



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**

Port of Pasco

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

Published September 30, 2020

Report No. 1027070





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

September 30, 2020

Board of Commissioners
Port of Pasco
Pasco, Washington

**Report on Financial Statements and Federal Single Audit and
Passenger Facility Charges**

Please find attached our report on the Port of Pasco's financial statements, compliance with federal laws and regulations and compliance with requirements applicable to its passenger facility charge program.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Port of Pasco January 1, 2019 through December 31, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.106	Airport Improvement Program
20.930	Payments for Small Community Air Service Development

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

The Port qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**INDEPENDENT AUDITOR'S REPORT 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 Pasco
January 1, 2019 through December 31, 2019**

Board of Commissioners
Port of Pasco
Pasco, 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 Pasco, 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 September 29, 2020.

As discussed in Note 20 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Port. Management's plans in response to that matter are also described in Note 20.

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

September 29, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

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

Board of Commissioners
Port of Pasco
Pasco, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the Port of Pasco, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended December 31, 2019. The Port's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy
State Auditor
Olympia, WA

September 29, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

Port of Pasco
January 1, 2019 through December 31, 2019

Board of Commissioners
Port of Pasco
Pasco, Washington

REPORT ON COMPLIANCE FOR PASSENGER FACILITY CHARGES

We have audited the compliance of the Port of Pasco, with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) issued by the Federal Aviation Administration for its passenger facility charge program for the year ended December 31, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on the Port's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Port's compliance with those requirements.

Opinion on Compliance

In our opinion, the Port of Pasco complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to its passenger facility charge program. In planning and performing our audit, we considered the Port's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 29, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Board of Commissioners
Port of Pasco
Pasco, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Pasco, 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 18.

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 Pasco, 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 20 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Port. Management's plans in response to this matter are also described in Note 20. 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 18 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.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 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

September 29, 2020

FINANCIAL SECTION

Port of Pasco 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 Net Position – 2019

Statement of Cash Flows – 2019

Notes to Financial Statements – 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios - Port of Pasco OPEB – 2019

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

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2019

Notes to the Schedule of Expenditures of Federal Awards – 2019

Schedule of Passenger Facility Charges – 2019

Notes to the Schedule of Passenger Facility Charges – 2019

**Port of Pasco
Management Discussion and Analysis
For the Year Ended December 31, 2019**

Introduction

The following is the Port of Pasco's (the Port) Management Discussion and Analysis (MD&A) of financial activities and performance for the calendar years ended December 31, 2019 and 2018. It provides an introduction to the Port's 2019 financial statements. Information contained in this MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and the notes.

The notes are essential to a full understanding of the data contained in the financial statements. This report also presents certain required supplementary information regarding pension and other post-employment benefits.

Background

The Port of Pasco is a local municipal corporation formed by the voters inhabiting approximately 80% of Franklin County in 1940. The Port Commission, the governing body, is made up of three local residents who are elected to a six-year term, with one of the nonpartisan positions up for election every two years. The Port's primary mission is economic development for the citizens of the district. In accordance with the laws of Washington, the Commissioners have appointed an Executive Director to manage Port operations, and a Port Finance Director to manage the Port's finances.

Operating revenues are generated from three primary business areas: airport operations, marine terminal operations and property lease operations.

Airport Operations

The Tri-Cities Airport which serves the regions of southeastern Washington and northeastern Oregon with non-stop daily commercial air service to Seattle on Alaska Airlines, Salt Lake City, Seattle and Minneapolis on Delta Airlines and Denver and San Francisco on United Airlines. Weekly air service to Las Vegas, Phoenix-Mesa and seasonal service to Los Angeles is provided by Allegiant Airlines. Year end 2019 statistics show passenger boarding's increased by 43,039 passengers increased to 438,123, parking lot activity increased 10%, car rental activity was up 10% and restaurant concessions were up 17%. Airport operations include leased land and buildings within the airport's boundaries.

Airport projects included the East General Aviation Apron Construction Project, Taxiway Alpha Relocation, runway Intersection Underdrains, The TSA Inline Baggage System, Fire Fighting Building Exhaust Upgrade, Building 85 Fire System, Earhart and Rickenbacker Road Construction, and Hangar Construction.

Marine Terminal Operations

The Port owns a barge terminal and charges a fee for the usage of the terminal. Currently, the Port only has two agreements to use the barge terminal. The first is for offloading of woodchips being sent to a nearby paper mill. The second is for a regional propane distributor who is expanding their operations to serve as a distribution hub for all of southeast Washington.

Property Lease Operations and Land Sales

The Port rents its developed land (not including airport property) to industrial and commercial users who then build or rent facilities on the land. Leased land and buildings are available at the Port's Big Pasco Industrial Center, Osprey Pointe, and "the Wharf". The occupancy rates of lease buildings ranges from 90% to 100% at each of these locations.

Additionally, the Port acquires undeveloped land and adds infrastructure, such as roads and utilities, which facilitate industrial and commercial development of the land.

In the 1990's, the Port acquired 250 acres of land for the Pasco Processing Center, intended to serve as an industrial park specifically for major food processing companies. An ongoing joint marketing effort between the City of Pasco, the Port and the Tri-City Industrial Development Council (TRIDEC) has been working to attract new companies to the center. There are four major food processing businesses employing 750 FTEs with three supporting industries that have bought ground and built at the site. The most recent sales follow. In 2008, Syngenta Seed Co. purchased 39.5 acres to construct a state-of-the-art vegetable seed-drying plant that was completed in the fall of 2009 to process sweet corn and small-seeded vegetable seeds at a cost of \$41,600,000. In 2009, 3E Properties purchased 12.6 acres for processing fresh-pack specialty potatoes. In January of 2014, Kenyon Zero Storage, Inc. purchased the last 16.7 acres to construct a 400,216 square foot facility for freezer/ cold storage of vegetables grown in the region. This completed the large-lot food processing portion of the development.

Of the original 250 acres, a certain portion was set aside for smaller acreage lots in the northwest corner of the Pasco Processing Center in a tract of land named the Foster Wells Business Park (FWBP). It is divided into 13 building sites ranging in size from 2 to 10 acres. These parcels are intended for small-scale facilities that supplement or complement the existing large food processors. The sites offer opportunities for manufacturing, warehousing, packaging, distribution, goods and services providers. The first business in this section of the Park was Teton Gold, LLC who purchased 3.22 acres in 2003-2004. In 2011, Second Harvest Food Bank of the Inland Northwest was the second business to locate in FWBP on 2.5 acres. In October, 2014, Rock Placing Company purchased 2.22 acres adjacent to the Second Harvest Food Bank property. In 2015 and 2016, a total of 7.46 acres were sold to Volm Companies for construction of a 217,800 square foot light industrial facility to support the major food processors. Teton West purchased additional lots, one was in 2016 for 1.99 acres, and the other was for 2.43 in November of 2018. These parcels are adjacent to the parcel they purchased in 2003. Five lots were sold in the fall of 2019. Three lots totaling 21.15 acres was sold to Kenyon Zero Storage, a 2 acre parcels was sold to PECCAS (dba All Seasons Contractors) and a 2.7-acre lot was purchased by BS Group (dba Pioneer Packaging). In 2020, the remaining 2 lots (5.17

acres) were sold to AJC Realty (dba Callie's Welding & Fabrication). At this time the Port does not have any parcels for sale at the Pasco Processing Center or Foster Wells Business Park.

In 2019, the Port purchased 300 acres of land for the Reimann Industrial Center, intended to serve as a new industrial park specifically for major food processing companies or other large industries.

The Port is also actively developing its waterfront along the Columbia River in Pasco, a 110-acre parcel of ground known as Osprey Pointe. Flexibility will be a key feature of Osprey Pointe which will offer professional offices and corporate headquarters along the waterfront, and "flex space" buildings at the non-waterfront areas integrating offices, light manufacturing and assembly areas, research facilities and testing laboratories, storage and warehouse space, and multifamily and single family residential complexes as part of a mixed use development. Smaller flex/light industrial/ service oriented buildings are planned for the remaining areas of Osprey Pointe, and may include small businesses, professional services, restaurants, a public market, concert amphitheater, or other support services. Along with the buildings, a high priority is placed on public access and enjoyment of the waterfront. Pedestrian trails, wildlife and nature-scape areas are all part of the amenities in Osprey Pointe. The first phase of construction was completed in March of 2011 and includes a 20,000 square foot building and infrastructure to support five additional building sites. The Port of Pasco borrowed an additional \$4,415,000 in early 2010, for the building and infrastructure.

There are issues facing the Port that could result in material changes in its financial position in the long term. Among those issues are:

- Intensive investment in infrastructure is required to meet air safety initiatives at the Port's airport. While the federal government bears the majority of these costs, the Port will bear a share of the cost and will have to manage the disruptions in operation that they will cause.
- The Port is presently involved in a soil clean-up proceeding with the Department of Ecology along with other parties at the marine terminal. The Port's current liability is estimated at approximately \$535,205. In the opinion of management, the Port's exposure may be covered in whole or in part in combination of PLP (potentially liable party) settlement dollars and government grants. The Port has booked this as a liability in its statements.
- 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, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. The airport has seen a significant drop in passengers due to the virus. The airport will receive approximately \$5.9 million dollars in grant funds from the Federal Aviation Administration to pay for

operating expenses and debt payments to help offset the costs associated with the drop in passenger revenues. The length of time these measures will be in place, and the full extent of the financial impact on the Port of Pasco is unknown at this time.

Overview of the Financial Statements

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The basic financial statements include: 1) the Statement of Net Position; 2) the Statement of Revenues, Expenses, and Changes in Fund Net Position; 3) the Statement of Cash Flows.

The Statement of Net Position reflects the financial position of the Port at the end of the calendar year. The statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position, the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, is an indicator of the current fiscal health of the organization and the Port's financial position over time.

The Statement of Revenues, Expenses, and Changes in Fund Net Position reflects the change in the Port's financial position (net position) during the current year. Changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. This statement presents net income or loss from operations as well as nonoperating revenues and expenses, capital contributions and extraordinary items.

The Statement of Cash Flows reflects the net increases or decreases in cash from four activities: 1) Operating Activities, with a reconciliation of cash flows from operating activities to net income or loss from operations; 2) Noncapital financing activities; 3) Capital and related activities; 4) Investing activities.

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

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

The Port maintains a subsidiary corporation, called the Port of Pasco Economic Development Corporation established pursuant to State law for the purpose of issuing Industrial Revenue Bonds.

The Port of Pasco has one trust account for Employee Medical Reimbursement Trust.

Financial Analysis of the Port

Statement of Net Position

A summarized comparison of the Port's Statement of Net Position at December 31, 2019 and December 31, 2018, follows:

	2019	2018
Current Assets	\$25,050,044	\$23,281,853
Noncurrent Assets	\$332,584	\$152,287
Net Capital Assets	\$141,253,269	\$129,028,493
Total Assets	\$166,635,897	\$152,462,633
Deferred Outflows of Resources	\$308,890	\$241,795
Current Liabilities	\$6,737,757	\$4,739,817
Noncurrent Liabilities	\$31,440,776	\$29,008,992
Total Liabilities	\$38,178,533	\$33,748,809
Deferred Inflows of Resources	\$782,922	\$592,579
Invested in Capital Assets, Net of Debt	\$111,129,283	\$101,763,586
Restricted for:		
Restricted for Debt Service	\$1,852,596	\$1,827,800
Restricted for PFC Projects	\$357,126	\$83,360
Restricted for CFC Projects	\$2,872,262	\$2,641,483
Unrestricted	\$11,772,065	\$12,046,811
Total Net Position	\$127,983,332	\$118,363,040

The assets and deferred outflows of the Port exceeded its liabilities and deferred inflows at December 31, 2019 by \$127,983,332. Of this amount, \$111,129,283 was invested in capital assets, net of related debt, \$5,081,984 was restricted, and \$11,772,065 was unrestricted. As a comparison, net position totaled \$118,363,040 the end of the calendar year 2018. Of this amount, \$101,763,586 was invested in capital assets, net of related debt and \$4,554,643 in restricted assets and \$12,046,811 was unrestricted. For details, refer to the statement of net position and notes 1, 16, 17 and 19 of the notes to the financial statements.

The Statement of Revenues, Expenses and Changes in Fund Net Position

A summarized comparison of the Statement of Revenues, Expenses and Changes in Fund Net Position for the years ended December 31, 2019 and December 31, 2018, follows:

	2019	2018
Operating Revenues:		
Airport Operations	\$10,001,945	\$10,143,771
Marine Terminal Operations	\$111,675	\$18,918
Property Lease/Rental Operations	\$3,781,015	\$3,161,944
Total Operating Revenues	\$13,894,635	\$13,324,633
Operating Expenses:		
General Operations	\$6,010,043	\$5,853,067
General and Administration	\$2,873,838	\$2,782,836
Depreciation	\$7,944,164	\$7,589,762
Total Operating Expenses	\$16,828,045	\$16,225,665
Operating Income (Loss)	(\$2,933,410)	(\$2,901,032)
Nonoperating Revenues (Expenses):		
Tax Levied for General Purposes	\$2,319,989	\$2,191,129
Interest Expense	(\$1,129,525)	(\$1,140,865)
Other, net	\$4,650,764	\$2,643,328
Total Nonoperating Revenues (Expenses)	\$5,841,228	\$3,693,592
Income Before Capital Contributions	\$2,907,818	\$792,560
Capital Contributions	\$6,712,474	\$8,833,719
Change in Net Position	\$9,620,292	\$9,626,279
Beginning Net Position	\$118,333,267	\$110,311,160
Prior Period Adjustments	\$29,773	(\$1,604,172)
Ending Net Position	\$127,983,332	\$118,333,267

In 2019, the Port's operating revenues increased by \$570,002 from 2018. Of this amount, airport operations decreased by 1% due to airline rates and charges reconciliation and recoding grant revenue to nonoperating revenue, marine terminal operations increased 490% and Property lease operations increased 20%. Operating expenses increased in 2019 by \$602,380 from 2018. Of this amount, general operations increased 2.7%, general and administrative expenses increased 3.2% and depreciation expense increased 4.7%. In 2019, the Port's nonoperating revenues increased by \$2,147,636 from 2018. In 2019, the Port had a gain on disposal of \$1,525,924 from the sale of land. In 2019, the Port's capital contributions were \$6,712,474 compared to 2018 of \$8,833,719. Capital contributions are used for capital purchases or construction. The Port's total net position increased by \$9,620,292 in 2019 compared to a \$9,626,279 increase in 2018.

Capital Assets and Debt Administration

Capital Assets

This table summarizes the year end balances in capital assets for 2019 and 2018 and the change in the year end balances for December 31, 2019. See note 4 in the notes to the financial statements.

	2019	2018
Capital Assets, Not Being Depreciated		
Land	\$13,770,555	\$6,417,303
Construction in Progress	\$13,557,520	\$12,471,319
Total Capital Assets, Not Being Depreciated	\$27,328,075	\$18,888,622
Capital Assets, Being Depreciated		
Property	\$217,034,915	\$205,437,856
Machinery and Equipment	\$4,373,415	\$5,094,393
Less Accumulated Depreciation	(\$107,483,136)	(\$100,422,151)
Total Capital Assets Being Depreciated	\$113,925,194	\$110,110,098
Total Capital Assets, Net	\$141,253,269	\$128,998,720

The Port's assets increased by \$19,315,534 as of December 31, 2019. The book value of the capital asset base increased \$12,254,549 in 2019 as a result of asset additions and improvements, net of depreciation. The Port expenses about \$7,944,000 per year in depreciation charges.

Major capital asset additions and improvements during 2019 included the following:

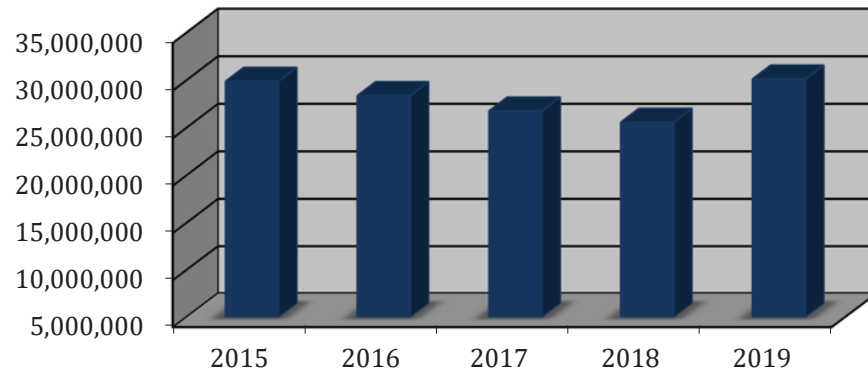
- Land Purchase
- Airfield Taxiway Alpha Relocation
- Business Park road improvements
- Water Rights Purchase
- Airport hangar
- Big Pasco Industrial Park warehouse and road improvements

Debt

Long-term debt at December 31, 2019 was \$30,123,986 of which \$4,030,569 are general obligation bonds and \$20,417,165 are revenue bonds. Remaining debt includes a Washington State CERB loan of \$514,618 borrowed in 2009 to construct an office building and a Hanford Area Economic Investment Fund loan of \$584,273 to purchase land at the Tri-Cities Airport. In 2019, the Port borrowed additional debt from Washington State CERB of \$1,314,361 to

construct a hangar, and from Hanford Area Economic Investment Fund of \$2,250,000 and Baker Boyer Bank of \$1,013,000 to purchase land for an industrial center. See note 8 and note 9 in the notes to the financial statements.

Port Long-Term Debt as of December 31, 2019



Budget

Each November the Port of Pasco Commissioners adopts a consolidated annual operating budget for the following year.

The Port has a capital plan calling for over \$27,000,000 in capital projects over the next three years, with major improvements at the airport and the Big Pasco Industrial Center. The Port's major capital expenditure projects will include road improvements and rail improvements at the Big Pasco Industrial Center, and snow removal equipment and taxiway G reconstruction at the airport. The road improvements will cost approximately \$9 million dollars with the Port receiving a U.S. Department of Commerce Economic Development Administration grant of \$7,110,012. The rail improvements will cost approximately \$1.8 million dollars with the Port receiving a grant of \$1.4 million dollars. The snow removal equipment will cost approximately \$2.1 million dollars with the airport receiving a grant of approximately \$1.9 million dollars. The taxiway G reconstruction project will cost approximately \$9 million dollars with the airport receiving approximately \$8.2 million in grants.

Tax Levy:

The Port of Pasco is a municipal government and collects property tax revenues from the property owners within the Port district. The tax levy is used for debt service, capital expenditures, environmental clean-up and capital investments.

The Port's tax levy rate has been declining from \$0.44 per \$1,000 of assessed value in 2004 to \$0.2621 per \$1,000 of assessed value in 2019. The tax levy rate for 2020 is projected to decrease slightly to \$0.2550 per \$1,000 of assessed value and will yield \$2,341,424.

The Port's salutatory maximum tax levy rate is \$0.45 per \$1,000 of assessed property value. For details please refer to note 3 in the notes to the financial statements.

Contacting the Port's Financial Management

The Port of Pasco designed this financial report to provide our citizens, customers, investors and creditors with an overview of the Port's finances. If you have questions or need additional information please visit our website at www.portofpasco.org or contact: Director of Finance, PO Box 769, Pasco, WA 99301. Telephone 509-547-3378.

Port of Pasco
Statement of Net Position
December 31, 2019

Assets

Current Assets (Note 1)

Cash and Cash Equivalents	\$14,546,986
Accounts Receivable (Net)	\$1,853,579
Taxes Receivable	\$42,670
Due from Other Governments	\$3,096,106
Inventories	\$200
Prepayments and Other Current Assets	\$428,519
Restricted Cash and Cash Equivalents	\$5,081,984
Total Current Assets	\$25,050,044

Noncurrent Assets

Capital Assets: (Note 1, 4, 5)	
Capital Assets Not Being Depreciated	
Land	\$13,770,555
Construction in Progress	\$13,557,520
Capital Assets Being Depreciated	
Property	\$217,034,915
Equipment	\$4,373,415
Less: Accumulated Depreciation	(\$107,483,136)
Total Capital Assets (Net)	\$141,253,269
Net Pension Asset (Note 6)	\$332,584
Total Noncurrent Assets	\$141,585,853

Total Assets	\$166,635,897
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Deferred Outflows of Resources

Deferred Outflows Related to Pensions (Note 1, 6)	\$308,890
Total Deferred Outflows of Resources	\$308,890

The notes to the financial statements are an integral part of this statement.

Liabilities

Current Liabilities (Note 1)

Accounts Payable and Accrued Expenses	\$3,611,510
Compensated Absences	\$15,021
Accrued Interest Payable	\$178,366
Bonds, Notes, and Loans Payable	\$1,984,759
Other Current Liabilities	\$948,101
Total Current Liabilities	\$6,737,757

Noncurrent Liabilities

Compensated Absences (Note 1)	\$668,268
Bonds, Notes, and Loans Payable (Note 8)	\$28,139,227
Soils Cleanup Liability (Note 11)	\$535,205
Unearned Revenue (Note 1)	\$90,576
Net OPEB Liability (Note 12)	\$1,081,367
Net Pension Liability (Note 6)	\$926,133
Total Noncurrent Liabilities	\$31,440,776

Total Liabilities

\$38,178,533

Deferred Inflows of Resources

Deferred Inflows Related to Pensions (Note 1, 6)	\$782,922
Total Deferred Inflows of Resources	\$782,922

Net Position (Note 1)

Net Investments in Capital Assets	\$111,129,283
Restricted for: (Note 1, 16)	
Restricted for Debt Service	\$1,852,596
Restricted for PFC Projects	\$357,126
Restricted for CFC Projects	\$2,872,262
Unrestricted	\$11,772,065
Total Net Position	\$127,983,332

The notes to the financial statements are an integral part of this statement.

Port of Pasco
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 2019

Operating Revenues	
Airport Operations	\$10,001,945
Marine Terminal Operations	\$111,675
Property Lease/Rental Operations	\$3,781,015
Total Operating Revenues	\$13,894,635
Operating Expenses	
General Operations	\$6,010,043
General and Administrative	\$2,873,838
Depreciation	\$7,944,164
Total Operating Expenses	\$16,828,045
Operating Income (Loss)	(\$2,933,410)
Nonoperating Revenues (Expenses)	
Tax Levied for General Purposes	\$2,319,989
Interest Income	\$280,111
Interest Expense and Other Debt Issuance Costs	(\$1,129,525)
Gain (Loss) on Disposal of Assets	\$1,525,924
Passenger Facility Charges	\$1,812,431
Customer Facility Charges	\$752,259
Other Nonoperating Revenues	\$1,858,221
Election Expenses	(\$20,711)
Other Nonoperating Expenses	(\$1,557,471)
Total Nonoperating Revenues (Expenses)	\$5,841,228
Income (Loss) Before Capital Contributions	\$2,907,818
Capital Contributions	\$6,712,474
Increase (Decrease) in Net Position	\$9,620,292
Net Position - Beginning of Period	\$118,333,267
Prior Period Adjustments	\$29,773
Net Position - End of Period	\$127,983,332

The notes to the financial statements are an integral part of this statement.

**Port of Pasco
Statement of Cash Flows
For the Year Ended December 31, 2019**

Cash Flows From Operating Activities

Receipts from Customers	\$13,248,410
Payments to Suppliers	(\$3,772,865)
Payments to Employees	(\$4,649,559)
Net cash provided (used) by operating activities	\$4,825,986

Cash Flows From Noncapital Financing Activities

Receipts from Nonoperating Costs	\$3,308,669
Payments from Nonoperating Costs	(\$1,550,600)
Receipts from Grants	\$950,275
Net Cash Provided (Used) by Noncapital Financing Activities	\$2,708,344

Cash Flows From Capital and Related Financing Activities

Proceeds from Capital Debt	\$4,577,361
Principal Paid on Capital Debt	(\$1,647,055)
Interest Paid on Capital Debt	(\$1,151,520)
Receipts from Property Taxes	\$2,321,390
Capital Contributions	\$6,718,283
Purchases of Capital Assets	(\$19,405,306)
Sale of Capital Assets	\$1,525,924
Net Cash Provided (Used) by Capital and Related Financing Activities	(\$7,060,923)

Cash Flows From Investing Activities

Interest and Dividends	\$280,111
Net Cash Provided by Investing Activities	\$280,111

Net Increase (Decrease) in Cash and Cash Equivalents **\$753,518**

Balances - Beginning of the Year **\$18,875,452**

Balances - End of the Year **\$19,628,970**

The notes to the financial statements are an integral part of this statement.

**Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)
by Operating Activities**

Operating Income (Loss)	(\$2,933,410)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	\$7,944,164
Changes in Assets and Liabilities:	
Receivables, Net	(\$1,000,611)
Accounts and Other Payables	\$832,453
Accrued Expenses	(\$16,610)
Net Cash Provided by Operating Activities	\$4,825,986

The notes to the financial statements are an integral part of this statement.

Port of Pasco
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Port of Pasco have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

Reporting Entity

The Port of Pasco was incorporated in 1940 and operates under the laws of the state of Washington applicable to a port district.

As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Port has one blended component unit, see Note 15.

Basis of Presentation - Proprietary Fund Financial Statements

The Port of Pasco statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Port are airport operations, marine terminal operations, and property lease and rental operations. Operating expenses for the Port include general operations, general and administrative expenses, and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Net Position

Cash and Cash Equivalents

It is the Port of Pasco's policy to invest all temporary cash surpluses. At December 31, 2019 the treasurer was holding \$11,163,110 in short-residual investments of surplus cash, see Note 2, Deposits and Investments. This amount is classified on the statement of net position as cash and cash equivalents and restricted cash and cash equivalents. The interest on these investments is prorated to the various accounts.

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.

Investments

See Note 2, Deposits and Investments.

Receivables

Taxes receivable consists of property taxes and related interest and penalties (See Note 3, Property Tax). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. 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. As of December 31, 2019, the Port had \$206,883 in the Allowance for Doubtful Accounts.

A review is done each month of the outstanding delinquent accounts. Currently the balance in the allowance for doubtful accounts is sufficient to cover all delinquent accounts over 90 days. If an account needs to be written off, it is brought to the governing board for their approval, but only after all attempts have been made to collect.

Amounts Due to and from Other Governmental Units

These accounts include amounts due to or from other governments for grants.

Inventories

Inventories in proprietary funds are valued by the FIFO method (which approximates the market value).

Prepayments and Other Current Assets

Prepayments and other current assets consist of prepaid expenses. Prepaid expenses total \$428,519 for the year ended December 31, 2019.

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.

A restricted account has been established for Passenger Facility Charges approved by the FAA on August 13, 1993, in accordance with section 158.29 of the code of Federal Regulations Part 158.

A restricted account has been established for Customer Facility Charges in accordance with RCW 14.08.120.

The restricted assets are composed of the following:

Cash and Cash Equivalents - Debt Service	\$ 1,852,596
Cash and Cash Equivalents - Passenger Facility Charges	\$ 357,126
Cash and Cash Equivalents - Customer Facility Charges	<u>\$ 2,872,262</u>
	\$ 5,081,984

Capital Assets

Capital assets, which include property, plant, and equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the statement of net position. Capital assets are defined by the Port as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The cost for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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 amount.

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

Property, plant, and equipment of the Port is depreciated using the using the straight line method over the following estimated useful lives:

Assets	Years
Building	40
Building HVAC	7
Building Improvement	15
Building Roof	10
Communication Equipment	7
Computers	5
Copiers	5
Equipment	15
Equipment (Heavy) New	7
Equipment (Heavy) Used	5
Land	0
Land improvements	15
Land improvements (infrastructure)	20
Land improvements (taxiway new)	20
Land improvements (taxiway rehab)	7
Landscaping / Outside Structures	15
Office Furniture	7
Pavement - Road/Lot	15
Rail	20
Sewer/Drainage	15
Special Purpose Trucks (ARFF Truck)	20
Vehicles	7
Water System	30

See Note #4, Capital Assets.

Deferred Outflows/Inflows of Resources

The Port reports a separate section for deferred inflows of resources and for deferred outflows of resources. Deferred outflows of resources consist of deferred outflow of resources related to pensions. Deferred inflows of resources consist of deferred inflows of resources related to pensions.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay is accrued when incurred in the proprietary fund financial statements. The Port of Pasco records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay, which may be accumulated up to 30 days, is payable upon resignation, retirement or death. Sick leave may accumulate indefinitely. Twenty-five (25) percent of outstanding sick leave is payable upon resignation, retirement or death.

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.

Other Accrued Liabilities

These accounts consist of accrued wages, accrued employee benefits, retainage liability and surety deposits payable.

Long-term Debt

See Note 8, Long-Term Debt.

Unearned Revenues

This account includes amounts recognized as receivables but not revenues because the revenue recognition criteria has not been met.

Note 2 - Deposits and Investments

Deposits

Cash on hand as petty cash at December 31, 2019 was \$450. The carrying amount of the Port's deposits, including certificate of deposit, was \$0 and the bank balance was \$8,000,544 of unrestricted cash and \$465,316 of restricted cash.

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in 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 deposits and certificate of deposits are mostly covered by federal depository insurance (FDIC) or collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The Port does not have a deposit policy for custodial credit risk. Of the Port of Pasco's total position of unrestricted \$6,546,443 and of restricted \$4,616,667 in 2019, \$0 is exposed to custodial credit risk because the investments are held for the Port of Pasco by the Franklin Country Treasurer and the Local Government Investment Pool.

Investments

Investments are subject to the following risk.

Interest Rate Risk:

Interest rate risk is the risk the Port may face should interest rate variances affect the fair value of investments. The Port does not have a formal policy that addresses interest rate risk.

In addition to the interest rate risk disclosed above, the Port includes investments with fair value highly sensitive to interest rate changes.

Credit Risk:

Credit risk is the risk that an issuer or the counterparty to an investment will not fulfill its obligations. The Port does not have a formal policy that addresses credit risk.

Custodial Credit Risk:

Custodial credit risk is the risk that, in event of a failure the counterparty, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Port does not have a formal policy for custodial credit risk.

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 does not have a formal policy for concentration of credit risk.

Foreign Currency Risk:

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. The Port does not have a formal policy for foreign currency risk.

Investments in Local Government Investment Pool (LGIP)

The Port is a participant in the Local Government Investment Pool was 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, online at <http://www.tre.wa.gov>.

The Port had \$11,163,110 in the Local Government Investment Pool (LGIP) as of December 31, 2019.

Summary of Deposit and Investments

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

Deposits and Investments

Cash on Hand	\$ 450
Amount of Deposits with Private Financial Institutions	\$ 8,465,410
Deposits in State LGIP	<u>\$ 11,163,110</u>
Total Deposits and Investments	\$ 19,628,970

Deposits

Current:	
Cash and Cash Equivalents	\$ 14,546,986
Restricted Cash and Cash Equivalents	<u>\$ 5,081,984</u>
Total Deposits	\$ 19,628,970

Note 3 - Property Taxes

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

Property Tax Calendar

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

Property tax is recorded as a receivable and revenue when levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The Port may levy up to \$0.45 cents per \$1,000 of assessed valuation for general government services. Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. The district may also levy taxes at a lower rate.

The Port's regular levy for the year 2019 was \$.26210535 per \$1,000 on an assessed valuation of \$8,438,770,742 for a total regular levy of \$2,211,847 plus adjustments of \$10,568 and additional revenue in lieu of property taxes of \$97,574, which comes to \$2,319,989. In 2018 the regular tax levy was \$2,109,113.

Note 4 - Capital Assets

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

	Beginning Balance 1/1/2019	Prior Period Adjustment	Increases	Decreases	Ending Balance 12/31/2019
Capital Assets, Not Being Depreciated					
Land	\$6,417,303	\$6,515	\$7,346,737	\$0	\$13,770,555
Construction in Progress	<u>\$12,471,319</u>	<u>\$23,258</u>	<u>\$12,915,536</u>	<u>(\$11,852,593)</u>	<u>\$13,557,520</u>
Total Capital Assets, Not Being Depreciated	\$18,888,622	\$29,773	\$20,262,273	(\$11,852,593)	\$27,328,075
Capital Assets, Being Depreciated					
Property	\$205,437,856	\$0	\$11,697,359	(\$100,300)	\$217,034,915
Machinery & Equipment	<u>\$5,094,393</u>	<u>\$0</u>	<u>\$155,234</u>	<u>(\$876,212)</u>	<u>\$4,373,415</u>
Total Capital Assets Being Depreciated	\$210,532,249	\$0	\$11,852,593	(\$976,512)	\$221,408,330
Less Accumulated Depreciation For:					
Property	(\$96,717,551)	\$0	(\$7,664,147)	\$100,300	(\$104,281,398)
Machinery & Equipment	<u>(\$3,704,600)</u>	<u>\$0</u>	<u>(\$289,632)</u>	<u>\$792,494</u>	<u>(\$3,201,738)</u>
Total Accumulated Depreciation	(\$100,422,151)	\$0	(\$7,953,779)	\$892,794	(\$107,483,136)
Total Capital Assets Being Depreciated, net	\$110,110,098	\$0	\$3,898,814	(\$83,718)	\$113,925,194
Total Noncurrent Assets	\$128,998,720	\$29,773	\$24,161,087	(\$11,936,311)	\$141,253,269

Note 5 - Construction Commitments

The Port has active construction projects as of December 31, 2019. The projects include: taxiway realignment construction, hangar construction, snow removal equipment, landscaping design, building fire system, rental car facility design, road design, rail design, and building HVAC upgrade.

At year-end the Port's commitments with contractors and engineers are as follows:

Project	Spent to Date	Remaining Commitment
Taxiway Alpha Realignment	\$8,400,109	\$2,096,634
Business Hangar	\$2,802,794	\$1,033,878
Snow Removal Equipment	\$25,784	\$1,955,400
Parking Lot Landscaping	\$23,072	\$14,994
Building 85 Fire System	\$152,989	\$19,171
Rental Car Wash Facility Design	\$527,132	\$36,993
EDA Road/Storm water	\$276,796	\$688,517
Rail Project	\$936	\$17,630
Building T-1 HVAC Upgrade	\$106,505	\$265,435

Of the committed balance of \$6,128,653, the Port will receive \$4,497,644 from grant revenues, \$385,639 from a Washington State CERB loan, and the Port will provide the remaining \$1,245,370 from Cash and Cash Equivalents.

Note 6 – Pension Plans

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

Aggregate Pension Amounts - All Plans	
Pension Liabilities	\$926,133
Pension Assets	\$332,584
Deferred outflows of resources	\$308,890
Deferred inflows of resources	\$782,922
Pension expense/expenditures	\$61,719

State Sponsored Pension Plans

Substantially all Port of Pasco'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 the DRS CAFR may be downloaded from the DRS website at 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

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:

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

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

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:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2
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
Total	12.83%	7.41%
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
Total	12.86%	7.90%

The Port's actual PERS plan contributions were \$133,454 to PERS Plan 1 and \$187,034 to PERS Plan 2/3 for the year ended December 31, 2019.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other 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. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% as of July 1, 2019.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2019		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	8.93%	8.75%
July – December 2019		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.43%	8.59%
Ports and Universities	8.59%	8.75%
Administrative Fee	0.18%	
Total	8.77%	8.59%

The Port's actual contributions to the plan were \$28,728 for the year ended December 31, 2019.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2019, the state contributed \$72,959,897 to LEOFF Plan 2. The amount recognized by the Port as its proportionate share of this amount is \$0.

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. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). 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, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 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

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	20.00%	2.20%
Tangible Assets	7.00%	4.90%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
	100.00%	

Sensitivity of the Net Pension Liability / (Asset)

The table below presents the Port of Pasco's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the Port'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	Current Discount Rate	1% Increase
	6.4%	7.4%	8.4%
PERS 1	\$895,751	\$715,274	\$558,687
PERS 2/3	\$1,617,201	\$210,859	(\$943,138)
LEOFF 2	(\$61,841)	(\$332,584)	(\$553,573)

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 Pasco reported a total pension liability of \$926,133 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$715,274
PERS 2/3	\$210,859

At June 30, 2019, the Port of Pasco reported a total pension asset of \$332,584 for its proportionate share of the net pension assets as follows:

	Liability (or Asset)
LEOFF 2	(\$332,584)

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

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.01792%	0.01860%	0.00068%
PERS 2/3	0.02087%	0.02171%	0.00084%
LEOFF 2	0.00750%	0.01436%	0.00686%

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 except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2019, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2019, the state of Washington contributed 39.57 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.43 percent of employer contributions.

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 Pasco recognized pension expense as follows:

Pension Expense	
PERS 1	\$64,317
PERS 2/3	\$21,310
LEOFF 2	(\$23,908)
Total	\$61,719

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$47,786)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$70,029	\$0
Total	\$70,029	(\$47,786)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$60,412	(\$45,333)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$306,924)
Changes of assumptions	\$5,399	(\$88,469)
Changes in proportion and differences between contributions and proportionate share of contributions	\$23,951	(\$88,086)
Contributions subsequent to the measurement date	\$102,882	\$0
Total	\$192,644	(\$528,812)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$23,932	(\$5,981)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$68,190)
Changes of assumptions	\$548	(\$37,426)
Changes in proportion and differences between contributions and proportionate share of contributions	\$5,405	(\$94,727)
Contributions subsequent to the measurement date	\$16,332	\$0
Total	\$46,217	(\$206,324)

Deferred outflows of resources related to pensions resulting from the Port of Pasco'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:

Year ended December 31:	PERS 1
2020	(\$10,549)
2021	(\$24,988)
2022	(\$8,917)
2023	(\$3,332)
2024	\$0
Thereafter	\$0

Year ended December 31:	PERS 2/3
2020	(\$111,465)
2021	(\$172,805)
2022	(\$85,141)
2023	(\$52,670)
2024	(\$21,930)
Thereafter	\$4,961

Year ended December 31:	LEOFF 2
2020	(\$30,497)
2021	(\$44,565)
2022	(\$24,390)
2023	(\$17,158)
2024	(\$11,695)
Thereafter	(\$48,134)

Note 7 - Short Term Debt

The Port of Pasco had no short term debt outstanding for the year ended December 31, 2019.

Note 8 - Long Term Debt

The Port of Pasco issues general obligation and revenue bonds to finance the purchase of land and the acquisition or construction of buildings and infrastructure. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund several general obligation and revenue bonds. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues. The Port is also liable for notes that were entered into for the purchase of land and the construction of buildings and infrastructure. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources.

General obligation bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
LTGO Bonds 2010 - Office Building	2030	3% - 5%	\$4,415,000	\$195,000
LTGO 2012 - Ref. Bonds '01 & '04	2024	3% - 4.2%	\$2,220,000	\$375,000
CERB Loan 2009 - Parsons Bldg.	2024	1.50%	\$1,500,000	\$102,924
HAEIF Loan 2013 - Land	2028	3.00%	\$1,000,000	\$95,772
Baker Boyer Bank Loan 2019 - Land	2029	2.53%	\$1,013,000	\$0
HAEIF Loan 2019 - Land	2039	4.18%	\$2,250,000	\$0
CERB Loan 2019 - Business Hangar	2040	2.00%	\$1,314,361	\$0

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

Year Ending December 31	Principal	Interest
2020	\$595,000	\$170,390
2021	\$380,000	\$150,490
2022	\$400,000	\$134,890
2023	\$425,000	\$129,490
2024	\$435,000	\$112,790
2025 - 2029	\$1,420,000	\$380,201
2030 - 2034	\$330,000	\$15,029
2035 - 2039	\$0	\$0
Total	\$3,985,000	\$1,093,281

The annual debt service requirements to maturity for debt from direct borrowings are as follows:

Year Ending December 31	Principal	Interest
2020	\$400,173	\$167,743

Year Ending December 31	Principal	Interest
2021	\$405,307	\$159,750
2022	\$412,944	\$149,255
2023	\$420,839	\$138,501
2024	\$428,751	\$127,731
2025 - 2029	\$1,598,391	\$479,208
2030 - 2034	\$935,158	\$278,938
2035 - 2039	\$1,074,689	\$106,548
Total	\$5,676,251	\$1,607,675

The revenue bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2014A Revenue Bond - Terminal Security Expansion	2032	2% - 5%	\$19,755,000	\$920,000
2014B Revenue Bond - Terminal Security Expansion	2034	4.00%	\$4,890,000	\$0

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2020	\$960,000	\$841,473
2021	\$1,005,000	\$793,473
2022	\$1,060,000	\$743,223
2023	\$1,110,000	\$690,223
2024	\$1,165,000	\$634,723
2025 - 2029	\$6,630,000	\$2,372,365
2030 - 2034	\$8,120,000	\$1,023,468
2035 - 2039	\$0	\$0
Total	\$20,050,000	\$7,098,947

In proprietary funds, unamortized debt issue costs for insurance are recorded as an asset and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discounts.

Note 9 - Changes in Long-Term Liabilities

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

	Beginning Balance 1/1/2019	Additions	Reductions	Ending Balance 12/31/2019	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$4,555,000	\$0	\$570,000	\$3,985,000	\$595,000
Revenue Bonds	\$20,970,000	\$0	\$920,000	\$20,050,000	\$960,000
Premiums	<u>\$442,322</u>	<u>\$0</u>	<u>\$29,587</u>	<u>\$412,735</u>	<u>\$29,587</u>
Total Bonds Payable	\$25,967,322	\$0	\$1,519,587	\$24,447,735	\$1,584,587
Debt from direct borrowings and direct placements	\$1,297,585	\$4,577,361	\$198,695	\$5,676,251	\$400,172
Compensated Absences	\$583,811	\$84,457	\$0	\$668,268	\$0
Pension Obligations	\$1,156,582	\$0	\$230,449	\$926,133	\$0
OPEB Obligations	\$1,090,610	\$0	\$9,243	\$1,081,367	\$0
Soils Clean-Up Liability	<u>\$507,623</u>	<u>\$27,582</u>	<u>\$0</u>	<u>\$535,205</u>	<u>\$0</u>
Long-Term Liabilities:	\$30,603,533	\$4,689,400	\$1,957,974	\$33,334,959	\$1,984,759

The Port's outstanding notes from direct borrowings of \$4,663,251 contain a provision that in an event of default, outstanding amounts become immediately due at the option of the lender.

Note 10- Contingencies and Litigations

The Port of Pasco 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 of Pasco will have to make payment. In the opinion of management, the Port's insurance policies and grants 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 11- Pollution Remediation Obligation

The Port is presently involved in a soils cleanup proceeding with the Department of Ecology along with other parties at the marine terminal. In May of 1996, the Port entered into a settlement which set the terms for the payment of cleanup costs. The agreement requires the Port to pay 37% of all remediation costs. Total remediation costs are estimated at \$1,371,955 and the Port's portion of the liability is \$535,205 (\$1,446,500 x 37%). In 2019, updated cleanup estimates include 5 years' totals, with scope contingency and fourteen years' passive cleanup (compliance monitoring, cleanup demonstration and well closure until 2038), with scope contingency. The Port receives 75% reimbursement of their 37% of the cleanup cost from the Washington State Department of Ecology. The grant expired in 2019.

Note 12 – Defined Benefit Other Postemployment Benefit (OPEB) Plans

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2019.

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	\$1,081,367
Deferred Outflows of Resources	\$0
Deferred Inflows of Resources	\$0
OPEB expenses	\$56,683

OPEB Plan Description

Other Post-Employment Benefits (OPEB), as defined by Government Accounting Standards Board (GASB), are benefits that are provided to retired employees beyond those provided by their pension plans.

The Port of Pasco Retiree Insurance Program Plan is administered by the Port of Pasco as a single-employer defined benefit plan.

The Retiree Insurance Program Plan offers medical insurance premiums paid to a HRA account for the retired individuals and their spouse. Qualified employees and spouses in this program will receive quarterly Port paid insurance premiums for a medical insurance plan at a premium rate not to exceed the premiums paid for active employees until the eligible employee reaches age 65, or becomes eligible for another medical plan. Eligibility is limited to employees hired prior to January 1, 2008 with at least 10 years of service to the Port, who is retiring from the Port, who qualifies to receive benefits from the Washington State Public Employees Retirement System effective immediately upon retirement, and neither the employee or their spouse have the ability to acquire medical insurance from any other source. The Port of Pasco Commission established the benefit terms of this plan and has the authority to amend the plan and the benefits of the plan through a motion.

Currently, the Port has 5 inactive employees currently receiving benefit payments, 0 inactive employees entitled to but not yet receiving benefit payments and 16 active employees.

Employees covered by benefit terms:

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	0
Active employees	16

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

The Port of Pasco Commission has given the authority to pay OPEB benefits as they come due and has the authority to establish or amend benefits. The Port paid OPEB benefits that came due during 2019 of \$65,926.

Assumptions and Other Inputs

The process of determining the liability for retiree OPEB benefits is based on many assumptions about future events.

The Key assumptions are:

- Turnover and retirement rates: How likely is it that an employee will remain employed by the same employer and qualify for post-employment benefits, and when will those benefits start?
- Healthcare trend and claims costs assumptions: When a retiree starts receiving post-employment benefits, possibly how many years from now, how much will those benefits cost each year and how rapidly will the cost grow?
- Mortality assumptions: How long is a retiree likely to receive the benefits?
- Discount rate assumption: What is the present value of those future benefit payments in terms of today's dollars?

According to GASB 75, "A liability should be recognized for the Net OPEB Liability. The Net OPEB Liability should be measured as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee serves, net of the OPEB plan's Fiduciary Net Position".

Therefore, the Net OPEB Liability is calculated as the Total OPEB Liability less the plan's Fiduciary Net Position. The Fiduciary Net Position is equal to the total assets set aside for funding.

Actuarial methods and significant assumption used to determine Net OPEB Liability (NOL) for the current year include:

- The alternative measurement method permitted under GASB Statement No. 75 was used to calculate the Net OPEB Liability (NOL).
- An age adjustment factor of 1.413488 was used and determined by Milliman.
- A single retirement age of 62 was assumed for all active members for the purpose to determine the NOL. The Assumptions used to determine age 62 the age of past retirees who started employment before the age of 55 and worked at least 10 years before retirement.
- The Assumption the employer future premium contribution would remain at the current money level over time was used.
- The discount rate of 2.749% was used based on the 20-year tax exempt municipal bond yield from Fidelity website.
- The RP2000 Mortality Table for Males and Females Projected 18 years was used. This assumption does not include a margin for future improvements of longevity.

- The turnover assumption was derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employee Retirement System.
- The projected salary increases used was 1.8% based on the payroll growth assumption is the average annual percentage change in the Consumer Price Index – Urban Wage Earners and Clerical Workers CPI-W from 2010 to 2018.
- Healthcare cost trend numbers used in the analysis were developed consistent with the Getzen model promulgated by the Society of Actuaries for use in long-term trend projection. The Port’s healthcare trend rate baseline is:

	Medical
Year 1	4.600%
Year 2	4.700%
Year 3	4.800%
Year 4	4.800%
Year 5	4.800%
Year 6	4.800%
Year 7	4.700%
Year 8	4.700%
Year 9	4.700%
Year 10 +	4.700%

- The NOL is being amortized assuming a level percentage of payroll and calculated on a rolling 20-year amortization period.
- Currently, there is no asset valuation method since there are no Port invested assets in an irremovable, dedicated, and protected trust.

The following presents the total OPEB liability of the Port calculated using the current healthcare cost trend rate baseline as well as what the OPEB liability would be if it were calculated using a healthcare trend rates that are 1-percentage point lower or 1-percentage higher than the current baseline rate.

	Baseline Trend 1% Decrease	Baseline Trend Rate	Baseline Trend 1% Increase
Net OPEB Liability	\$1,049,094	\$1,081,367	\$1,118,463
Change from Baseline	(\$32,273)	\$0	\$37,096

The following presents the total OPEB liability of the Port calculated using the discount rate of 2.749 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.749 percent) or 1-percentage point higher (3.749 percent) than the current rate.

	Discount Rate 1% Decrease	Discount Rate	Discount Rate 1% Increase
Discount Rate	1.749%	2.749%	3.749%
Net OPEB Liability	\$1,148,405	\$1,081,367	\$1,021,788
Change from Baseline	\$67,039	\$0	(\$59,579)

Changes in the Total OPEB Liability

The Total OPEB Liability was calculated using the alternative measurement method calculation in place of an actuarial valuation. The measurement date is as of December 31, 2019.

The discount rate assumption changed from 3.711% to 2.749% from 2018 valuation to 2019 valuation. The Port's Net OPEB Liability for 2019 is as follows:

	Total OPEB Liability (a)	Change in Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of Prior Measurement Date	\$1,090,610	\$0	\$1,090,610
Service Cost	\$19,611	N/A	\$19,611
Interest on Total OPEB Liability	\$39,988	N/A	\$39,988
Effect on Plan Changes	\$0	N/A	\$0
Effect of Economic/Demographic Gains or Losses	(\$60,352)	N/A	(\$60,352)
Effect of Assumptions Changes or Inputs	\$57,435	N/A	\$57,435
Benefit Payments	(\$65,926)	(\$65,926)	\$0
Employer Contributions	N/A	\$65,926	(\$65,926)
Employee Contributions	N/A	\$0	\$0
Net Investment Income/Admin Expenses	N/A	\$0	\$0
Balance as of Current Measurement Date	\$1,081,367	\$0	\$1,081,367

At December 31, 2019, the Port had a total OPEB expense of \$56,683. The Port's 2019 OPEB Expenses is as follows:

	Medical
Service Cost	\$19,611
Interest on Total OPEB Liability	\$39,988
Effect of Plan Changes	\$0
Administrative Expenses	\$0
Employee Contributions	\$0
Expected Investment Return Net of Investment Expenses	\$0
Recognition of Effect of Economic/Demographic Gains or Losses	(\$60,352)
Recognitions of Effect of Assumptions Changes or Inputs	<u>\$57,435</u>
OPEB Expense	\$56,683

Note 13 - Risk Management

Port of Pasco is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2019, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$250,000 of the amount of each claim, while Enduris is responsible for the remaining \$0.00 on a property loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool and are administered in house.

The Pool is governed by a Board of Directors which is comprised of seven board members. The

Pool's members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Enduris did not have any claim settlements that exceeded limits in the last three years.

The Port is exposed to various risks of loss that the Port is not covered for under Enduris. To limit exposure, the Port purchases a variety of insurance policies annually through a commercial insurance broker which provide 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.

To limit the Port's exposure, the Port purchases a variety of insurance policies. Conover Insurance has placed the Port's insurance coverage with different underwriters for policy period December 31, 2018 through December 31, 2019. The environmental liability policy for the Marine Terminal has a period of coverage from June 18, 2019 to June 18, 2020. Coverage includes:

Insurance	Limits
Airport Liability - National Union Fire Insurance Co. of Pittsburgh PA	\$200 Million Per Occurrence / \$50 Million Sub-limit
Crime Liability - Zurich North America	\$10 Million Aggregate (\$100,000 deductible)
Earthquake Liability - National Fire & Marine Insurance	\$15 Million Limit (\$250,000 deductible)
Environmental Liability - Tokio Marine Specialty Insurance Company	\$2 Million Per Occurrence (\$100,000 deductible)
Excess Liability - Navigators Insurance / Marsh USA Inc.	\$50 Million Per Occurrence
Marine Liability - United States Fire Insurance Company	\$1 Million Per Occurrence \$2 Million Aggregate (\$25,000 deductible)
Pollution Liability - Evanston Insurance Company	\$5 Million Per Incident/ \$5 Million Aggregate

The Port participants in the State of Washington Labor and Industries worker's compensation program.

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. The Port budgets one percent of annual salaries into the operating budget to cover potential unemployment claims. No reserve for self-insurance has been established as the potential liability is not considered to be material to the financial statements.

Additionally, the Port provides comprehensive medical, dental, vision, long-term disability (employees only) and life insurance (employees only) coverage for all eligible employees and their dependents through standard plans offered brokered by Conover Insurance Services, LLC. The Port does not administer any of these plans. The Port reimburses employees for qualified

medical expenses after they have paid a fixed amount of the plans deductible and co-pay. The plan is administered through Conover Insurance Services, LLC. The Port places an amount equal to three months of eligible benefit into a trust account. Claims made during the year are deducted from the balance of that account.

Note 14 - Segment Information

The Port operates an airport and industrial centers which are primarily financed by user charges and leases. The property tax levy and interest on investments support the industrial centers. Operating revenues as presented include receipts derived from or for the operation of the port including, but not limited to airport user charges and leases, building and land leases, and dockage fees. Operating expenses are those expenses resulting from the ongoing operations of the Port of Pasco including, but not limited to utilities, repair, maintenance, insurance and other costs of doing business. General and Administrative expenses and Depreciation are included in operating net income but are listed separately. Non-operating revenues and expenses include taxes from operations, interest income and expense, facility charges, miscellaneous sales, grants or assistance from other governmental entities for capital expenditures and nonrecurring items such as sale of property. The key financial data for the year ended December 31, 2019, for these facilities are as follows:

	Marine Terminal & Property Lease	Airport	Total
Operating Revenues	\$3,892,690	\$10,001,945	\$13,894,635
Operating Expenses	(\$1,656,079)	(\$4,353,964)	(\$6,010,043)
General & Admin Expenses	(\$1,145,875)	(\$1,727,963)	(\$2,873,838)
Depreciation Expense	(\$2,176,981)	(\$5,767,183)	(\$7,944,164)
Operating Income (Loss)	(\$1,086,245)	(\$1,847,165)	(\$2,933,410)
Tax Revenues	\$2,319,989	\$0	\$2,319,989
Nonoperating Revenues (Expenses)	\$1,442,825	\$2,078,414	\$3,521,239
Capital Contributions	\$222,069	\$6,490,405	\$6,712,474
Increase (Decrease) in Net Position	\$2,898,638	\$6,721,654	\$9,620,292
Net Property, Plant & Equipment Increase (Decrease)	\$7,687,072	\$11,598,689	\$19,285,761
Long Term Liabilities Payable from Operations	\$0	\$0	(\$20,970,000)
Ending Net Position	\$0	\$0	\$127,983,332

Note 15 - Formation of Public Corporation

The Port of Pasco Economic Development Corporation was formed on January 14, 1982 by the Port Commissioners pursuant to the provisions of 1981 Washington laws Chapter 300 to promote local economic development. Commissioners of the Port of Pasco also serve as directors of the Port of Pasco Economic Development Corporation.

2019 Revenues of the Port of Pasco Economic Development Corporation amounted to \$0. The current balance in this account is \$11,814.

Note 16 – Restricted Component of Net Position

The Port's Statement of Net Position reports \$5,081,984 of restricted component of net position of which is \$3,229,388 is restricted by enabling legislation. This includes Passenger Facility Charges and Customer Facility Charges collected and not expended to date. The remaining restricted component is restricted by revenue bond covenants⁸⁵².

Note 17 – Passenger Facility Charges and Customer Facility Charges

The Port, through agreement with the Federal Aviation Administration, and in conjunction with commercial airlines operating at Tri-Cities Airport, has implemented a Passenger Facility Charge of \$4.50 per enplaned passenger. These fees are collected by the airlines as part of the pricing of each ticket and are remitted quarterly to the Port directly from the airlines. Passenger Facility Charges collected and remitted to the Port can only be used by the Port for capital projects approved by the participating airlines and the FAA. Fees remitted during 2019 totaled \$1,812,431 and are shown on the Port's Statement of Revenues, Expenses, and Changes in Fund Net Position as nonoperating income.

The Port, through agreements with the car rental companies that operate at the Tri-Cities Airport, collect a Customer Facility Charge of \$3 per transaction per day. These fees are remitted monthly to the Port directly from the car rentals. Customer Facility Charges remitted to the Port can only be used by the Port for approved expenses by the car rental companies. Fees collected during 2019 totaled \$752,259 and are shown on the Port's Statement of Revenues, Expenses, and Changes in Fund Net Position as nonoperating income.

Note 18 – Joint Ventures

Six ports have formed a Limited Liability Company (LLC), Petrichor Broadband LLC, pursuant to the provisions of the Interlocal Cooperation Act, Chapter 39.34 RCW. The purpose of the LLC is to help develop low cost wholesale broadband across the state, create economic opportunities through broadband partnerships with Ports and other public utilities, and provide centralized network management for ports that have their own broadband infrastructure. The Port of Whitman is appointed as LLC Manager. The Port will contribute \$200,000 to the LLC to fund the initial activities of the LLC.

Note 19 - Prior Period Adjustments

During the year ended December 31, 2019, immaterial errors of \$29,773 were found. The costs were associated with consultant fees related to the purchase of water rights and consultant fees for the airports east general aviation ramp construction project. The prior period addition of assets was \$29,773, construction in progress was understated by \$23,258 and land was understated by \$6,515. The errors have been corrected in the 2019 accounting year and the

impact has been shown as an adjustment to beginning net position on the Statement of Revenues, Expenses, and Changes in Fund Net Position. The total adjustment to the net position due to prior period adjustments and accounting and reporting changes was \$29,773, which restated the December 31, 2018 Statement of Net Position from \$118,333,267 to \$118,363,040.

Note 20 – Subsequent Events

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, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The airport has seen a significant drop in passengers due to the virus. The airport will receive approximately \$5.9 million dollars in grant funds from the Federal Aviation Administration to pay for operating expenses and debt payments to help offset the costs associated with the drop in passenger revenues.

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

Port of Pasco
Schedule of Changes in Total OPEB Liability and Related Ratios Port of Pasco OPEB
Plan For the Year Ended December 31, 2019
Last 10 Fiscal Years*

	2019	2018	2017
Total OPEB liability - beginning	\$1,090,610	\$1,271,457	\$0
Service Cost	\$19,611	\$23,160	\$0
Interest	\$39,988	\$41,573	(\$1,199)
Changes in benefit terms	\$0	\$0	\$0
Differences between expected and actual experience	(\$60,352)	(\$140,828)	\$1,297,316
Changes in assumptions	\$57,435	(\$25,308)	\$38,915
Benefit payments	(\$65,926)	(\$79,444)	(\$63,575)
Other changes	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total OPEB liability - ending	<u>\$1,081,367</u>	\$1,090,610	\$1,271,457
 Covered employee payroll	 \$1,291,655	 \$1,129,588	 \$1,383,865
 Total OPEB liability as a % of covered payroll	 83.72%	 96.55%	 91.88%

Notes to Schedule:

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

* No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Port of Pasco
Schedule of Employer Contributions PERS 1
For the Year Ended December 31, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$133,454	\$126,851	\$134,583	\$126,002	\$120,471
Contributions in relation to the statutorily or contractually required contributions*	(\$133,454)	(\$126,851)	(\$134,583)	(\$126,002)	(\$120,471)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Covered payroll*	\$2,530,506	\$2,360,762	\$2,451,142	\$2,340,826	\$2,461,776
Contributions as a percentage of covered payroll	5.27%	5.37%	5.49%	5.38%	4.89%

Notes to Schedule:

* 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 employer-paid member contributions (GASB 82, Par. 8).

Port of Pasco
Schedule of Employer Contributions PERS 2/3
For the Year Ended December 31, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$187,034	\$169,754	\$153,021	\$131,489	\$126,480
Contributions in relation to the statutorily or contractually required contributions*	(\$187,034)	(\$169,754)	(\$153,021)	(\$131,489)	(\$126,480)
Contribution deficiency(excess)	\$0	\$0	\$0	\$0	\$0
Covered payroll*	\$2,422,946	\$2,263,339	\$2,228,329	\$2,110,575	\$2,242,699
Contributions as a percentage of covered payroll	7.72%	7.50%	6.87%	6.23%	5.64%

Notes to Schedule:

* 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. Contributions do not include employer-paid member contributions (GASB 82, Par. 8).

Port of Pasco
Schedule of Employer Contributions LEOFF 2
For the Year Ended December 31, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$28,728	\$21,606	\$11,025	\$12,826	\$13,604
Contributions in relation to the statutorily or contractually required contributions*	(\$28,728)	(\$21,606)	(\$11,025)	(\$12,826)	(\$13,604)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Covered payroll*	\$331,588	\$246,924	\$128,567	\$152,515	\$161,758
Contributions as a percentage of covered payroll	8.66%	8.75%	8.58%	8.41%	8.41%

Notes to Schedule:

* 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. Contributions do not include employer-paid member contributions (GASB 82, Par. 8).

Port of Pasco
Schedule of Proportionate Share of Net Pension Liability PERS 1
As of June 30, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability(asset)	0.018601%	0.017920%	0.022091%	0.023189%	0.023936%
Employer's proportionate share of the net pension liability	\$715,274	\$800,313	\$1,048,235	\$1,245,359	\$1,252,075
TOTAL	\$715,274	\$800,313	\$1,048,235	\$1,245,359	\$1,252,075
Covered payroll*	\$2,460,975	\$2,242,652	\$2,403,498	\$2,463,612	\$2,367,508
Employer's proportionate share of the net pension liability as a percentage of covered payroll	29.06%	35.69%	43.61%	50.55%	52.89%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:

* 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 Pasco
Schedule of Proportionate Share of Net Pension Liability PERS 2/3
As of June 30, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability(asset)	0.021708%	0.020866%	0.021547%	0.024164%	0.025203%
Employer's proportionate share of the net pension liability	\$210,859	\$356,268	\$748,655	\$1,216,638	\$900,518
TOTAL	\$210,859	\$356,268	\$748,655	\$1,216,638	\$900,518
Covered payroll*	\$2,359,545	\$2,149,545	\$2,112,473	\$2,239,085	\$2,150,882
Employer's proportionate share of the net pension liability as a percentage of covered payroll	8.94%	16.57%	35.44%	54.34%	41.87%
Plan fiduciary net position as a percentage of the total pension liability	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

* 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 Pasco
Schedule of Proportionate Share of Net Pension Liability LEOFF 2
As of June 30, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability(asset)	0.014356%	0.007501%	0.007612%	0.008320%	0.007696%
Employer's proportionate share of the net pension liability	(\$332,584)	(\$152,287)	(\$105,630)	(\$48,392)	(\$79,099)
TOTAL	(\$332,584)	(\$152,287)	(\$105,630)	(\$48,392)	(\$79,099)
Employer's covered employee payroll	\$302,492	\$148,665	\$142,981	\$151,357	\$130,675
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-109.95%	-102.44%	-73.88%	-31.97%	-60.53%
Plan fiduciary net position as a percentage of the total pension liability	119.43%	118.50%	113.36%	106.04%	111.67%

Notes to Schedule:

* 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 Pasco
Schedule 16
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019**

Federal Agency	Federal Program	CFDA Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total	Note
Airport Improvement Program							
U.S. Department of Transportation	Airport Improvement Program	20.106	3-53-0046-44-2017	\$0	\$41,101	\$41,101	1,2
U.S. Department of Transportation	Airport Improvement Program	20.106	3-53-0046-45-2018	\$0	\$357,100	\$357,100	1,2
U.S. Department of Transportation	Airport Improvement Program	20.106	3-53-0046-46-2018	\$0	\$6,425,110	\$6,425,110	1,2
U.S. Department of Transportation	Airport Improvement Program	20.106	3-53-0046-47-2019	<u>\$0</u>	<u>\$26,882</u>	<u>\$26,882</u>	1,2
Total Airport Improvement Program:				\$0	\$6,850,193	\$6,850,193	
Small Community Air Service Development Program							
U.S. Department of Transportation	Small Community Air Service Development Program	20.930	DOT-OST-2015-0126-0029	<u>\$0</u>	<u>\$750,000</u>	<u>\$750,000</u>	1,2
Total Small Community Air Service Development Program:				\$0	\$750,000	\$750,000	
Economic Adjustment Assistance Program							
U.S. Department of Commerce	EDA Award	11.307	07-79-07455	<u>\$0</u>	<u>\$222,069</u>	<u>\$222,069</u>	1,2
Economic Adjustment Assistance Program:				<u>\$0</u>	<u>\$222,069</u>	<u>\$222,069</u>	

**Port of Pasco
Schedule 16
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019**

Note 1 - Basis of Accounting

This schedule is prepared on the same basis of accounting as the Port of Pasco's financial statements. The Port of Pasco uses a full accrual basis of accounting. Expenditures of \$42,025 and refunds of \$49,731 from 2018 are reported on the Schedule of Expenditures of Federal Awards.

Note 2 - Program Costs

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

Note 3 - Indirect Cost Rate

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

**Port of Pasco
Tri-Cities Airport
Schedule of Passenger Facility Charges
Collected, Held and Used
For the Year Ended December 31, 2019**

Program	Unliquidated PFC Beginning Balance	PFC Revenue Collected	Interest Earned	Expenditures	Ending Balance Unliquidated PFC
Quarter ended March 31, 2019	\$83,360	\$410,305	\$1,951	\$0	\$495,616
Quarter ended June 30, 2019	\$495,616	\$454,407	\$481	\$379,449	\$571,055
Quarter ended September 30, 2019	\$571,055	\$453,061	\$465	\$0	\$1,024,580
Quarter ended December 31, 2019	\$1,024,580	\$484,411	\$384	\$1,152,249	\$357,126
Year Ended December 31, 2019	\$83,360	\$1,802,183	\$3,281	\$1,531,698	\$357,126

**Port of Pasco
Tri-Cities Airport
Notes to the Schedule of Passenger Facility Charges
Collected, Held and Used
For the Year Ended December 31, 2019**

Note 1 – Basis of Accounting

This schedule is prepared generally on the same basis of accounting as the Port's financial statements. However, while the Port uses the full or modified-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, the PFC revenues presented represent only those revenues actually received for the quarter reported. PFC revenues not received prior to the end of each quarter are not accrued and are reported as revenues of the subsequent reporting period.

Note 2 – Program Costs

The amounts shown as current year revenues and expenses represent only the Passenger Facility Charges portions of the project costs. Entire project costs may be more than shown.

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.

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