - RISK MANAGEMENT

The Port is exposed to various risks of loss related to torts; damage to, theft of and destruction of assets or cargo; natural disasters; and employee injuries. To limit exposure, the Port of Longview purchases property, liability and related insurance coverage annually through a commercial insurance broker(s) which provide coverage against most normal hazards.

The Port participates in the State of Washington Labor and Industries workers' compensation insurance program, however, management has elected to become self-insured through the Washington State Employment Security Department on a reimbursement basis. Unemployment claims are processed by the Washington State Employment Security Department. No reserve for self-insurance has been established as the potential liability is not considered to be material to the financial statements.

Additionally, the Port provides comprehensive medical, dental, vision, long-term disability (employees only) and life insurance coverage for all eligible employees and their dependents through standard plans offered by various commercial insurance brokers. The Port of Longview does not administer any of these plans. The Port does not provide any post retirement medical and dental insurance benefits, at its expense, for former employees.

NOTE 9- LONG TERM DEBT AND LEASES

The Port issues general obligation and/or revenue bonds to finance certain capital projects, acquisition of land, construction of facilities or purchase of capital assets. Bonded indebtedness has also been entered into in prior years to advance general obligation and revenue bonds. The Port also has three lease/purchase agreements for cargo handling equipment. Capital leases are recorded as assets and liabilities at the present value of future lease payments when the asset is received. The Port records lease payments as reductions of the liability at the time payment is made. The Port also records depreciation expense to amortize the assets over the life of the assets. The Paying Agent/Registrar for General Obligation and Revenue Bonded debt is:

Bank of New York
Fiscal Agencies - 7 East
101 Barclay Street
New York, New York 10286

A. <u>General Obligation Debt</u>

General obligation bonds are direct obligations and pledge the full faith and credit of the Port. The general obligation bonds debt and related interest are paid from ad valorem tax revenue. The Port may issue, without voter approval, general obligation bonds in amounts not to exceed 0.25 percent assessed value of the taxable property in the Port district. Total indebtedness is calculated net of general obligation bonds cash and investments and outstanding levies collectible. The Port is in compliance with this limitation.

Revised Code of Washington Chapter 53.36 provides that additional general obligation bond debt may be incurred upon approval by the voters of the Port district.

The general obligation bonds currently outstanding are as follows:

General Obligation Bonds					
Obligation	Orig. Issue	Interest Rate	Maturity Date	Balance 12/31/09	Balance 12/31/08
2008A G.O. Refunding	6,175,000	4.0%	12/01/2022	$ 6,175,000	$ 6,175,000
2008B G.O. Refunding	3,610,000	4.0-4.25%	12/01/2012	2,420,000	3,165,000
2009A G.O.	2,435,000	1.0-5.00%	12/01/2019	2,435,000	
2009B G.O.	3,780,000	4.0-4.35%	12/01/2027	3,780,000	
2009C G.O.	1,215,000	5.00%	12/01/2029	1,215,000	
	Total GO Bonds before current portion			$16,025,000	$9,340,000
	Less current portion			910,000	745,000
	Total long-term GO Bonds			$15,115,000	$8,595,000

Limitation of Indebtedness

Revised Code of Washington (RCW) 39.36 and 53.36 provide that non-voted general obligation debt cannot be incurred in excess of 0.25 percent assessed value of the taxable property in the port district. At December 31, 2009, the Port has a total taxable property value of $7,395,515,732 and non-voted general obligation borrowing capacity available of $12,835,029. At December 31, 2008, the Port had a total taxable property value of $7,330,847,142 and non-voted general obligation borrowing capacity available of $18,327,118.

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

Year Ending December 31	**Principal**	**Interest**
2010	$910,000	$660,213
2011	945,000	621,030
2012	985,000	586,730
2013	565,000	548,130
2014	590,000	529,218
2015-2019	4,820,000	2,150,565
2020-2024	4,615,000	1,080,353
2025-2029	2,595,000	383,483
	$16,025,000	$6,559,722

B. General Revenue Bonds

General revenue bonds are secured by a pledge of the Port's gross operating revenues and continued coverage requirement related to maintaining adequate net revenues to support debt service. There are a number of limitations, restrictions, sinking fund and reserve requirements in the various bond indentures. At December 31, 2009 and 2008, the Port had $2,445,591 and $2,497,287, respectively, in revenue bond reserves (included in restricted assets), and was in compliance with all significant bond indentures.

The revenue and revenue refunding bonds currently outstanding are as follows:

Revenue Bonds					
Obligation	Orig. Issue	Interest Rate	Maturity Date	Balance 12/31/09	Balance 12/31/08
1998 C	$4,580,000	4.1-5.00%	12/01/2018	$1,855,000	$2,145,000
1999 B	1,915,000	5.80%	12/01/2019	1,915,000	1,915,000
1999 Rev Ref & Rev A	15,260,000	4.3-6.25%	12/01/2018	12,415,000	13,415,000
	Total Revenue Bonds before current portion			$16,185,000	$17,475,000
	Less current portion			1,420,000	1,290,000
	Total long-term Revenue Bonds			$14,765,000	$16,185,000

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

Year Ending December 31	Principal	Interest
2010	$1,420,000	$967,715
2011	1,495,000	898,515
2012	1,570,000	825,340
2013	1,645,000	748,160
2014	1,725,000	666,945
2015-2019	8,330,000	1,623,193
Total	$16,185,000	$5,729,868

C. Capital Leases

Capital leases are recorded as assets and long-term liabilities at the present value of future lease payments when the asset is received. The Port records lease payments as reductions of the long-term liability and as interest expense over the life of the lease. The Port also records depreciation expense to amortize the assets over the life of the assets.

Capital Leases

Obligation	Orig. Issue	Interest Rate	Maturity Date	Balance 12/31/09	Balance 12/31/08
Reach Stacker	$530,000	4.89%	09/15/2013	$276,043	$341,001
Hyster Forklifts (2)	359,500	None	03/15/2013	233,733	299,657
		Total Capital Leases before current portion		$509,776	$640,658
		Less current portion		86,152	76,944
		Balance of Capital Lease payments		$423,624	$563,714

The future minimum lease obligation payments are as follows:

Year Ending December 31	Principal	Interest
2010	$140,090	$12,675
2011	143,464	9,301
2012	147,006	5,759
2013	79,216	2,043
	$509,776	$29,778

D. Other Long-Term Obligations

Other long-term obligation debt for years 2010 through 2025, includes assessments by Cowlitz County for improvements to roadways (RID) and sewer and water systems (LID), loans with the State of Washington Community Economic Revitalization Board (CERB) for a portion of costs directly related to construction of a warehouse and improvements to rail lines in the East Park industrial property and a loan with Cowlitz County for the renovation of the White House.

Other Long-Term Obligations

Obligation	Orig. Issue	Interest Rate	Maturity Date	Additions (Deletions) Net	Balance 12/31/09	Balance 12/31/08
LID #016	$ 2,154,520	3.059	10/25/2013	($217,895)	$939,846	$1,157,741
RID #010	850,400	3.059	10/25/2013	(86,008)	371,161	457,169
CERB Loan 006	766,127	4.400	01/01/2019	(48,970)	625,321	674,291
CERB Loan 157	1,000,000	1.000	01/01/2024	(57,945)	942,055	1,000,000
County Loan	262,500	3.000	06/30/2024		262,500	262,500

Unamortized debt issuance 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.

Changes in Long-Term Liabilities

During the year ended December 31, 2009, the following changes occurred in long-term liabilities:

	Beg. Balance 01/01/2009	Additions	Reductions	Less Current Portion	Ending Balance 12/31/2009
G.O. Bonds	$ 9,340,000	$ 7,430,000	$745,000	$910,000	$15,115,000
Revenue Bonds	17,475,000	0	1,290,000	1,420,000	14,765,000
Capital Leases	640,658	0	130,882	86,152	423,624
Other L/T Obligations	3,551,701	0	352,873	426,202	2,772,626
Employee Leave Benefits	520,798	61,540	1,007	0	581,331
Total L/T Liabilities	$31,528,157	$7,491,540	$2,519,762	$2,842,354	$33,657,581

NOTE 10 - CONTINGENCIES AND LITIGATION

The Port of Longview records all material liabilities in its financial statements. There are no contingent liabilities requiring financial statement disclosure at December 31, 2009 and 2008.

The Port may have some potential liability involving environmental clean-up costs which aren't quantified due to the determination of liability, if any, for the Port. Management believes that any adverse judgment would not have a material impact on the Port's operations or financial condition.

Amounts received or receivable under federal grant programs are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already received, may constitute a liability of the Port. The amount, if any, of expenditures which may be disallowed cannot be determined at this time although the Port expects such amounts, if any, to be immaterial.

NOTE 11 - DEFERRED REVENUES/CREDITS

In accordance with generally accepted accounting principles for regulated businesses, the Port had the following deferred costs of $5,078,431 and $2,875,384 at December 31, 2009 and 2008, respectively. In addition, the Port had deferred receipts of $27,153 and $10,223 at December 31, 2009 and 2008, respectively.
Debt issuance costs are amortized over the term of the related debt obligations using the straight-line method. This account includes amounts recognized as receivables but not revenues because the revenue recognition criteria have not been met.

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to the appropriate capital asset account upon completion; charges that relate to abandoned projects are expensed when the project is abandoned.

The Port has deferred intangible asset costs of $23,093 in 2009 which will be amortized on the straight-line method over 20 years. These costs are for an easement for a disposal site for the Columbia River Channel Improvement Project.

The Port has the following deferred costs for the years ending December 31, 2009 and 2008:

Deferred Debits include:

A. Unamortized Bond Issue Expense	2009	2008
1999 Rev & Rev Refunding Bonds	$505,625	$561,804
1998 Revenue Bonds C	25,950	31,123
1999 Revenue Bonds B	17,966	19,763
2008 G.O. Refund Bonds A	126,447	136,237
2008 G.O. Refund Bonds B	53,943	59,989
2009 G.O. Bonds A	53,916	0
2009 G.O. Bonds B	144,696	0
2009 G.O. Bonds C	21,118	0
	$949,661	$808,916

		2009	2008
B.	Preliminary costs on proposed projects to be capitalized or billed to others	$4,128,770	$2,066,468
	Total	$5,078,431	$2,875,384

The Port has the following deferred receipts:

Deferred Credits include:	2009	2008
A. Leasehold Excise Tax	$27,153	$10,223

NOTE 12 - COLUMBIA RIVER CHANNEL IMPROVEMENT PROJECT

The Columbia River Channel Improvement Project is a bi-state project which is supported by port sponsors from the states of Oregon and Washington. Oregon's Port of Portland and Port of St. Helens, and Washington's Port of Longview, Port of Kalama, Port of Vancouver, and Port of Woodland are promoting the deepening of the lower Columbia River to 43 feet.

The Ports have entered into a Project Cooperation Agreement (PCA) for the construction and operations and maintenance phases of the project with the united States Army Corp. of engineers. The Washington sponsor, which is a consortium of the Washington Ports of Kalama, Longview, Vancouver, and woodland, as non-Federal sponsor, is capable of meeting its cost-sharing and other obligations as required under the terms of the PCA. The State of Washington has appropriated a total of $27.7 million in funding for the Washington Sponsor's portion of shared project costs.

The Washington Ports have entered into Intergovernmental Cooperation Agreements for the acquisition of lands for the disposal of dredge materials from the Columbia River Channel Improvement Project. The acquisitions of these sites are reported as capital contributions for financial statement purposes. Total properties are carried at 1/3 value by the Port of Longview, Port of Kalama and the Port of Vancouver.

The Army Corps of Engineers began deepening the 103 mile long Columbia River navigation channel from 40 to 43 feet in June 2005. The navigation channel deepening is expected to be complete in 2010.

NOTE 13- INDUSTRIAL DEVELOPMENT CORPORATION OF THE PORT OF LONGVIEW

The Industrial Development Corporation of the Port of Longview, a public corporation, is authorized to facilitate the issuance of tax-exempt non-recourse revenue bonds to finance industrial development within the corporate boundaries of the Port. Revenue bonds issued by the Corporation are payable from revenues derived as a result of the industrial development facilities funded by the revenue bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than industrial facilities for which they are issued.

The Industrial Development Corporation did not authorize issuance of any bonds during the year ended December 31, 2009 and 2008.

NOTE 14- OTHER DISCLOSURES

1. Major Customers

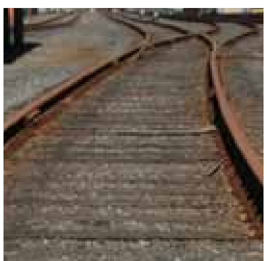
   Operating revenues for the years ended December 31, 2009 and 2008 included $20,228,220 from seven major customers in 2009 and $16,530,263 from seven major customers in 2008. Receivables from those corporations totaled $3,282,045 and $3,825,138, respectively.

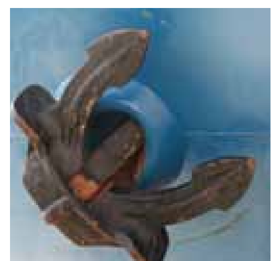
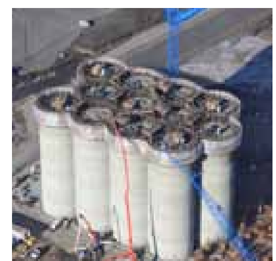
www.portoflongview.com

Washington Public Ports Association
Port of the Year 2009

DELIVERING PROSPERITY

The Port of Longview strives to provide expansion and development of foreign and domestic trade, to encourage commercial and industrial development and to enhance waterfront recreational activities for the economic benefit of the citizens of the Port District.

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