



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

# **Financial Statements Audit Report**

## **Port of Longview**

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

**Published July 2, 2020**

**Report No. 1026525**





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

July 2, 2020

Board of Commissioners  
Port of Longview  
Longview, Washington

**Report on Financial Statements**

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

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

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

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

**Port of Longview  
January 1, 2019 through December 31, 2019**

Board of Commissioners  
Port of Longview  
Longview, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Port of Longview, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated June 26, 2020.

As discussed in Note 19 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Port.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy  
State Auditor  
Olympia, WA

June 26, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Port of Longview January 1, 2019 through December 31, 2019**

Board of Commissioners  
Port of Longview  
Longview, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Port of Longview, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 9.

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

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

#### **Auditor's Responsibility**

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Longview, as of December 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 19 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Port. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express

an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy  
State Auditor  
Olympia, WA

June 26, 2020



## **FINANCIAL SECTION**

### **Port of Longview January 1, 2019 through December 31, 2019**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2019

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2019

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

Statement of Cash Flows – 2019

Notes to the Financial Statements – 2019

#### **REQUIRED SUPPLEMENTARY INFORMATION**

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

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

Schedule of Employer Contributions – Nongovernmental Pension Plans – 2019

Schedule of Changes in Total OPEB Liability and Related Ratios – Post Retirement

Health Care Program – 2019

**PORT OF LONGVIEW**  
Management's Discussion and Analysis  
December 31, 2019

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## **INTRODUCTION**

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, 2019, with selective comparative information for the year ended December 31, 2018. 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 which immediately follow this discussion.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of this annual report consists of three components: management's discussion and analysis (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.

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 following the financial statements of this report.

The Statement of Net Position presents information on all of the Port's assets and liabilities and deferred inflows and outflows, with the difference reported as net position. Over time, increases or 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 Net Position show how the Port's net position changed during the year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows (accrual basis).

### 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. For external reporting purposes, 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 Position* reflects the financial position of the Port at year end. It presents information on all of the Port's assets, deferred outflows, liabilities and deferred inflows, with the difference between the total of assets and deferred outflows and the total of liabilities and deferred inflows reported as Net Position. The value of Net Position represents a specific point in time. As previously noted, changes in net position can be a good indicator of the Port's financial position.

## Financial Highlights

- Total assets and deferred outflows of the Port exceeded its liabilities and deferred inflows by \$125.9 million in 2019, reported as total net position. Total net position increased by \$6.8 million as compared to the prior year as a result of net income and capital contributions of \$6.9 million.
- Total assets and deferred outflows of resources increased by \$2.5 million from 2018 primarily as a result of a \$2.2 million increase net capital assets.
- Total liabilities and deferred inflows of resources decreased by \$4.2 million from the prior year due primarily to the reduction of \$3.8 million in outstanding long-term debt due to planned debt service payments. Other significant changes included a decrease of \$0.4 million in net pension liability.

The following condensed financial information provides an overview of the Port's financial position for the years ended December 31, 2019 and 2018.

	2019	2018
ASSETS		
Current and Restricted Assets	\$ 37,183,339	\$ 36,041,694
Capital Assets, net	106,274,578	104,031,204
Other Noncurrent Assets	12,818,650	13,696,060
Total Assets	156,276,567	153,768,958
Total Deferred Outflows of Resources	344,805	300,085
LIABILITIES		
Current Liabilities	3,717,188	5,634,650
Noncurrent Liabilities	26,377,437	28,758,581
Total Liabilities	30,094,625	34,393,231
Total Deferred Inflows of Resources	660,501	588,123
NET POSITION		
Net Investment in Capital Assets	95,949,838	90,536,110
Restricted	76,112	103,499
Unrestricted	29,840,296	28,448,080
Total Net Position	\$125,866,246	\$119,087,689

## Summary of Operations and Changes in Net Position

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* presents how the Port's net position changed during the current and previous fiscal year as a result of operations. The Port employs an accounting method that records revenue and expenses when they are incurred, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement may affect future period cash flows (e.g. uncollected receivables).

### Revenues:

- Total operating revenues in 2019 decreased by \$3.3 million or 7.8% from 2018 operating revenues primarily due to decreased grain exports at the Berth 9 terminal. Marine terminal charges comprise 95% of total operating revenues with the balance earned from property leases and rentals, and miscellaneous revenues.
- The combined total tonnage of imports and exports handled at the Port in 2019 decreased by 36.0%. Grain exports decreased by 44%.
- Total non-operating revenues decreased by \$0.1 million primarily due to a reduction in grants received.

### Expenses:

- Total 2019 operating expenses, before depreciation, decreased by \$1.0 million or 3.3% from 2018 operating expenses. The focus on more capital projects decreased facility maintenance expenses and a different mix of cargoes decreased some operational expenses. Operating income, after depreciation, was \$4.4 million at December 31, 2019 as compared to \$6.6 million at 2018 year end.
- Total 2019 non-operating expenses decreased by \$0.4 million from 2018 non-operating expenses primarily due to the reduction of a liability of \$0.2 million relating to the Channel Deepening Project and \$0.2 million reduction in interest expense related to long-term debt.

A condensed statement of the Port's Statement of Revenues, Expenses and Changes in Net Position for years ending December 31, 2019 and 2018 begins on the following page.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

	2019	2018
OPERATING REVENUES:		
Marine terminal operations	\$36,601,853	\$39,872,693
Other operating revenues	1,891,353	1,871,703
Total Operating Revenues	<u>38,493,206</u>	<u>41,744,396</u>
NON-OPERATING REVENUES:		
Ad valorem taxes	2,115,035	2,078,914
Investment income	711,985	711,620
Other non-operating revenue	276,335	436,120
Total Non-Operating Revenues	<u>3,103,355</u>	<u>3,226,654</u>
Total Revenues	<u>41,596,561</u>	<u>44,971,050</u>
EXPENSES:		
General operations	20,933,457	21,288,569
Maintenance	5,031,768	5,705,673
General and administrative	4,530,305	4,633,176
Willow Grove Park expenses	389,503	308,601
Depreciation expense	3,175,017	3,187,147
Non-operating expenses	744,875	1,133,255
Total Expenses	<u>34,804,925</u>	<u>36,256,421</u>
Increase (Decrease) in Net Position before Capital Contributions	6,791,636	8,714,629
Capital Contributions	<u>44,121</u>	<u>464,768</u>
Increase (decrease) in net position	6,835,757	9,179,397
Net position - beginning	119,087,689	111,069,727
Change in Accounting Principle (See Note 9)	0	(1,052,960)
Prior period adjustment	(57,200)	(108,475)
Net position - ending	<u><u>\$125,866,246</u></u>	<u><u>\$119,087,689</u></u>

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

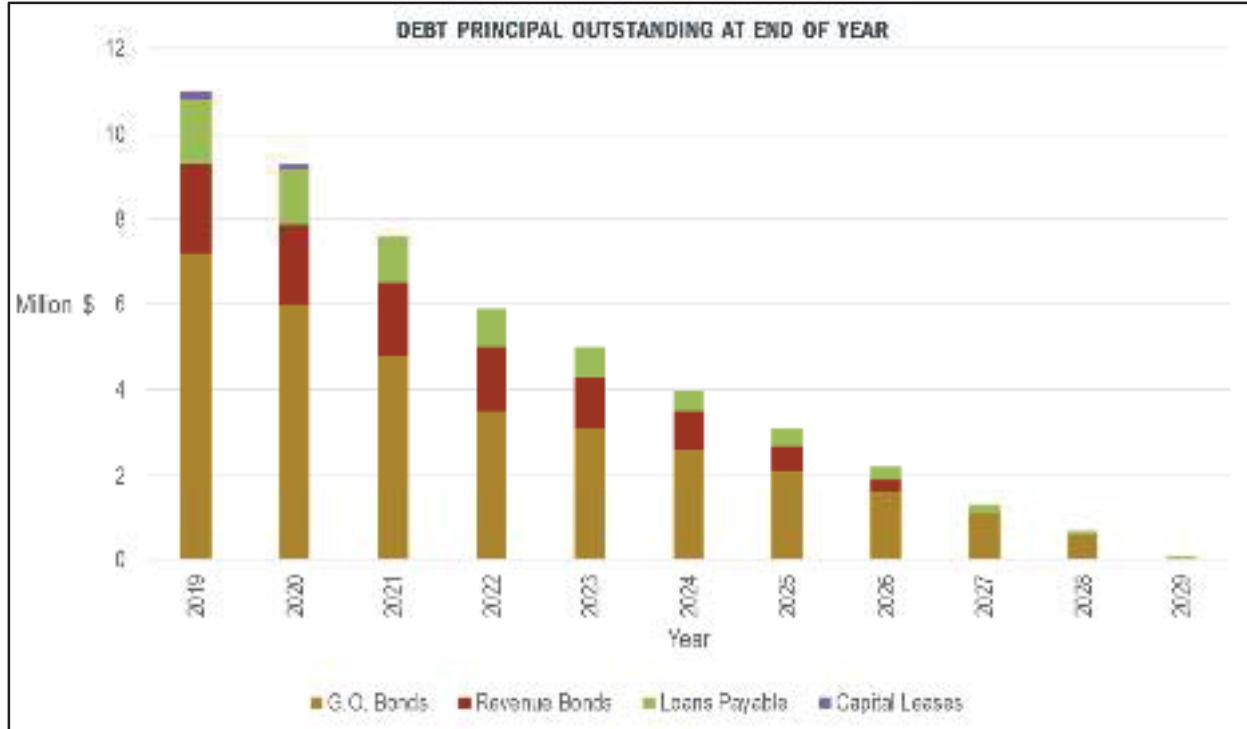
The Port's investment in capital assets for its business activities as of December 31, 2019, totaled \$106.3 million, net of accumulated depreciation. The Port's investment in capital assets includes land, berths, dolphins, floats, buildings, improvements (other than buildings), machinery and equipment, construction in process and intangible assets. The total increase in the Port's investment in capital assets the year ended December 31, 2019 was \$2.2 million. Major capital asset additions or improvements during 2019 included the following:

- Remodel of the new Port Administration building which will be complete in 2020.
- Continued engineering and design work for the Industrial Rail Corridor Expansion project.
- Variety of improvements to the Port's environmental effluent and stormwater systems.

Additional information on the Port's capital assets activity may be found in Note 4 in the notes to the financial statements.

### Long-Term Debt

At December 31, 2019, the Port's long-term debt totaled \$11.0 million. Of this amount, \$7.2 million is limited tax general obligation debt; \$2.1 million is revenue bonds secured by revenue sources of the Port; \$1.5 million for notes/loans payable; and \$0.2 million in capital leases.



Additional information on the Port's long-term debt activity may be found in Note 12 in the Notes to the Financial Statements.

## **ECONOMIC FACTORS**

- Although 2019 had a decrease in tonnage and revenue, the Port continued to maintain a competitive position in the maritime business. While much of the decrease in revenue and tonnage can be attributed to the Berth 9 grain facility, the Port had an increase in project cargo and Berth 2 exports.
- The Port had 218 vessel calls, totaling 6.7 million metric tons of cargo. Overall, import cargo of 154,536 metric tons was down approximately 28% from the previous year's total of 214,252 metric tons. Export cargos decreased to 6.5 million from 10.1 metric tons in 2018, representing a decrease of 36%.
- Export cargo shipments dominated the overall maritime activity at the Port in 2019. Grain exports at Berth 9, dry bulk exports at Berth 2 and scrap steel exports were the largest and most profitable commodities during the year.
- Import shipments were down in 2019, as the Port saw a decrease in dry bulk imports and domestic steel.
- The top five trading partners in 2019 included Korea, China, Japan, Philippines and Indonesia. Nearly 1.4 million metric tons of various cargos were exported to Korea including agricultural products, soda ash, scrap steel and steel. 1.4 million metric ton exports to China included agricultural products, soda ash and logs. Exports to both Japan and the Philippines were just under .8 million metric tons and included agricultural products, soda ash and logs. Indonesia exports totaled each a little under a half a million metric tons and included soda ash and agricultural products.
- The second year of operation of the Berth 2/Bridgeview terminal continued to achieve a positive financial result with 670,000 MT of cargo handled, a 100,000 MT increase from 2018.
- The Port continues to invest in rail infrastructure improvements with \$490,660 spent on the industrial rail corridor expansion project in 2019. This project plans to expand the existing rail corridor to accommodate current customer growth and attract new development for the benefit of the Port's local and regional economies.

## **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, Finance Manager, 10 Port Way, Longview, WA 98632.

**PORT OF LONGVIEW**  
STATEMENT OF NET POSITION  
For the Year Ended December 31, 2019

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**ASSETS**

**CURRENT ASSETS:**

Cash and Cash Equivalents	\$30,589,569
Restricted Cash and Cash Equivalents	775,951
Accounts Receivable (Net)	5,070,389
Grants Receivable	33,397
Taxes Receivable	79,759
Current Portion Pollution Remediation Recovery	233,896
Prepayments	400,378
<b>TOTAL CURRENT ASSETS</b>	<b>37,183,339</b>

**NONCURRENT ASSETS:**

*Capital Assets not Being Depreciated:*

Land	37,080,360
Construction in Progress	6,139,446
<b>Total Capital Assets Not Being Depreciated</b>	<b>43,219,806</b>

*Capital Assets Being Depreciated:*

Berths, dolphins, floats	32,837,764
Buildings and structures	35,309,629
Machinery and equipment	29,570,342
Other improvements	30,899,369
Intangible Assets	195,224
<b>Total Capital Assets Being Depreciated</b>	<b>128,812,328</b>

Less: Accumulated depreciation	(65,757,556)
<b>Total Capital Assets (Net)</b>	<b>106,274,578</b>

*Other Noncurrent Assets:*

Pollution Remediation Recovery	12,818,650
<b>Total Other Noncurrent Assets</b>	<b>12,818,650</b>

<b>TOTAL NONCURRENT ASSETS</b>	<b>119,093,228</b>
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<b>TOTAL ASSETS</b>	<b>\$156,276,567</b>
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows - Pensions	\$333,210
Deferred Outflows - OPEB	11,595

<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$344,805</b>
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**PORT OF LONGVIEW**  
STATEMENT OF NET POSITION  
For the Year Ended December 31, 2019

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**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts Payable	\$1,405,289
Accrued Payroll & Taxes Payable	410,388
Retention Payable	65,999
Current Portion of OPEB	23,190
Accrued Interest Payable	73,223
Current Portion of LTGO Bonds	1,206,475
Current Portion of Revenue Bonds	205,000
Current Portion of Notes and Loans Payable	201,748
Current Portion of Capital Leases	125,876
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,717,188</b>

**NONCURRENT LIABILITIES:**

L.T. General Obligation Bonds	6,032,802
Revenue Bonds	1,915,000
Notes and Loans Payable	1,268,970
Capital Leases	55,965
Other Long-Term Debt - Channel Improv. Project	370,875
Employee Leave Benefits	721,650
Other Post Employment Benefits (OPEB)	2,085,868
Pollution Remediation Obligation	12,818,650
Net Pension Liability	1,107,657
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>26,377,437</b>

<b>TOTAL LIABILITIES</b>	<b>\$30,094,625</b>
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows - Pension	660,501
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<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$660,501</b>
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**NET POSITION:**

Net Investment in Capital Assets	95,949,838
Restricted	76,112
Unrestricted	29,840,296

<b>TOTAL NET POSITION</b>	<b>\$125,866,246</b>
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## PORT OF LONGVIEW

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended December 31, 2019

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#### OPERATING REVENUES:

Marine terminal operations	\$36,601,853
Property lease/rental operations	1,674,474
Sales and miscellaneous revenues	216,879
<b>Total Operating Revenues</b>	<b>38,493,206</b>

#### OPERATING EXPENSES:

General operations	20,933,457
Maintenance	5,031,768
General and administrative	4,530,305
Willow Grove Park Expenses	389,503
Depreciation	3,175,017
<b>Total Operating Expenses</b>	<b>34,060,050</b>
<b>Operating Income (Loss)</b>	<b>4,433,156</b>

#### NONOPERATING REVENUES (EXPENSES):

Investment income	711,985
Ad valorem tax revenues	2,115,035
Federal and State Grants	81,188
Other nonoperating revenues	195,147
Interest expense	(588,797)
Special projects	102,222
Environmental Remediation	7,422
Net Gain/Loss on disposal of assets	(78,934)
Airport Expense	(76,000)
Other nonoperating expenses	(110,788)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,358,480</b>
<b>Income (loss) before capital contributions</b>	<b>6,791,636</b>

Capital Contributions	44,121
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Increase (decrease) in net position	6,835,757
Net position - January 1	119,087,689
Prior Period Adjustment	(57,200)
<b>Net position - December 31</b>	<b>\$125,866,246</b>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**PORT OF LONGVIEW**  
**STATEMENT OF CASH FLOWS**  
For Year Ended December 31, 2019

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 38,520,040
Payments to suppliers	(23,462,821)
Payments to employees	(7,741,748)
Other receipts	32,141
Other payments	(321,682)
Net cash provided (used) by operating activities	<u>7,025,930</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Proceeds from miscellaneous taxes	163,006
Payments for environmental remediation	(309,653)
Net cash provided (used) by noncapital financing activities	<u>(146,647)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from taxes - restricted for debt	1,172,495
Proceeds from unrestricted property taxes	944,386
Grants received	169,403
Purchase of capital assets	(5,557,720)
Principal paid on loans and notes	(275,865)
Payment on capital leases	(382,370)
Principal paid on bonds	(2,690,000)
Interest paid on capital debt	(617,284)
Net cash used for capital and related financing activities	<u>(7,236,955)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and dividends	711,985
Cash received (paid) from sales (purchases) of investments	1,030,000
Net cash provided from investing activities	<u>1,741,985</u>

<b>Net increase (decrease) in cash</b>	<b>1,384,313</b>
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Cash and cash equivalents - January 1	<u>29,981,207</u>
Cash and cash equivalents - December 31	<u><u>\$ 31,365,520</u></u>

**PORT OF LONGVIEW**  
STATEMENT OF CASH FLOWS  
For Year Ended December 31, 2019

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**Reconciliation of operating income to net cash provided (used) by operating activities**

Net operating income (loss)	\$ 4,433,161
Adjustments to reconcile net operating income to net cash provided by operating activities	
Depreciation	3,175,017
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	26,834
Increase (decrease) in accounts payable	(147,707)
Decrease (increase) in prepaid items	1,200
Increase (decrease) in other payables	177,856
Increase (decrease) in employee leave benefits	101,059
Increase (decrease) in other accrued liabilities	(451,949)
Other receipts (payments)	<u>(289,541)</u>
Total adjustments	<u>2,592,769</u>
Net cash provided by operating activities	<u>\$ 7,025,930</u>
 <b>Non Cash Investing, Capital, and Financing Activities</b>	
Loss on Disposal of Capital Assets	\$ (78,934)

**PORT OF LONGVIEW**  
**Notes to the Financial Statements**  
For the year ended December 31, 2019

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**NOTE 1 – 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 Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principals. The significant accounting policies are described below.

***A. Reporting Entity:***

The Port of Longview (The Port) was incorporated in 1921 and operates under the laws of the State of Washington applicable to a public port district, as a municipal corporation under the provisions of Chapter 53 of the Revised Code of Washington (RCW). The Port district resides within Cowlitz County, Washington and comprises territory less than the entire county. The Port is located on the Columbia River.

The Port is independent of Cowlitz County, and provides marine terminal and property lease/rental operations to the general public. The RCW authorizes the Port to provide and charge rentals, tariffs and other fees for docks, wharves and similar harbor facilities, including associated storage and traffic handling 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 land for sale or lease for industrial or commercial purposes and may create industrial development districts. The powers of eminent domain and ad valorem taxation upon the real and personal property within the district are also within the scope of port districts.

The Port is governed by a three member Board of Commissioners (the Commission) elected by Port district voters. As policy makers, they delegate certain administrative authority to the Chief Executive Officer to conduct 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, exercise control over facilities and properties and determine the outcome or disposition of matters affecting the Port's customers. The Commission possesses final decision-making authority and is held primarily accountable for decisions.

As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. These financial statements present the Port and its component unit. The component unit discussed below is included in the district's reporting entity because of the significance of its operations or financial relationship with the district.

The Industrial Development Corporation of the Port of Longview, a public corporation created in 1981 is authorized to facilitate the issuance of tax-exempt nonrecourse 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 were issued. The Port's Board of Commissioners governs the Industrial Development Corporation. The Industrial Development Corporation's account balances and transactions are included as a blended component unit within the Port's financial statements.

**PORT OF LONGVIEW**  
Notes to the Financial Statements  
For the year ended December 31, 2019

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***B. Basis of Accounting and Presentation:***

The accounting records of the Port of Longview 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 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 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 its 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 presented as liabilities.

The Port distinguishes between operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Port's principal ongoing operations. The principal operating revenues of the Port are charges to customers for marine terminals and property leases. Operating expenses for the Port include the cost of labor, administrative expenses and depreciation on capital assets used for the benefit of customers. All revenues and expenses not related to providing services to customers are reported as non-operating revenues and expenses. Ad valorem tax levy revenues, interest income, grant reimbursements and other revenues generated from non-operating sources are classified as non-operating revenue.

***C. Use of Estimates:***

The preparation of the Port's financial statements in conformity with accounting principles generally accepted in the United States 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.

***D. Assets, Liabilities and Net Position:***

***1. Cash and Cash Equivalents***

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2019, the Cowlitz County Treasurer was holding \$31,365,520 in cash and short-term residual investments of surplus cash. This amount is classified on the statement of net position 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. Investments – See Note 2.

3. Receivables

Taxes receivable consist of property taxes and related interest and penalties (see Note 3).

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. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

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 for doubtful accounts was \$0 at December 31, 2019.

4. Inventories

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 funds are required to be established. The assets held in these funds are restricted for specific uses including construction, debt service, and other special reserve requirements. Specific debt service reserve requirements are described in Note 12.

Funds restricted as to use at December 31, 2019 are:

<b>Current Restricted Assets</b>	
Revenue Debt Service Bond Fund	\$ 76,459
Industrial Development Corporation Money Market Fund	12,396
Bond Reserve Fund	687,096
<b>Total Restricted Assets</b>	<b>\$775,951</b>

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.

The Industrial Development Corporation funds are separate from the Port, but are presented as a blended component of the Port.

6. Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Port accrues a liability for 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 and a 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 accrued leave up to 960 hours of sick leave. Accrued sick leave amounts to \$574,706 at December 31, 2019.

Vacation benefits are earned by full-time and part-time employees based upon length of service. Vacation must be taken within the anniversary year following its accrual. Vacation pay is payable upon termination, resignation, retirement or death. Accrued vacation payable amounts to \$146,944 at December 31, 2019.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value (see Note 7).

8. Total Other Post Employment (OPEB) Liability – See Note 9.

9. Other Accrued Liabilities

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

10. Deferred Compensation Plan

Port employees may elect to participate in a deferred compensation plan administered by the State of Washington 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.

11. Capital Assets and Depreciation - See Note 4.

12. Long-Term Debt - See Note 12.

13. Deferred Outflows/Inflows of Resources

A deferred outflow of resources is not an asset and is defined as a consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is not a liability and is defined as an acquisition of net position that is applicable to a future reporting period. These are distinguished from assets and liabilities in the Statement of Net Position. The Port recognizes deferred outflows and deferred inflows related to pension liability and OPEB liability.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

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. Both the Cowlitz County Treasurer and the Washington State Local Government Investment Pool have formal investment policies which apply to the Port's deposits and investments.



### **Deposits**

Petty cash on hand at December 31, 2019 was \$0. The carrying amount of the Port's deposits was \$1,254,290 and the bank balance was \$1,742,212.

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

### **Investments**

Investments are stated at fair value, based on quoted market prices in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in the fair-value of investment is recognized as an increase or decrease to the investment assets and investment income.

Interest income on investments is recognized in non-operating revenue as earned. Changes in fair value of investments are recognized on the Statement of Revenues, Expenses, and Changes in Net Position.

As required by state law, all deposits and investments of the Port's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, or certificates of 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.

### **Investments in Local Government Investment Pool (LGIP)**

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

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

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

At December 31, 2019, the Port had \$30,111,230 invested in the WA State Local Government Investment Pool (LGIP).

### **Risks**

Investments are subject to the following risks:

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest will adversely affect the fair market value of an investment. It is the policy of the Port to invest in a manner which will provide the market rate of return with maximum security while meeting the daily cash flow demands. Through its investment policy the Port manages its exposure to fair market value losses arising from increasing interest rates by establishing maturity limits for individual investments and maturity limits for its investment portfolio as a whole.

**Credit Risk:** Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Washington State Local Investment Pool is an unrated 2a-7 like pool, as defined by the Government Accounting Standards Board.

**Custodial Credit Risk:** Custodial credit risk is the risk that in the 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 that are in the possession of the outside party. To minimize this risk, the Port's investment policy requires that all security transactions, except the Washington State Local Government Investment Pool, are settled on a "delivery verses payment" basis. This means that payment is made simultaneously with the receipt of the security. These securities will be held by a third-party custodian designated by the Cowlitz County Treasurer.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The Port's investment policy establishes limits on the portfolios maximum holding by type of security.

#### Investments Measured at Fair Value

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

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

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

	As of 12/31/2019	Fair Value Measurement Using			
		Level 1	Level 2	Level 3	Total
<b>Investments by Fair Value Level</b>	\$0				
<b>Investments measured at amortized costs</b>					
WA State Local Government Investment Pool (LGIP)	30,111,230				
Total Investments measured at amortized costs	30,111,230				
<b>Total Investments</b>	<b>\$30,111,230</b>				

## PORT OF LONGVIEW

### **Summary of Deposit and Investment Balances**

Reconciliation of the Port's deposits and investment balances as of December 31, 2019 is as follows:

<b>As of December 31, 2019</b>	<b>Total</b>
Deposits	\$ 1,254,290
WA State Local Government Pool	30,111,230
<b>Total Deposits and Investments</b>	<b>\$31,365,520</b>
Current:	
Cash and Cash Equivalents	30,589,569
Restricted Cash and Cash Equivalents	775,951
<b>Total Deposits and Investments</b>	<b>\$31,365,520</b>

### **NOTE 3 - PROPERTY TAXES**

The County Treasurer acts as an agent to collect property taxes levied in Cowlitz County for all taxing authorities. The County Treasurer distributes collections after the end of each month to the Port.

<b>Property Tax Calendar</b>	
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. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible 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 \$0.45 per \$1,000 of assessed valuation for general governmental services. The Washington State Constitution and Washington State law, RCW 84.55.010 limit the rate. The Port may also levy taxes at a lower rate.

The Port's regular levy for 2019 was \$0.107237 per \$1,000 on an assessed valuation of \$8,872,753,608 or a total regular levy of \$951,485. The Port also levied an additional \$0.132146 per \$1,000 for the repayment of general obligation bonds for a total additional levy of \$1,172,495. For 2019, the Port collected 97.8% of ad valorem taxes levied.

### **NOTE 4 - CAPITAL ASSETS AND DEPRECIATION**

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 at the acquisition value for donated assets.

## PORT OF LONGVIEW

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 Port's policy is to capitalize all asset additions greater than \$5,000 with an estimated useful life in excess of one year. Depreciation expense is charged to operations to allocate the cost of fixed assets over their estimated useful lives using the straight-line method. Berths, dolphins and floats are assigned lives of 30 to 75 years; buildings and improvements 10 to 50 years; and machinery and equipment 5 to 30 years.

In accordance with generally accepted accounting principles for regulated businesses, the Port has a deferred intangible asset of \$195,224 as of December 31, 2019. The initial cost of \$29,072 in 2005, \$20,427 in 2015, and \$172,848 in 2019 were for the easement of three disposal sites for the Columbia River Channel Improvement Project. The costs are amortized on the straight line method over 20 years.

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

	Restated Beginning Balance 1/1/2019	Increases	Decreases	Ending Balance 12/31/2019
<i>Capital Assets, not being depreciated:</i>				
Land and Land Rights	\$37,080,360			\$37,080,360
Construction in process	2,729,368	4,365,799	955,721	6,139,446
<b>Total Capital Assets, not being depreciated</b>	<b>\$39,809,728</b>	<b>\$4,365,799</b>	<b>\$955,721</b>	<b>\$43,219,806</b>
<i>Capital Assets, being depreciated:</i>				
Berths, Dolphins, Floats	\$32,837,764			\$32,837,764
Buildings and Structures	35,447,155	50,012	187,538	35,309,629
Other Improvements	30,113,592	785,776		30,899,368
Machinery and Equipment	28,504,840	1,139,007	73,505	29,570,342
Intangible Asset	25,572	172,848	3,195	195,225
<b>Total Capital Assets, being depreciated</b>	<b>\$126,928,923</b>	<b>\$2,147,643</b>	<b>\$264,238</b>	<b>\$128,812,328</b>
<i>Less Accumulated Depreciation:</i>				
Berths, Dolphins, Floats	\$13,366,888	\$641,465		\$14,008,353
Buildings and Structures	21,912,523	801,356		22,713,879
Other Improvements	13,752,864	820,884		14,573,748
Machinery and Equipment	13,732,373	914,744	73,505	14,573,612
<b>Total Accumulated Depreciation</b>	<b>\$62,764,648</b>	<b>\$3,175,017</b>	<b>\$182,109</b>	<b>\$65,757,556</b>
<b>Total Net Capital Assets</b>	<b>\$103,974,003</b>	<b>\$3,338,425</b>	<b>\$1,037,850</b>	<b>\$106,274,578</b>

\*Beginning balance of construction in progress was restated to reflect prior period adjustment. See Note 18 for additional information.

**NOTE 5 – COMMITMENTS**

**Construction Commitments:**

The Port has active construction projects as of December 31, 2019. At year-end the Port's commitments on construction projects are as follows:

<b>Project</b>	<b>Spent to Date</b>	<b>Remaining Commitment</b>
Berth 7 Loadout Building	\$80,642	\$0
Warehouse 10/11 Baghouses	192,413	1,020,588
IRC Rail Expansion	1,879,983	946,087
Advanced Wetland Mitigation	340,339	123,124
Warehouse 10/11 Electrical Upgrade	27,919	0
Berth 5/6A Stormwater Swale	1,048,721	62,149
Willow Grove Park BFP Grant	10,702	0
Willow Grove Park ALEA Grant	89,324	11,366
White House Office Remodel	1,783,340	540,875
Paper Way Stormwater Realignment	6,856	0
<b>Total</b>	<b>\$5,460,239</b>	<b>\$2,704,189</b>

**Purchase Commitment:**

On June 25, 2010, the Port entered into a lease agreement with Skyline Steel, LLC (Skyline) for 20 acres of Port property at an initial lease rate of \$850 per acre per month. Simultaneously, the Port entered into a ground lease agreement with IDC Longview, LLC., (IDC) for the lease of an additional 15 acres under the same lease rate as Skyline. The ground lease required IDC to construct a facility for Skyline to accommodate its general office purposes, and the receiving, storing, shipping, manufacturing, fabricating, coating, warehousing and distribution of steel products. The facility was constructed at a cost in excess of \$11 million.

Under the terms of these leases, Skyline has the right to purchase the building from IDC in 2023 and must notify the Port of its intention to exercise this option by February 28, 2022. If Skyline chooses not to exercise its option, the Port is required to purchase the facility from IDC by March 31, 2023 at the agreed upon price of \$9 million. Port management has determined that it is reasonably possible that the Port will be required to purchase the facility and at the end of 2019, had accumulated \$5.1 million toward the eventual purchase. The Port also intends to continue setting aside additional funding in its annual budget between now and the purchase date.

**NOTE 6 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

**NOTE 7 - PENSION PLAN**

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

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	(\$ 1,107,657)
Deferred outflows of resources	\$ 333,210
Deferred inflows of resources	(\$ 660,501)
Pension expense/expenditures	\$ 16,358

***State Sponsored Pension Plans***

Substantially all Port of Longview's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98540-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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

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

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

**Contributions – PERS Plan 1**

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

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

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.



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

### **Contributions – PERS Plan 2/3**

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

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

The Port of Longview's actual PERS plan contributions were \$168,127 to PERS Plan 1 and \$247,701 to PERS Plan 2/3 for the year ended December 31, 2019.

### **Actuarial Assumptions**

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

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



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

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

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

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

### ***Discount Rate***

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

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

### ***Long-Term Expected Rate of Return***

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

### ***Estimated Rates of Return by Asset Class***

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

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

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

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$1,060,590	\$846,901	\$ 661,498
PERS 2/3	\$1,999,897	\$260,756	\$(1,166,323)

### ***Pension Plan Fiduciary Net Position***

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

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

At June 30, 2019, the Port of Longview reported a total pension liability of \$1,107,657 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$846,901
PERS 2/3	\$260,756

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

	<b>Proportionate Share 6/30/18</b>	<b>Proportionate Share 6/30/19</b>	<b>Change in Proportion</b>
PERS 1	0.023426%	0.022024%	(0.001402%)
PERS 2/3	0.028592%	0.026845%	(0.001747%)

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

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

### ***Pension Expense***

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

	<b>Pension Expense</b>
PERS 1	(\$ 26,386)
PERS 2/3	\$ 42,744
<b>TOTAL</b>	<b>\$ 16,358</b>

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

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

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$56,580)
Contributions subsequent to the measurement date	\$89,055	0
<b>TOTAL</b>	<b>\$89,055</b>	<b>(\$56,580)</b>

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<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 74,707	(\$ 56,061)
Net difference between projected and actual investment earnings on pension plan investments	0	(\$379,555)
Changes of assumptions	\$ 6,677	(\$109,405)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 24,794	(\$ 58,900)
Contributions subsequent to the measurement date	\$137,977	0
<b>TOTAL</b>	<b>\$244,155</b>	<b>(\$603,921)</b>

<b>Total All Plans</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$74,707	(\$ 56,061)
Net difference between projected and actual investment earnings on pension plan investments	0	(\$436,135)
Changes of assumptions	\$ 6,677	(\$109,405)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 24,794	(\$ 58,900)
Contributions subsequent to the measurement date	\$227,032	0
<b>TOTAL</b>	<b>\$333,210</b>	<b>(\$660,501)</b>

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

<b>Year ended December 31:</b>	<b>PERS 1</b>
2020	\$ (12,490)
2021	\$(29,586)
2022	\$(10,558)
2023	\$ (3,946)
2024	
Thereafter	
<b>Total</b>	<b>\$(56,580)</b>

Year ended December 31:	PERS 2/3
2020	\$(122,530)
2021	\$(198,507)
2022	\$ (90,098)
2023	\$(49,943)
2024	\$(29,200)
Thereafter	\$ ( 7,465)
<b>Total</b>	<b>\$(497,743)</b>

**NOTE 8 – PENSION PLANS – NONGOVERNMENTAL PLANS (PENSIONS PROVIDED THROUGH CERTAIN MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLANS)**

Some Port employees are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan that, (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). As of December 31, 2019, the Port contributed to the following nongovernmental pension plans:

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Name of Pension	Entity	Cost-Sharing	Financial Report	Benefit Type	# of Covered Employees	Benefit Terms	Contribution Requirements	Balance of Payables	Expiration Date
47P	Oregon-Washington Carpenters-Employers Trust	Yes	Yes	Pension	2- Carpenter 10- Pilebucks	Collective Bargaining Agreement	\$4.40 multiplied by hours worked	\$8,324.81	5/31/2020
47PNA	Oregon-Washington Carpenters-Employers Trust	Yes	Yes	Non-Accruing Pension	2- Carpenter 10- Pilebucks	Collective Bargaining Agreement	\$3.81 multiplied by hours worked	\$7,208.53	5/31/2020
Dist 9 ER	Electrical Trust Funds	Yes	No	Pension	4- Electricians	Collective Bargaining Agreement	\$3.92 or \$4.19 multiplied by hours worked	\$3,042.06	12/31/2019
Edison Pension	Electrical Trust Funds	Yes	No	Pension	4- Electricians	Collective Bargaining Agreement	\$7.70 or \$7.95 multiplied by hours worked	\$5,869.50	12/31/2019
NEBF	Electrical Trust Funds	Yes	Yes	Pension	4- Electricians	Collective Bargaining Agreement	3.00 % multiplied by gross earnings	\$1,127.59	12/31/2019
Pension	AGC-IUOE Local 701 Trust Funds	Yes	Yes	Pension	3- Operating Engineers	Collective Bargaining Agreement	\$4.90 multiplied by hours worked	\$2,469.60	12/31/2019
Pension	Northwest Laborers-Employers Pension Trust	Yes	Yes	Pension	11- Laborers	Collective Bargaining Agreement	\$4.54 multiplied by hours worked	\$8,569.25	5/31/2020
39P	Oregon & SW Painters Pension Plan	Yes	Yes	Pension	1- Painter	Collective Bargaining Agreement	\$5.25 multiplied by hours worked	\$840.00	3/31/2020
National Pension Fund (PPNPF)	Plumbers & Pipefitters National Pension Fund	Yes	No	Pension	2- Plumbers	Collective Bargaining Agreement	\$2.96 multiplied by hours worked	\$853.96	12/31/2019
UA Supplemental Pension	Washington State Plumbing & Pipefitting Trust Fund	Yes	Yes	Pension	2- Plumbers	Collective Bargaining Agreement	\$2.75 multiplied by hours worked	\$793.38	12/31/2019
WA ST Pension	Washington State Plumbing & Pipefitting Industry Trust Fund	Yes	Yes	Pension	2- Plumbers	Collective Bargaining Agreement	\$6.19 multiplied by hours worked	\$1,785.82	12/31/2019
NASI Pension Fund	National Automatic Sprinkler Industry	Yes	Yes	Pension	1- Sprinkler Fitter	Collective Bargaining Agreement	\$6.60 multiplied by hours worked	\$1,260.60	3/31/2020
Sprinkler Industry Supplemental Pension	National Automatic Sprinkler Industry	Yes	Yes	Pension	1- Sprinkler Fitter	Collective Bargaining Agreement	\$7.23 multiplied by hours worked	\$1,380.93	3/31/2020

The balance of payables were earned in December 2019 and due in January 2020. Required contributions to the pension plans are related to past services performed per union contracts.

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS**

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

<b>Aggregate OPEB Amounts – All Plans</b>	
OPEB liabilities	\$ 2,109,058
Deferred outflows of resources	\$ 11,595
OPEB expenses/expenditures	(\$ 27,393)

The Port implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for fiscal year 2018 financial reporting. The state, consisting of state agencies and its component units as well as higher education institutions, is considered a single employer based on guidance provided in GASB Statement No. 75. The State Health Care Authority (HCA) administers this single employer defined benefit other postemployment benefit (OPEB) plan.

***Plan Description:***

Per RCW 41.05.065, the Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits offered by PEBB include medical, dental, life and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs. Even though the Port has no legally binding commitment to continue retiree health care should it choose to leave the plan for a different health care provider system, the Port must calculate an OPEB liability to comply with the provisions of GASB Statement No. 75.

Administrative costs, as well as explicit and implicit subsidies, are funded by required contributions from participating employers. The subsidies provide monetary assistance for medical benefits. Contributions are set each biennium as part of the State's budget process. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The Port covers OPEB costs when they come due, on a pay-as-you-go basis.

***Employees Covered by Benefit Terms:***

Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 76 of the state's K-12 schools and educational service districts (ESD's), and 249 political subdivisions and tribal governments not included in the state's financial reporting who participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools and ESD's.

At June 30, 2019, the following employees were covered by the benefit terms:

Summary of Plan Participants As of June 30, 2019	
Active employees	40
Retirees receiving benefits	7
Retirees not receiving benefits	0
Total active employees and retirees*	47

\*Other retirees may be eligible but are not yet receiving benefits. This number is not identifiable.

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system.

#### **Benefits Provided:**

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2017, the average weighted implicit subsidy was valued at \$327 per adult unit per month, and in calendar year 2018, the average weighted implicit subsidy was valued at \$347 per adult unit per month. In calendar year 2019, the average weighted implicit subsidy is projected to be \$368 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2017 and 2018, the explicit subsidy was up to \$150 per member per month, increasing to up to \$168 per member per month in calendar year 2019. It is projected to increase to \$183 per member per month in calendar year 2020.

#### **Total OPEB Liability:**

The Port's total OPEB liability was measured as of June 30, 2019 using the alternative measurement method.

#### **Actuarial Methods and Assumptions:**

The total OPEB liability was determined using the following methodologies:

Actuarial Valuation Date	06/30/2019
Actuarial Measurement Date	06/30/2019
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	N/A (No Assets)



Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The total OPEB liability as of December 31, 2019 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

\*Source: Bond Buyer General Obligation 20-Bond Municipal Index.

\*\*Trend rate assumptions vary slightly by medical plan. For additional detail on the healthcare trend rates, please see Office of the State Actuary's 2018 PEBB OPEB Actuarial Valuation Report.

The Port used the Alternative Measurement Method Tool provided by the Office of the State Actuary that allows employers with fewer than 100 members to determine their OPEB liability under the Governmental Accounting Standards Board Statement No. 75. The AMM Online tool was prepared with a valuation date of June 30, 2019. In order to estimate the total OPEB liability as of the beginning of the measurement period, the total OPEB liability was projected backwards to the measurement date of June 30, 2018. For the backward projection of the liability, the AMM tool reflected the estimated service cost, assumed interest, and expected benefit payments. The Office of the State Actuary actuarial reports relied upon for purposes of this AMM Tool are as follows:

- 2018 PEBB OPEB Actuarial Valuation Report
- OPEB Actuarial Valuation for the State's June 30, 2019 Fiscal Year-End

For information on the above listed reports, refer to: <http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>.

The specific assumptions that the Office of the State Actuary made when developing the Alternative Measurement Method Tool was as follows:

- 2/3 of members select a Uniform Medical Plan (UMP) and 1/3 select a Kaiser Permanente (KP) plan.
- Estimated retirement service for each active member based on the average entry age of 35, with a

minimum service of 1 year.

- Assumptions for retirement, disability, termination and mortality are based on the 2018 PEBB OPEB Actuarial Valuation Report.
- Each member is assumed to be a 50/50 male/female split.
- The age-based members selected were based upon the overall distribution of State employees and retirees that participate in PEBB.
- Dental benefits were not included when calculating the Total OPEB Liability as they represent less than 3 percent of the accrued benefit obligations under the 2018 PEBB OPEB Actuarial Valuation Report.

### ***Changes in the Total OPEB Liability***

As of December 31, 2019, the Port reported a total OPEB liability of \$2,109,058. The following table presents the change in the total OPEB liability as of the measurement date June 30, 2019:

<b>Schedule of Changes in Total OPEB Liability Measurement Date of June 30, 2019</b>	
<b>Total OPEB Liability at 07/01/2019</b>	<b>\$2,161,921</b>
Service Cost	82,024
Interest	86,353
Changes in Experience Data and Assumptions	(195,770)
Benefit Payments	(25,470)
<b>Net Change in Total OPEB Liability</b>	<b>\$(52,863)</b>
<b>Total OPEB Liability at 06/30/2019</b>	<b>\$2,109,058</b>

### ***Sensitivity of the Total Liability to Changes in the Health Care Cost Trend Rates:***

The following presents the total OPEB liability of the Port calculated using the current health care cost trend rate of 7.0 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	<b>1% Decrease (6.0%)</b>	<b>Current Health Care Cost Trend Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
Total OPEB Liability	\$1,727,762	\$2,109,058	\$2,607,177

### ***Sensitivity of the Total Liability to Changes in the Discount Rate:***

The following presents the total OPEB liability of the Port calculated using the discount rate of 3.50 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than the current rate:

	<b>1% Decrease (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
Total OPEB Liability	\$2,539,161	\$2,109,058	\$1,770,097

***OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB:***

The following table presents the total OPEB expense recognized by the Port for the year ending December 31, 2019:

<b>Total OPEB Expense For Fiscal Year Ending December 31, 2019</b>	
Service Cost	82,024
Interest Cost	86,353
Changes in Experience Data and Assumptions	(195,770)
Changes in Benefit Terms	0
Other Changes	0
<b>Total OPEB Expense at 12/31/2019</b>	<b>\$(27,393)</b>

On December 31, 2019, the Port reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Payments subsequent to the measurement date	\$11,595	
<b>TOTAL</b>	<b>\$11,595</b>	<b>\$0</b>

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020.

**NOTE 10 - 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 purchases property, liability and related insurance coverage annually through a commercial insurance broker which provides coverage against most normal hazards. In comparison to prior years, there were no significant changes in the type and coverage of insurance policies purchased by the Port in 2019. Settlement claims have not exceeded commercial insurance coverage in any of the past three years.

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.

**NOTE 11- LEASES**

***Property Leases:***

The Port, as a lessor, enters into operating leases with tenants for the use of port owned land and facilities. The following is a schedule of future minimum rental income under non-cancelable leases having an initial term in excess of one year.

Year	Minimum Future Rental Income
2020	\$1,549,295
2021	1,549,827
2022	1,289,172
2023	1,291,329
2024	946,551
2025-2029	3,648,517
2030-2034	1,920,660
2035-2039	1,696,583
<b>Total</b>	<b>\$13,891,934</b>

***Operating Leases:***

The Port leases a locomotive under a noncancelable operating lease. Total cost for such lease was \$45,624 for the year ended December 31, 2019. The future minimum lease payments for this lease is as follows:

Year	Minimum Future Rental Income
2020	45,624
2021	38,020
<b>Total</b>	<b>\$83,644</b>

***Capital Leases:***

The Port has entered into five separate lease agreements for financing machinery and equipment. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	
2015 Case 580SN Backhoe	113,906
Volvo L180H Wheel Loader	439,489
Volvo L180H Wheel Loader	455,553
Less Accumulated Depreciation	(199,290)
<b>Total</b>	<b>\$809,658</b>

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2019 were as follows:

Year Ending December 31	
2020	128,871
2021	56,420
<b>Total Minimum Lease Payments</b>	<b>\$185,291</b>
Less: Interest	3,450
<b>Present Value of Minimum Lease Payments</b>	<b>\$181,841</b>

**NOTE 12- LONG TERM DEBT**

The Port issues limited tax 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 refund general obligation and revenue bonds. Unamortized debt issue costs are recorded as deferred charges and bonds are displayed net of premium, discount or deferred amount on refunding. Annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs, discounts, and deferred amounts on refunding.

***A. Limited Tax General Obligation Bonds:***

Limited tax general obligation bonds are direct obligations and pledge the full faith and credit of the Port. The limited tax general obligation bond debt and related interest are paid from ad valorem tax revenue. The Port may issue, without voter approval, limited tax 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 bond 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 limited tax general obligation bonds outstanding as of 12/31/2019 are as follows:

<b>Limited Tax General Obligation Bonds</b>				
	<b>Orig. Issue</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Balance 12/31/19</b>
<b>2008 Refunding Series A</b>	\$6,175,000	4.0%	12/01/2022	\$2,510,000
<b>2009 Series B</b>	\$3,780,000	4.0-4.35%	12/01/2027	3,485,000
<b>2009 Series C</b>	\$1,215,000	5.00%	12/01/2029	1,215,000
<b>Total LTGO Bonds</b>				<b>\$7,210,000</b>

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

Year Ending December 31	Principal	Interest
2020	1,195,000	308,495
2021	1,240,000	260,695
2022	1,290,000	211,095
2023	435,000	159,495
2024	455,000	140,573
2025-2029	2,595,000	383,482
<b>Total</b>	<b>\$7,210,000</b>	<b>\$1,463,835</b>

**B. General Revenue Bonds:**

General revenue bonds are secured by a pledge of the Port's gross operating revenues and contain a 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, 2019, the Port had \$687,096 in revenue bond reserves (included in restricted investments) and was in compliance with all significant bond indentures.

The revenue and revenue refunding bonds outstanding as of 12/31/2019 are as follows:

<b>Revenue Bonds</b>				
Obligation	Orig. Issue	Interest Rate	Maturity Date	Balance 12/31/19
<b>2011 Series A</b>	\$ 3,500,000	2.50-7.37%	12/01/2027	\$ 2,120,000
<b>Total Revenue Bonds</b>				<b>\$2,120,000</b>

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

Year Ending December 31	Principal	Interest
2020	205,000	152,919
2021	220,000	138,569
2022	235,000	123,169
2023	255,000	106,719
2024	270,000	88,869
2025-2027	935,000	141,230
<b>Total</b>	<b>\$2,120,000</b>	<b>\$751,475</b>

**C. Notes Payable:**

Other long-term obligation debt for years 2016 through 2030, includes three loans with the State of Washington Community Economic Revitalization Board (CERB) for a portion of costs directly related to construction of a warehouse, improvements to rail lines in the East Park industrial property, and Berth 9; a loan with Cowlitz County for the renovation of the White House; a loan with Washington Department of Transportation for rail improvements and financing of cargo handling equipment.

Other Long-Term Obligations				
Obligation	Orig. Issue	Interest Rate	Maturity Date	Balance 12/31/19
CERB Loan 157	\$1,000,000	1.000%	01/01/2024	\$ 393,771
CERB Loan 208	\$1,000,000	4.000%	01/31/2030	\$ 785,714
County Loan	\$ 262,500	3.000%	06/30/2024	\$ 104,991
WSDOT Rail Loan	\$ 465,605	--	07/01/2023	\$ 186,242
Total Notes Payable				\$1,470,718

The annual debt service payments are as follows:

Year Ending December 31	Principal	Interest
2020	201,748	38,569
2021	202,998	34,462
2022	204,264	30,339
2023	205,555	26,191
2024	160,310	22,018
2025-2029	424,414	57,816
2030	71,429	2,857
<b>Total</b>	<b>\$1,470,719</b>	<b>\$212,252</b>

**D. Other Long-Term Obligations:**

The Columbia River Channel Improvement Project is a bi-state project which is supported by port sponsors from the States of Oregon and Washington. Over the past decade, the Washington Ports of Kalama, Longview, and Vancouver, have cooperated with the U.S. Army Corps of Engineers and the Ports of Portland and St. Helens, regarding improvements to the Columbia River Federal Navigation Channel. This has included, among other activities a reconnaissance study, a feasibility study under the auspices of the Columbia River Improvement Project, The Dredged Material Management Plan and associated environmental impact statements for both the maintenance of the existing channel and the plans to increase the channel depth from 40 to 43 feet.

The Ports entered into the Washington Ports Agreement in 1999 for the purpose of participating as non-federal sponsors for the Channel Improvement Project. The Ports expanded the Agreement by amendments on October 17, 2001, on February 19, 2002, on March 15, 2002, and January 30, 2004.

The Washington and Oregon ports entered into the “Intergovernmental Agreement Among Lower Columbia River Ports for Columbia River Channel Deepening and Maintenance” with the U.S. Army Corps of Engineers for the Channel Improvement Project on June 21, 2004. The Project Cooperation Agreement (PCA) identifies disposal, mitigation and restoration sites needed for the Channel Improvement Project. The State of Washington appropriated \$27.7 million for the Washington sponsor’s share of project costs. The Oregon-Washington Ports Agreement allocates costs of the Channel Improvement Project. All costs incurred, with the exception for port-owned beneficial use sites, will be shared 50/50 between the states. The Washington ports share of the costs is shared equally between the three Washington ports. At the completion of the Columbia River Channel Improvement Project a final accounting of the project will occur to ensure that the non-federal sponsors have equally contributed to the project, met their obligations to U.S. Army Corps of Engineers, and equalization will occur between the States of Washington and Oregon. Having reached substantial completion, on December 31, 2019, the Port has accrued cost of \$370,875, and will start amortization on the straight-line method over 20 years when the U.S. Army Corps of Engineers completed the project.

The deepening portion of the 103 mile navigation channel was completed in November 2010. There are two remaining disposal sites to be acquired. Disposal sites are reported as capital contributions for financial statement purposes and are carried at one-third of value by the Ports of Kalama, Longview and Vancouver.

### **Changes in Long-Term Liabilities**

During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

	<b>Beginning Balance 01/01/2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 12/31/2019</b>	<b>Due Within One Year</b>
<b><u>L.T.G.O. Bonds Payable:</u></b>					
L.T.G.O. Bonds	\$8,040,000	\$0	\$830,000	\$7,210,000	\$1,195,000
Premiums	79,700	0	15,884	63,816	15,884
Discounts	(39,428)	0	(4,889)	(34,539)	(4,409)
<b>Total L.T.G.O. Bonds Payable</b>	<b>8,080,272</b>	<b>0</b>	<b>840,994</b>	<b>7,239,277</b>	<b>1,206,475</b>
<b><u>Revenue Bonds Payable:</u></b>					
Revenue Bonds	3,980,000	0	1,860,000	2,120,000	205,000
Premiums	1,438	0	1,438	0	
<b>Total Revenue Bonds Payable</b>	<b>3,981,438</b>	<b>0</b>	<b>1,860,438</b>	<b>2,120,000</b>	<b>205,000</b>
Notes Payable (Note 12)	1,746,583	0	275,865	1,470,718	201,748
Capital Leases (Note 11)	564,211	0	382,370	181,841	125,876
Other Long-Term Debt	611,186	0	240,311	370,875	
Employee Leave Benefits	620,591	101,059	0	721,650	
Total OPEB Liability* (Note 9)	2,161,921	0	52,863	2,109,058	23,190
Pollution Remediation Obligation (Note 14)	13,151,829	0	333,179	12,818,650	
Net Pension Liability (Note 7)	1,534,396	0	426,739	1,107,657	
<b>Total Long-Term Liabilities</b>	<b>\$32,452,427</b>	<b>\$101,059</b>	<b>\$4,413,758</b>	<b>\$28,139,726</b>	<b>\$1,762,289</b>



**NOTE 13 – CONTINGENCIES & 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 (insurance policies and/or self-insurance reserves) 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.

**NOTE 14 – POLLUTION REMEDIATION OBLIGATION**

The Port has identified two sites that require characterization and remediation and for several years has been engaged in litigation with the Port's insurers to establish coverage of \$200 million that will pay all future defense counsel, investigation and remediation costs. The litigation was resolved in the Port's favor in 2017, all legal appeals have been exhausted, and the insurer has acknowledged its obligation. A brief description of the sites follows.

Treated Wood Products (TWP) Site. In 1998, the State Department of Ecology and International Paper discovered contamination on approximately three acres of Port property located near its maintenance facility area (MFA) on 10 International Way. This site is referred to by Ecology as the "treated wood products (TWP)" site and contains contaminants such as creosote, diesel and other wood preservative chemicals. In 2017, a remedial investigation and feasibility study was completed and submitted to the Department of Ecology for determination between the remediation method preferred by International Paper and the Port's preferred method. Ecology has yet to issue an agreed order and no allocation of responsibility for site cleanup has been determined. The Port has recorded a pollution remediation obligation on this site in the amount of \$4,418,650. This amount was calculated using the expected cash flow technique which measures the obligation as the sum of probability weighted amounts in a range of possible amounts. A pollution remediation receivable in the same amount has been recorded since full recovery is realizable from a combination of the amount to be paid by International Paper and the Port's insurer.

Total Petroleum Hydrocarbons (TPH) Site. In 1991, the Port discovered contamination relating to underground and above ground storage tanks as well as pipelines under two of its dock structures and in the ground behind the docks. This site is referred to by the Department of Ecology as the "total petroleum hydrocarbons (TPH) site and contains contaminants such as diesel, gasoline and Bunker C oil. Kapstone Paper and Packaging, Georgia Pacific, Chevron, Wilson Oil and the Port have been identified as potentially liable parties (PLPs) by the Department of Ecology under the Model Toxics Control Act (MTCA). In February 2019, the Port, Chevron and Georgia Pacific entered into an agreed order with Ecology. Under the agreed order, the PLPs must complete an Interim Action to remove exposed pipelines, a Remedial Investigation (RI), a Feasibility Study (FS) and a Preliminary Draft Cleanup Action Plan (DCAP) to enable Ecology to select a cleanup alternative for the TPH site.

In 2019, the Port entered into a Joint Defense, Participation, and Cost Sharing Agreement with all of the named PLP's to share costs and other resources in connection with the TPH site with the exception of the Interim Action. This agreement establishes percentage of responsibility as follows: Chevron 40%; Kapstone 24%; Port 18%;

Georgia-Pacific 10%; and Wilson Oil 8%. The Interim Action to remove the exposed abandoned fuel pipelines under the Berth 1 and 2 dock structures will be the sole responsibility of the Port and is not part of the shared costs of the agreement.

The Port has recorded a pollution remediation obligation for the remedial investigation, feasibility study and ultimate cleanup outlay in the amount of \$8,400,000. This amount was calculated using the expected cash flow technique which measures the obligation as the sum of probability weighted amounts in a range of possible amounts. This is an estimate only and potential for change exists resulting from price increases or decreases, technology or changes in applicable laws or regulations. The estimates and assumptions will be re-evaluated on an annual basis. A pollution remediation receivable in the same amount has been recorded since full recovery is realizable from a combination of the amounts to be paid by the other potential responsible parties and the Port's insurer.

The Interim Action to remove the exposed abandoned fuel pipelines under Berth 1 and 2 dock structures was completed during 2019. A \$233,896 current pollution remediation receivable from London Market Insurer's (LMI) is outstanding as of 12/31/19 to reimburse the Port for a portion of the work completed.

### **NOTE 15 – RESTRICTED COMPONENT OF NET POSITION**

The Port's Statement of Net Position reports \$76,112 of restricted component of net position. Of this amount, \$63,716 is restricted by revenue bond covenants and the remaining is restricted by enabling legislation through the Industrial Development Corporation of the Port of Longview.

### **NOTE 16- MAJOR CUSTOMERS**

The Port had two major customers in 2019 that represented individually more than 10% of total operating revenues for the year. The total billings for these two customers in 2019 equaled \$22,093,271. Receivables outstanding from those corporations totaled \$2,499,222.

### **NOTE 17 - 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.

There were no outstanding bonds during the year ended December 31, 2019. The Industrial Development Corporation did not authorize issuance of any bonds during the year ended December 31, 2019.

Funds in the Industrial Corporation at December 31, 2019 totaled \$12,396. They are included on the Statement of Net Position as Restricted Assets.

**NOTE 18 – JOINT VENTURE**

***Southwest Washington Regional Airport Board:***

The cities of Longview and Kelso along with Cowlitz County and the Port of Longview entered into an agreement in February, 2012 to establish an Airport Board (Board) to jointly fund and manage the operations, maintenance, improvement and regulation of the Southwest Washington Regional Airport. Prior to the agreement the airport had been owned and operated by the City of Kelso. This agreement took effect in January, 2013 with noncapital assets and liabilities transferred to the Board which consists of a member from each entity and an at large member to be appointed by majority vote of the other members.

The Board formulates its preliminary annual budget and submits it to each participating jurisdiction prior to August 1 of each year. Estimated expenses for maintenance and operations, repairs and replacements to existing facilities, capital projects, and debt service are netted against estimated airport operating revenues to determine the amount of annual subsidy required by the participating jurisdictions. Each jurisdiction is responsible for 25% of the estimated subsidy. Payments made to the airport by the Port in 2019 were \$76,000.

This agreement may be terminated at any time upon the approval by a super-majority of the entities. All assets and liabilities acquired by the Board would remain the property of the airport and be used for airport maintenance and operations consistent with FAA's Revenue Use Policy. In the event the airport ceases to operate, any assets or liabilities remaining from such property acquired after the commencement of this agreement, and after the full satisfaction of all federal obligations, grant repayments to the FAA, and satisfaction of FAA's Revenue Use Policy, would be distributed to the parties in the same proportion as the financial contribution of the parties for its acquisition.

As of December 31, 2019, the Port's ongoing financial responsibility is minimal. In addition, the airport has no outstanding long-term obligations and is not accumulating significant resources or experiencing fiscal stress that would cause additional material financial benefit or burden on the Port in the future. The airport does not issue stand-alone financial statements.

**NOTE 18 – PRIOR PERIOD ADJUSTMENT**

The Port recorded a prior period adjustment in the amount of \$57,200 for expenditures for repurposed materials that were planned for the Berth 7 Loadout Building but were used on multiple maintenance projects instead because of the delay of the capital project. These expenditures were recorded in Construction in Process during fiscal year 2017 and should have been recorded as operating expenses in 2017.

**NOTE 19 – SUBSEQUENT EVENTS**

***Bond Refunding***

The Port of Longview underwent a bond refunding on April 15, 2020 for all its outstanding LTGO Bonds and Revenue Bonds in the amount of \$8,565,000. This refunding resulted in a net present value savings to the Port of \$1,325,007 over the upcoming years of 2020 through 2029.

***COVID-19 Epidemic***

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

To help control the spread of the virus in our community, the port administrative office will be closed through May 31, 2020. The port has asked employees who can work remotely to do so, essential employees reporting to work are practicing appropriate social distancing measures. We continue to maintain service levels to our customers and tenants, and port terminals remain fully operational. Ports play a critical role in our nation's supply chain and maintaining the movement of cargo is essential to our local, national and world-wide economy.

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

**PORT OF LONGVIEW**  
Required Supplementary Information  
December 31, 2019

**Schedule of Proportionate Share of Net Pension Liability**  
**As of June 30, 2019**  
**Last 10 Fiscal Years\***

<b>PERS 1</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Employer's proportion of the net pension liability (asset)	0.022024%	0.023426%	0.023692%	0.026275%	0.025462%
Employer's proportionate share of the net pension liability	\$846,901	\$1,046,213	\$1,124,204	\$1,411,091	\$1,331,899
Employer's covered payroll	\$2,987,469	\$3,012,833	\$2,895,809	\$2,837,010	\$2,729,234
Employer's proportionate share of the net pension liability as a percentage of covered payroll	28.35%	34.73%	38.82%	49.74%	48.79%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	57.03%	59.10%

<b>PERS 2/3</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Employer's proportion of the net pension liability (asset)	.026845%	0.028592%	0.028820%	0.027833%	0.029056%
Employer's proportionate share of the net pension liability	\$260,756	\$488,183	\$1,001,357	\$1,401,370	\$1,038,187
Employer's covered payroll	\$2,917,783	\$2,945,557	\$2,825,479	\$2,600,075	\$2,577,680
Employer's proportionate share of the net pension liability as a percentage of covered payroll	8.94%	16.57%	35.44%	53.90%	40.28%
Plan fiduciary net position as a percentage of the total pension liability	97.77%	95.77%	90.97%	85.82%	89.20%

**Notes to Schedules:**

\*Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.

\*Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, Par. 5.)

**PORT OF LONGVIEW**  
Required Supplementary Information  
December 31, 2019

**Schedule of Employer Contributions  
As of December 31, 2019  
Last 10 Fiscal Years\***

<b>PERS 1</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutorily or contractually required contributions	\$168,127	\$160,290	\$145,804	\$141,953	\$139,444
Contributions in relation to the statutorily or contractually required contributions	(168,127)	(160,290)	(145,804)	(141,953)	(139,444)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Covered employer payroll	\$3,283,422	\$3,062,246	\$2,882,129	\$2,769,304	\$2,936,555
Contributions as a percentage of covered payroll	5.12%	5.23%	5.06%	5.13%	4.75%

<b>PERS 2/3</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutorily or contractually required contributions	\$247,701	\$224,305	\$193,202	\$162,669	\$153,420
Contributions in relation to the statutorily or contractually required contributions	(247,701)	(224,305)	(193,202)	(162,669)	(153,420)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Covered employer payroll	\$3,211,071	\$2,991,114	\$2,815,361	\$2,611,072	\$2,739,187
Contributions as a percentage of covered payroll	7.71%	7.50%	6.86%	6.23%	5.60%

**Notes to Schedules:**

\*Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.

\*Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, Par. 5)

\*Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAAL. Contributions do not include employee-paid member contributions (GASB 82, Par. 8)

**PORT OF LONGVIEW**  
Required Supplementary Information  
December 31, 2019

**Schedule of Employer Contributions  
Nongovernmental Pension Plans  
Statutorily or Contractually Required Contributions  
As of December 31, 2019  
Last 10 Fiscal Years\***

<b>Entity</b>	<b>Pension Plan</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Oregon-Washington Carpenters – Employers Trust Fund	47P	\$113,018	\$109,415	\$118,437	\$94,922
Oregon-Washington Carpenters – Employers Trust Fund	47AP Non- accruing	97,864	89,285	56,223	38,457
Electrical Trust Funds	District 9 Pension	19,004	21,856	24,527	20,229
Electrical Trust Funds	Edison Pension	36,161	41,891	50,304	41,426
Electrical Trust Funds	NEBF	7,063	8,301	9,602	8,232
AGC-IUOE Local 701 Trust Funds	AGC-IUOE Pension	28,452	28,021	27,568	27,108
Northwest Laborers- Employers Trust Fund	NW Laborers Pension	104,416	102,502	95,032	81,810
Oregon and SW Painters Pension Plan	39P	9,594	11,602	13,474	10,300
Plumbers & Pipefitters National Pension Fund	National Pension (PPNPF)	10,894	11,105	10,844	8,754
WA State Plumbing & Pipefitting Industry Trust Funds	UA Supplemental Pension	7,352	3,752	3,776	3,214
WA State Plumbing & Pipefitting Industry Trust Funds	WA St Pension	22,782	23,223	23,372	18,307
National Automatic Sprinkler Industry	NASI	12,890	7,936	6,121	10,991
National Automatic Sprinkler Industry	Sprinkler Industry Supplemental	13,599	7,291	9,025	16,376

**Notes to Schedule:**

\*Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.

**PORT OF LONGVIEW**  
Required Supplementary Information  
December 31, 2019

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**Post Retirement Health Care Program**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**For the year ended June 30, 2019**  
**Last 10 Fiscal Years\***

<b>TOTAL OPEB LIABILITY</b>	<b>2019</b>	<b>2018</b>
Service Cost	\$82,024	\$91,674
Interest	86,353	79,267
Changes in Experience Data and Assumptions	(195,770)	(121,711)
Benefit Payments	(25,470)	(19,414)
<b>Net Change in Total OPEB Liability</b>	<b>(\$52,863)</b>	<b>\$29,816</b>
Total OPEB Liability - Beginning	2,161,921	2,132,105
<b>Total OPEB Liability - Ending</b>	<b>\$2,109,058</b>	<b>\$2,161,921</b>
Covered Employee Payroll	\$3,313,171	\$3,119,160
Total OPEB Liability as a % of Covered Payroll	63.66%	69.31%

**Notes to Schedule:**

\*Until a full 10-year trend is compiled, only information for those years available is presented.

\*Covered employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan (GASB 75, Par. 246)

\*The PEBB OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis.

\*Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.



## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

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