



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements Audit Report

# Grant County Port District No. 1

(Port of Quincy)

For the period January 1, 2022 through December 31, 2022

*Published May 30, 2023*

Report No. 1032697



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

May 30, 2023

Board of Commissioners  
Port of Quincy  
Quincy, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **Port of Quincy January 1, 2022 through December 31, 2022**

Board of Commissioners  
Port of Quincy  
Quincy, 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 Port of Quincy, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated May 19, 2023.

### **REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

May 19, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Port of Quincy January 1, 2022 through December 31, 2022**

Board of Commissioners  
Port of Quincy  
Quincy, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinion**

We have audited the accompanying financial statements of Port of Quincy, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Port of Quincy, as of December 31, 2022, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Matters of Emphasis**

As discussed in Note 1 to the financial statements, in 2022, the Port adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 87, Leases*. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

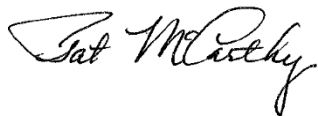
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2023 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 the effectiveness of the Port's 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.



Pat McCarthy, State Auditor  
Olympia, WA  
May 19, 2023



**Port of Quincy  
January 1, 2022 through December 31, 2022**

**REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2022

**BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2022

Statement of Revenues, Expenses, and Changes in Fund Net Position – 2022

Statement of Cash Flows – 2022

Notes to Financial Statements – 2022

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2022

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2022

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

**Introduction**

The following is Port District No. 1 of Grant County's (Port of Quincy) (the Port) Management's Discussion and Analysis (MD&A) of financial activities and performance for the calendar year ended December 31, 2022. The discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Port and to identify any significant changes in financial position. Information contained in the MD&A has been prepared by Port management and should be read in conjunction with the financial statements and the notes. The notes to financial statements are essential to a full understanding of the data contained in the financial statements.

**Overview of the Financial Statements**

The Port falls under the financial reporting requirements of Governmental Accounting Standards Board (GASB). The Port is comprised of a single enterprise fund.

The financial section of this Annual Report consists of three parts: MD&A, the basic financial statements, and the notes to financial statements. The basic financial statements include the statement of net position, the statement of revenues, expenses, and changes in fund net position, and the statement of cash flows.

The statements of net position and revenues, expenses, and changes in fund net position provide the Port with an overall financial position and results of operations to help assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities. Over time, increases or decreases in net position may serve as an indicator of whether the Port is financially stable or if there is a going concern.

The statement of revenues, expenses, and changes in fund net position shows how the Port's net position changed during the most recent year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows.

The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. A reconciliation of the cash provided by operating activities to the Port's operating income as reflected on the statements of revenues, expenses, and changes in fund net position is also included.

The notes to the financial statements provide the reader additional detailed information that may not be apparent from the actual financial statements. The notes to the financial statements can be found immediately following the financial statements.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

**Financial Report**

Financial Position:

The statement of net position presents the financial position of the Port as of December 31, 2022. The statement includes all the Port's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. As described earlier, the net position serves as an indicator of the Port's financial position. A summarized comparison of the Port's assets, deferred outflows, liabilities, deferred inflows, and net position follows:

	December 31,	
	2022	2021
Current and Other Assets	\$ 5,933,503	\$ 5,874,891
Capital Assets	15,019,568	10,952,366
<b>Total Assets</b>	<u>20,953,071</u>	<u>16,827,257</u>
Deferred Outflows of Resources	147,483	69,068
Current Liabilities	1,184,890	1,323,434
Long-Term Liabilities	14,806,743	11,266,345
<b>Total Liabilities</b>	<u>15,991,633</u>	<u>12,589,779</u>
Deferred Inflows of Resources	657,843	335,362
Net Position:		
Net Investment in Capital Assets	(485,401)	(790,253)
Restricted	615,896	547,989
Unrestricted	4,320,583	4,213,448
<b>Total Net Position</b>	<u>\$ 4,451,078</u>	<u>\$ 3,971,184</u>

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2022**

Statements of Revenues, Expenses, and Changes in Fund Net Position:

A summarized comparison of the Port's revenues, expenses and changes in fund net position follows:

	Years Ended December 31,	
	2022	2021
Operating Revenues:		
Property Lease/Rental Operation	\$ 812,804	\$ 1,083,402
Golf Course	595,225	565,481
Intermodal Park	3,016	16,433
Quincy Valley Business and Conference Center	66,305	27,793
Bishop Recreation Area	1,354	1,493
Total Operating Revenues	1,478,704	1,694,602
Nonoperating Revenues:		
Grant Funds	512,508	421,823
Ad Valorem Tax Levy and Leasehold Tax	901,114	853,917
Gain (Loss) on Disposition of Assets	758,430	-
Other	94,328	557,270
Total Nonoperating Revenue	2,266,380	1,833,010
<b>Total Revenues</b>	<b>3,745,084</b>	<b>3,527,612</b>
Expenses:		
Operating Expenses	2,348,885	2,216,955
Nonoperating Expenses	916,305	1,336,466
<b>Total Expenses</b>	<b>3,265,190</b>	<b>3,553,421</b>
Increase (Decrease) in Net Position	479,894	(25,809)
Net Position - Beginning of Year	3,971,184	3,996,993
<b>Net Position - End of Year</b>	<b>\$ 4,451,078</b>	<b>\$ 3,971,184</b>

**Financial Highlights**

The assets and deferred outflows of the Port exceeded its liabilities and deferred inflows at the close of each calendar year by \$4,451,078 and \$3,971,184 for 2022 and 2021, respectively.

Current and other assets remained stable even as the net asset value per share in the Grant County Pool decreased from .986 at the end of 2021 to .939 at December 31, 2022. This decrease was offset by recording leases in accordance with GASB 87, and a note receivable of \$311,809 booked upon the sale of land in Industrial Park 2 during 2022. GASB 87 was also responsible for the marked increase in Deferred Inflows of Resources.

Debt was issued for the purchase of land during 2022 which accounts for the substantial increase in capital assets and long-term liabilities. The Port continues to invest in properties which it feels allows for long-term growth, even if this strategy has sometimes resulted in a decrease in net position.

Other than a substantial decrease in the intermodal yard lease revenue, operating revenue streams remained consistent in 2022 as compared to 2021. The yard is leased on a gross receipts basis and the activity was impacted negatively by delays at the Seattle and Tacoma ports which prevents containers

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2022**

moving in and out of the yard. Colockum Ridge Golf Course once again surpassed all expectations with an increase in gross revenue of \$29,743 in 2022 after a record-breaking increase in 2021. A rate increase was implemented in 2022 for the Quincy Business and Event Center, along with a non-refundable administrative fee, which led to a modest revenue increase of \$38,512 from 2021.

The Port’s operating expenses experienced a modest increase of \$131,930 for 2022 as compared 2021. Legal and professional fees were not as substantial due to several projects and some litigation wrapping up during 2021. The Port completed an airport pavement maintenance project in 2022 which represented the largest jump in operating expenses. The Port monitors variations from actual to budget in its expenses and adjusts operations accordingly.

Nonoperating revenue increased by \$433,370 for 2022 primarily due to the closing of two property sales and a slight increase in grant funds. The Port’s tax levy revenue continues to steadily increase due to the growing tax base resulting from the economic development within the Port. The assessed value of the Port increased by \$733,757,313 during the latest assessment period.

The Port’s nonoperating expenses decreased by \$420,161 in 2022 compared to 2021. The big swing is attributable to the Wastewater Project ceasing at the end of 2021 along with the Port accruing a litigation settlement in 2021 that was finalized in early 2022.

The mission statement of the Port is: “The Port of Quincy is committed to facilitate and expand trade promotion, industrial development, and tourism and to maximize opportunities for area residents and businesses.” A great deal of time and energy is spent on attracting growth within the Port’s boundaries, which results in increased assessed values of the district as evidenced below:

Year Levy Assessed	Year Levy Collected	Assessed Valuation	Levy Rate	Levy Amount
2013	2014	2,339,479,122	0.000271300	634,701
2014	2015	2,906,241,025	0.000233064	677,340
2015	2016	3,351,322,014	0.000211546	708,960
2016	2017	3,541,287,027	0.000208733	739,184
2017	2018	4,176,765,224	0.000186191	777,677
2018	2019	4,606,631,953	0.000172631	795,249
2019	2020	5,251,469,679	0.000159675	838,529
2020	2021	5,383,577,888	0.000159358	857,916
2021	2022	6,756,779,786	0.000131710	889,933
2022	2023	7,490,537,099	0.000121100	907,103

Tax Levy: Over the years, the Port has worked to minimize the Port’s tax levy. The legal limit for port districts to levy is 0.45000 per \$1,000. As noted above, the Port levy collected in 2021 was 0.159358 per \$1,000, and 0.131710 for collection in 2022. As the assessed valuation continues to climb it exerts downward pressure on the rate and the Port expects that trend to continue.

The Port’s tax revenue increases each year due to the growth within the district. Part of that growth is due to the aggressive approach by the Port. The Port is the largest port (out of 10 total) in Grant County based upon assessed value, and its new construction assessed value is the second highest, with even more construction being planned.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2022**

The Port continues to develop and expand its industrial parks to encourage economic development opportunities for the Quincy Valley. The Port has expanded its development in the George, Washington area, with a purchase of 137 acres and immediately began plans for infrastructure improvements. In addition, the Port committed to purchasing farm units 347 and 348 just south of the City of Quincy. The Port maintains constant vigilance for opportunities to expand its rail and transportation industry within Industrial Park 4.

With the push for expansion comes the struggle for adequate power and water to facilitate that growth. During 2022 the sale of Industrial Park 9, which had been in the works for several years, was halted by the purchaser, due to their inability to acquire sufficient power from the Grant County PUD. Plans for development of the Bishop Recreation are on hold while a sufficient water source is located. The Port continues to work with the PUD and other agencies to secure adequate power and water for economic growth.

This push for expansion causes fluctuations in revenues and expenses from year to year, as those are dependent on the phase that projects are in. A completed project may result in higher operating revenue, or it may be sold and that equates into higher non-operating revenue. As parks are developed non-operating expenses increase, sometimes dramatically depending on project size.

The Port's aggressive development has been intentional, and the Port has established financial goals to manage risk and be able to focus on continuing economic development. The Port's working capital is extremely strong, and the Port remains confident that their approach to economic development will improve the financial position of the Port and enable the Port to be a viable force in the long run.

The Port operates a local municipal airport with six individual hangers. These hangers are leased out and the Port continues to make efforts to expand and improve the airport by pursuing applicable grants. A grant was awarded from the Washington Airport Aid Program of the Washington State Department of Transportation for airport pavement maintenance. Those improvements were completed in 2022.

**Capital Assets:** The most significant outlay for capital during 2022 was the purchase of 137 acres of land that was added to Industrial Park 5. Industrial Park 4 saw the completion of its pedestal project and the construction of a new equipment storage. See Note 3 to the financial statements – Capital Assets and Depreciation.

**Long-Term Debt:** In January of 2022 the Port issued a Limited Tax General Obligation Bond, 2022 (Taxable) with an amount not to exceed \$6,000,000. The Port paid all scheduled payments of debt. Currently the Port has a LTGO consolidation bond held by Washington Trust Bank along with the new bond, and notes payable to Washington State Community Economic Revitalization Board (CERB), the United States Department of Agriculture (USDA), John Deere Financial and De Lage Landen Financial Services, Inc. See Note 5 to the financial statements – Long-Term Debt.

**Commitments for Capital Outlays:** At year end the purchase of farm units 347 and 348 was being discussed.

**Intermodal Industrial Park:** A private party operates the site as a "hook and haul" program, where loaded refrigerated truck containers on chassis are staged on site. The Port has completed additional infrastructure to facilitate more container traffic but delays at the Ports of Seattle and Tacoma has hampered growth.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2022**

Colockum Ridge Golf Course: The Port continues to own and operate the golf course and 2022 resulted in the highest grossing year since it was acquired. While the golf course has not been a profitable endeavor, the Port strives to keep the facility open to provide the community and future industrial development with recreational opportunities. The course is also being used by the Quincy School District's golf team, and several local tournaments are held each year. The Port approved raising fees in 2023 in efforts to minimize the loss.

Data Centers: The Port fields multiple inquiries from data centers throughout the year.

Bishop Recreation Area: The Port is looking into developing a trailhead and campsites and is working with the Department of Fish and Wildlife and the Bureau of Reclamation. Water issues are slowing the development of this property.

Economic Development: The Port responds to multiple requests regarding available property within the district. Informal discussions were underway at year end with parties interested in the expanded Industrial Park 5.

The Port is active in several organizations: Washington Public Ports Association, Grant County Economic Development Council, Great Northern Rail Coalition, Washington State Rail and GWATA, among others. This allows the Port to remain on the cutting edge of economic development. Significant successes have occurred over the last few years, but the job remains to look to the future to enhance the opportunities of the Port's district and the public it serves.

The Port is under its authorized debt capacity and is current on all debt. Risk, in regard to financial condition, is being managed accordingly.

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Port's finances and to show accountability of public funds. If you have any questions regarding this report, or need additional information, please visit our website at [www.portofquincy.org](http://www.portofquincy.org) or contact Port Comptroller Darci L. Kleyn, CPA at (509) 787-3715, 101 F Street SW, Quincy, WA 98848.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2022**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 35,845
Investment in Grant County Pool	4,111,462
Interest Receivable	6,666
Taxes Receivable	5,722
Accounts Receivable	41,757
Grants Receivable	12,367
Inventory	11,931
Prepaid Expenses	149,391
Leases Receivable	143,707
Notes Receivable	361,530
Total Current Assets	4,880,378

**NONCURRENT ASSETS**

Leases Receivable	364,111
Notes Receivable	569,888
Net Pension Asset	119,126
Land	8,665,385
Construction in Progress	5,759
Capital Assets Being Depreciated:	
Property, Plant, and Equipment	17,366,182
Less: Accumulated Depreciation	(11,017,758)
Total Noncurrent Assets, Net	16,072,693

Total Assets 20,953,071

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows Related to Pensions	147,483
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Total Assets and Deferred Outflows of Resources \$ 21,100,554

*See accompanying Notes to Financial Statements.*



**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2022**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

**CURRENT LIABILITIES**

Accounts Payable	\$ 58,251
Accrued Expenses	121,283
Retirement Plan Payable	4,229
Interest Payable	74,083
Unearned Revenue	13,172
Lease Deposits	146,900
Current Maturities of Long-Term Debt	<u>766,972</u>
Total Current Liabilities	1,184,890

**NONCURRENT LIABILITIES**

Long-Term Debt (Net of Current Maturities)	14,737,997
Net Pension Liability	<u>68,746</u>
Total Noncurrent Liabilities	<u>14,806,743</u>

Total Liabilities	15,991,633
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Leases	506,560
Deferred Inflows Related to Pensions	<u>151,283</u>
Total Deferred Inflows of Resources	657,843

**NET POSITION**

Net Investment in Capital Assets	(485,401)
Restricted for Pensions	115,896
Restricted for Debt Covenant	500,000
Unrestricted	<u>4,320,583</u>
Total Net Position	<u>4,451,078</u>

Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 21,100,554</u></u>
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*See accompanying Notes to Financial Statements.*

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
YEAR ENDED DECEMBER 31, 2022**

**OPERATING REVENUES**

Property Lease/Rental Operation	\$ 812,804
Golf Course	595,225
Intermodal Park	3,016
Quincy Business and Event Center	66,305
Bishop Recreation Area	1,354
Total Operating Revenues	1,478,704

**OPERATING EXPENSES**

Depreciation	375,462
Wages	528,005
Professional Fees	252,316
Repairs and Maintenance	410,786
Employee Benefits	71,232
Pension Expense	(14,336)
Insurance	131,985
Taxes	72,493
Janitorial Services	10,885
Utilities	89,619
Legal Fees	71,974
Inventory Costs	88,655
Dues and Subscriptions	42,587
Rent	2,870
Operating Supplies	31,290
Fertilizers and Chemicals	34,048
Fuel	51,763
Fees and Permits	1,964
Inspections	2,631
Custom Hire	14,010
Advertising and Promotion	4,922
Bank Charges	13,670
Telephone	6,039
Office Supplies	15,433
Security	8,970
Travel and meals	4,945
Irrigation Water	23,018
Meetings and Conferences	1,454
Education	195
Total Operating Expenses	2,348,885

**LOSS FROM OPERATIONS** (Balance Carried Forward) (870,181)

*See accompanying Notes to Financial Statements.*

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
YEAR ENDED DECEMBER 31, 2022**

<b>LOSS FROM OPERATIONS</b> (Balance Brought Forward)	\$ (870,181)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Ad Valorem Tax Levy and Leasehold Tax	901,114
Loan Fees	(33,000)
Gain on Sale of Capital Assets	758,430
Grant Funds	512,508
Interest Expense	(607,546)
Interest Income	93,785
Net Increase (Decrease) in the Fair Value of Investments	(203,251)
Infrastructure Expense	(64,001)
Miscellaneous Expenses	(59)
Miscellaneous Income	543
Professional Fees	(8,031)
Weed District Assessment	(417)
Total Nonoperating Revenues, Net	<u>1,350,075</u>
<b>INCREASE IN NET POSITION</b>	479,894
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>3,971,184</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 4,451,078</u></u>

*See accompanying Notes to Financial Statements.*

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Customers and Leases	\$ 1,482,491
Cash Paid to Employees	(649,766)
Cash Paid to Suppliers	(1,400,344)
Other Receipts (Payments)	<u>(11,473)</u>
Net Cash Used by Operating Activities	(579,092)

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

Borrowings from Capital Debt	4,284,719
Purchases of Capital Assets	(4,463,357)
Principal Paid on Capital Debt	(522,369)
Interest Paid on Capital Debt	(618,656)
Land Purchase Options	10,000
Payments Received on Notes Receivable	51,734
Proceeds from Disposition of Assets	<u>779,123</u>
Net Cash Used by Capital and Related Financing Activities	(478,806)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest, Dividends and Change in Fair Value of Investments	(113,538)
Issuance of Note Receivable	(311,809)
Investment in Grant County Pool	<u>384,725</u>
Net Cash Provided by Investing Activities	(40,622)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Noncapital Taxes Received	900,607
Nonoperating Income	653,899
Nonoperating Expenses	<u>(455,508)</u>
Net Cash Provided by Noncapital Financing Activities	1,098,998

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

478

Cash and Cash Equivalents - Beginning of Year

35,367

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 35,845

*See accompanying Notes to Financial Statements.*

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2022**

**RECONCILIATION OF LOSS FROM OPERATIONS  
TO NET CASH USED BY OPERATING ACTIVITIES**

Loss from Operations	\$ (870,181)
Adjustments to Reconcile Loss from Operations to Net Cash Used by Operating Activities:	
Depreciation	375,462
Effects of Changes in Operating Assets and Liabilities:	
Accounts and Taxes Receivable	40,680
Inventory	205
Pension Activities	(63,334)
Prepaid Expenses and Other Assets	(26,900)
Accounts Payable	632
Accrued Expenses and Retirement Plan Payable	1,237
Lease Activities	(30,968)
Lease Deposit	(5,925)
Net Cash Used by Operating Activities	<u>\$ (579,092)</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES**

Net Decrease in the Fair Value of Investments Reflected in Investing Activities	<u>\$ (203,251)</u>
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*See accompanying Notes to Financial Statements.*

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization Summary**

Port District No. 1 of Grant County (Port of Quincy) (the Port), Grant County, Washington, was incorporated in March 1958, and operates under the laws of the state of Washington applicable to port districts. The financial statements of the Port have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governments.

**Reporting Entity**

The Port is a municipal corporation created through enabling legislation by the consent of the voters within the Port district. The Port is a special purpose government entity that provides rental property, an airport, and a golf course to the public, and is supported primarily through user charges and real property taxes. The Port has no stockholders, or equity holders. An elected three-member board governs the Port. As required by accounting principles generally accepted in the United States of America, management considered all potential component units in defining the reporting entity. The component unit discussed below is included in the Port's reporting entity because of the significance of its operational relationship with the Port.

On March 26, 1982, a resolution was adopted to approve and authorize the creation of the Industrial Development Corporation of Port District No. 1 of Grant County, Washington (IDC). That corporation was established to act on behalf of the Port to issue nonrecourse revenue bonds for the purpose of financing the costs of qualified industrial development facilities. The IDC is managed by a Board of Directors composed of the members from time to time of the Commission of the Port. There was no financial activity in the IDC for the year ended December 31, 2022. The asset of this corporation, which is a bank account with a balance of \$4,205, has been included in these financial statements.

**Basis of Accounting and Reporting**

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

Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. The Port discloses changes in cash flows by a separate statement that presents its operating, investing, and cash flows from capital, noncapital, and related financing activities.

The Port's statements are reported using the economic resources measurement focus and the full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of cash flows. Capital asset purchases are capitalized, and long-term liabilities are recorded.

The Port distinguishes between operating revenues and expenses and nonoperating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Port's principal ongoing operations. The principal operating revenues of the Port are charges to customers for rental of property owned by the Port. The Port also recognizes the income from Colockum Ridge

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Golf Course, Intermodal Park, Quincy Business and Event Center (QBEC), and Bishop Recreation Area as operating revenue. Operating expenses for the Port include administrative expenses, depreciation on capital assets, repairs and maintenance of property, real estate taxes, and other property-related costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Cash and Cash Equivalents**

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2022, the treasurer was holding \$4,111,462, valued at amortized cost, in short-term residual investments of surplus cash. The fair value of this amount, \$4,111,462, is classified on the statement of net position as investments. See Note 7 to the financial statements – Deposits and Investments.

The Port treats highly liquid short-term investments with a maturity of three months or less as cash equivalents.

**Investments**

See Note 7 to the financial statements – Deposits and Investments.

**Receivables**

Accounts receivable consist of amounts owed from private individuals or organizations for rents, leases, goods and services, and may include amounts for which billings has not yet been prepared. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables, based on a review of all outstanding amounts on a monthly basis. The Port determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Taxes receivable are monitored and adjusted by Grant County. It consists of property taxes and related interest and penalties. See Note 2 to the financial statements – Property Taxes.

Leases receivable consist of amounts recorded in compliance with GASB 87, Leases. The Port has recorded these amounts as detailed in Note 6 – Leases.

Interest receivable consists of amounts earned on investments at the end of the year.

**Prepays**

Prepaid expense includes payment for insurance and other miscellaneous services extending to future accounting periods.

**Capital Assets**

The Port determines the capitalization of assets on a case-by-case basis. Capital assets are recorded at cost and are depreciated using the straight-line depreciation method over 5 to 50 years. See Note 3 to the financial statements – Capital Assets and Depreciation.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences**

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

Vacation pay, which may be accumulated up to a two-year accrual, is payable upon resignation, retirement, or death. Sick leave/PTO may accumulate up to 40 hours but is not payable to the employee upon resignation, retirement, or death.

**Other Accrued Expenses**

These accounts consist of accrued wages, accrued employee benefits and state taxes.

**Long-Term Debt**

See Note 5 to the financial statements – Long-Term Debt.

**Net Position Classification**

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Sometimes the Port will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Port's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Pensions**

For purposes of measuring the net pension liability, net pension asset, 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.

For purposes of calculating the restricted net position related to the net pension asset, the Port includes the net pension asset and the related deferred outflows and deferred inflows.

**Revenues**

All revenues or other receipts must be disbursed in accordance with provisions of various statutes and agreements with the bondholders.



**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Grants**

The Port has, at various times, received grants-in-aid funds for construction of the airport, industrial sites, and certain recreational facilities.

**Unearned Revenue**

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

**Estimates and Assumptions**

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

**Concentrations of Credit Risk**

The Company performs credit evaluations of its customers and subcontractors and may require surety bonds. Liens are filed, when permissible, on construction contracts where collection problems are anticipated. As of December 31, 2022, accounts receivable are due from customers not concentrated in a particular industry.

**Inventory**

Inventory, which consists of items held for resale at the pro shop at Colockum Ridge Golf Course, are reported at lower-of-cost or market.

**Deferred Inflows of Resources**

The financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The Port will not recognize the related revenue until a future event occurs.

**Deferred Outflows of Resources**

The financial statements report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The Port will not recognize the related expense until a future event occurs.

**Leases**

Leases are contracts that convey control of a right to use the Port's land, buildings, or portions of buildings over a period of time that exceeds one year. For leases with a maximum possible term of 12 months or less at the commencement, revenue is recognized based on the provisions of the lease contract. For all other leases, the Port recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Port initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line method.

Key estimates and judgements related to leases include how the Port determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Port uses the rate implicit in the lease as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The Port monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

See Note 6 to the financial statements – Leases for more information.

**Implementation of New Governmental Accounting Standards Board Pronouncements**

On January 1, 2022 the Port implemented the following GASB statements:

GASB 87, Leases. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the rights to use an underlying asset.

As a result of implementing this GASB, the Port recorded the Lease Receivable and Deferred Inflows of Resources amounts of \$861,747 as of January 1, 2022. The Port has also recorded \$25,745 of Interest Earnings from the leases, reflected within the Statement of Revenues, Expenses, and Changes in Fund Net Position.

GASB 99, Omnibus 2022. The Port is an early adopter of Sections 11-17 which include clarifying language for the reporting of leases under GASB 87. Specifically, 11(b) as the Port has a lease agreement with a purchase option that has been exercised.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 2 PROPERTY TAXES**

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

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

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow of resources and recognized as revenue of the period to which it applies. No allowance for uncollectible tax 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 is permitted by law to levy up to \$0.45000 per \$1,000 of assessed valuation for general governmental services. The Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. The Port may also levy taxes at a lower rate.

The Port's regular levy for 2022 was \$0.131710 per \$1,000 on an assessed valuation of \$6,756,779,786 for a total regular levy \$889,933.

**NOTE 3 CAPITAL ASSETS AND DEPRECIATION**

Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are expensed when incurred.

All purchased capital assets are recorded at historical cost. Donations of capital assets are recorded at acquisition value at the time received. In the case of the sale of capital assets, the original cost is removed from the capital asset account and the related depreciation is removed from the accumulated depreciation account. The net gain or loss is credited or charged to income.

According to accounting principles generally accepted in the United States of America, operating expenses include depreciation on all depreciable capital assets including contributed capital assets.

Preliminary costs incurred for proposed projects are recorded as project costs pending construction of the facility. Costs relating to projects ultimately constructed are transferred to capital assets. Costs that relate to abandoned projects are charged to expense.

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

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 3 CAPITAL ASSETS AND DEPRECIATION (CONTINUED)**

accomplish the purposes for which the assets were acquired and has included such assets within the applicable account.

At times, the Port may expend funds to improve the infrastructure on its land where, when the project is complete, that improvement does not remain an asset of the Port. Examples of this are water and sewer systems and road improvements that once complete are maintained by the City of Quincy. It is the Port's policy to expense these types of improvements.

The Port records property, plant, and equipment at cost. Depreciation is computed by the straight-line method based upon estimated useful lives of 5 to 50 years.

Capital assets activity for the year ended December 31, 2022 was as follows:

	Beginning Balance 1/1/2022	Increases	Decreases	Ending Balance 12/31/2022
Capital Assets Not Being Depreciated:				
Land	\$ 4,442,909	\$ 4,243,169	\$ (20,693)	\$ 8,665,385
Construction in Progress	66,956	105,747	(166,944)	5,759
Total Capital Assets, Not Being Depreciated	4,509,865	4,348,916	(187,637)	8,671,144
Capital Assets Being Depreciated:				
Buildings	4,944,323	171,155		5,115,478
Improvements Other than Buildings	9,460,258	80,231		9,540,489
Machinery and Equipment	2,680,215	30,000		2,710,215
Total Capital Assets Being Depreciated	17,084,796	281,386	-	17,366,182
Less Accumulated Depreciation for:				
Buildings	(666,438)	(113,953)		(780,391)
Improvements Other than Buildings	(8,301,653)	(165,886)		(8,467,539)
Machinery and Equipment	(1,674,205)	(95,623)		(1,769,828)
Total Accumulated Depreciation	(10,642,296)	(375,462)	-	(11,017,758)
Total Capital Assets Being Depreciated, Net of Depreciation	6,442,500	(94,076)	-	6,348,424
Capital Assets, Net	<u>\$10,952,365</u>	<u>\$ 4,254,840</u>	<u>\$ (187,637)</u>	<u>\$15,019,568</u>

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 4 PENSION PLANS**

The following table represents the aggregate pension amounts for all plans for the year 2022:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	\$ (68,746)
Pension Assets	119,126
Deferred Outflows of Resources	147,483
Deferred Inflows of Resources	(151,283)
Pension Expense/Expenditures	(14,336)

**State Sponsored Pension Plans**

Substantially all the Port’s full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The 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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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

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

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

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 4 PENSION PLANS (CONTINUED)**

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 2022 were as follows:

PERS Plan 1		Employer	Employee
Actual Contribution Rates:			
January - August 2022			
PERS Plan 1		6.36%	6.00%
PERS Plan 1 UAAL		3.71%	
Administrative Fee		0.18%	
	Total	10.25%	6.00%
September - December 2022			
PERS Plan 1		6.36%	6.00%
PERS Plan 1 UAAL		3.85%	
Administrative Fee		0.18%	
	Total	10.39%	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

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 4 PENSION PLANS (CONTINUED)**

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 2022 were as follows:

PERS Plan 2/3			
Actual Contribution Rates:		Employer 2/3	Employee 2/3
January - August 2022			
PERS Plan 2/3		6.36%	6.36%
PERS Plan 1 UAAL		3.71%	
Administrative Fee		0.18%	
Employee PERS Plan 3			Varies
	Total	10.25%	6.36%
September - December 2022			
PERS Plan 2/3		6.36%	6.36%
PERS Plan 1 UAAL		3.85%	
Administrative Fee		0.18%	
Employee PERS Plan 3			Varies
	Total	10.39%	6.36%

The Port's actual PERS plan contributions were \$18,199 to PERS Plan 1 and \$30,798 to PERS Plan 2/3 for the year ended December 31, 2022.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.



**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 4 PENSION PLANS (CONTINUED)**

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.25% salary inflation
- Salary increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g., active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and -Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

**Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 7.0% 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 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB).



**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 4 PENSION PLANS (CONTINUED)**

The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

**Estimated Rates of Return by Asset Class**

The table below summarizes the 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, 2022. The inflation component used to create the table is 2.2% 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%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
Total Allocation	<u>100%</u>	

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

The table below presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7%, 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%) or 1-percentage point higher (8%) than the current rate.

Plan	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	\$ 91,844	\$ 68,746	\$ 48,587
PERS 2/3	140,287	(119,126)	(332,250)

**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**

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 4 PENSION PLANS (CONTINUED)**

At June 30, 2022, the Port reported its proportionate share of the net pension liabilities (assets) as follows:

Plan	Liability (Asset)
PERS 1	\$ 68,746
PERS 2/3	(119,126)

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

Plan	Proportionate Share 6/30/2021	Proportionate Share 6/30/2022	Change in Proportion
PERS 1	0.002814%	0.002469%	-0.000345%
PERS 2/3	0.002850%	0.003212%	0.000362%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 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 LOEFF 1.

**Pension Expense**

For the year ended December 31, 2022, the Port recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$ 22,772
PERS 2/3	(37,108)
Total	\$ (14,336)

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 4 PENSION PLANS (CONTINUED)**

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

At December 31, 2022, the Port 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	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(11,393)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	10,823	-
<b>Total</b>	<b><u>\$ 10,823</u></b>	<b><u>\$ (11,393)</u></b>
PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,517	\$ (2,696)
Net difference between projected and actual investment earnings on pension plan investments	-	(88,071)
Changes of assumptions	66,396	(17,385)
Changes in proportion and differences between contributions and proportionate share of contributions	22,593	(31,738)
Contributions subsequent to the measurement date	18,154	-
<b>Total</b>	<b><u>\$ 136,660</u></b>	<b><u>\$ (139,890)</u></b>

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 4 PENSION PLANS (CONTINUED)**

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,517	\$ (2,696)
Net difference between projected and actual investment earnings on pension plan investments	-	(99,464)
Changes of assumptions	66,396	(17,385)
Changes in proportion and differences between contributions and proportionate share of contributions	22,593	(31,738)
Contributions subsequent to the measurement date	28,977	-
Total	<u>\$ 147,483</u>	<u>\$ (151,283)</u>

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. 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
2023	\$ (4,821)
2024	(4,379)
2025	(5,493)
2026	3,300
2027	-
Thereafter	-
Total	<u>\$ (11,393)</u>

Year Ended December 31:	PERS 2/3
2022	\$ (25,071)
2023	(23,967)
2024	(36,905)
2025	38,137
2026	13,153
Thereafter	13,269
Total	<u>\$ (21,384)</u>

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 5 LONG-TERM LIABILITIES**

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
General Obligation Bonds:					
LTGO Bond, 2005 (Taxable)	\$ 2,957,563	\$ -	\$ 75,491	\$ 2,882,072	\$ 78,735
LTGO Bond, 2022 (Taxable)	-	4,284,719		4,284,719	226,759
LTGO and Refunding Bond, 2020 (Taxable)	7,973,639		299,179	7,674,460	308,875
<b>Total LTGO Bonds</b>	<b>10,931,202</b>	<b>4,284,719</b>	<b>374,670</b>	<b>14,841,251</b>	<b>614,369</b>
CERB Loan	191,931	-	37,177	154,754	37,772
John Deere Financial Equipment Loan	63,035	-	11,937	51,098	12,196
DLL Financial Equipment Loan	556,451	-	98,585	457,866	102,635
Net Pension Liability	34,366	34,380	-	68,746	-
<b>Total Long-Term Liabilities</b>	<b>\$ 11,776,985</b>	<b>\$ 4,319,099</b>	<b>\$ 522,369</b>	<b>\$ 15,573,715</b>	<b>\$ 766,972</b>

The Port issues general obligation bonds to finance the purchase of land and/or buildings and the acquisition or construction of infrastructure and buildings. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund general obligation bonds. General obligation bonds have been issued for business-type activities and are being repaid from the applicable resources. The Port is also liable for notes that were entered into for the purchase equipment and construction of 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
Consolidate Interim Loans to Improve Industrial Park 4	July 2045	4.25%	\$ 3,800,000	\$ 100,206
Capital Acquisitions	June 2043	4.00%	\$ 4,284,719	\$ 214,653
Debt Consolidation and Capital Acquisitions	June 2040	4.00%	\$ 8,500,000	\$ 308,500

The LTGO Bond 2022, (Taxable) was authorized for \$6,000,000. As of December 31, 2022 the Port has \$1,715,281 available to issue.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 614,369	\$ 632,351	\$ 1,246,720
2024	602,216	644,503	1,246,719
2025	628,736	619,782	1,248,518
2026	654,546	592,173	1,246,719
2027	681,415	565,304	1,246,719
2028-2032	3,847,412	2,386,181	6,233,593
2033-2037	4,706,868	1,526,726	6,233,594
2038-2042	2,639,424	541,751	3,181,175
2043-2047	466,265	34,214	500,479
Total	<u>\$ 14,841,251</u>	<u>\$ 7,542,985</u>	<u>\$22,384,236</u>

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 152,603	\$ 20,515	\$ 173,118
2024	167,750	16,208	183,958
2025	173,977	9,982	183,959
2026	169,388	3,506	172,894
Total	<u>\$ 663,718</u>	<u>\$ 50,211</u>	<u>\$ 713,929</u>

**NOTE 6 LEASES**

A. Lessor Activity, subject to GASB 87 reporting:

As of December 31, 2022 the Port leases out certain facilities and real property under long-term lease agreements as follows:

<u>Lease Type</u>	<u>Start Date</u>	<u>Initial Term</u>	<u>Extensions</u>	<u>Rate</u>	<u>Lease Receivable</u>
Land & Buildings	11/2022	3 years	3 years	\$3,355 per month (1)	\$ 183,419
Land	05/1989	50 years	30 years	\$2,382 per year	74,519
Land	03/1986	50 years	30 years	\$930 per year	27,844
Land	07/2021	1 year	4 years	\$996 per month (2)	39,522
Land	02/2022	2 years	-	\$25,035 semi-annually	98,600
Intermodal Yard	01/2021	5 years	-	\$1,000 per month base rent	35,665
Land & Buildings	02/2021	20 years	-	\$24,430 per month	48,249
					<u>\$ 507,818</u>

(1) 5% increase each option period

(2) Annual CPI indexed increase

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 6 LEASES (CONTINUED)**

In 2022 the Port reported the following revenues related to leases:

Long-term	\$ 357,404
Variable payments	<u>343,493</u>
Total lease revenue	<u>\$ 700,897</u>
Interest income related to leases	<u>\$ 25,745</u>

As of December 31, 2022, future lease receivable principal and interest payments are:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 143,707	\$ 22,744	\$166,451
2024	98,943	18,648	117,591
2025	52,821	15,035	67,856
2026	40,390	11,521	51,911
2027	40,307	7,762	48,069
2028-2032	45,539	9,859	55,398
2033-2037	9,261	7,299	16,560
2038-2042	10,110	6,450	16,560
2043-2047	14,551	5,523	20,074
2048-2052	12,371	4,511	16,882
2053-2057	13,505	3,406	16,911
2058-2062	12,867	2,200	15,067
2063-2067	11,106	900	12,006
2068-2072	2,340	43	2,383
Total	<u>\$ 507,818</u>	<u>\$ 115,901</u>	<u>\$623,719</u>

**B. Lessee Activity, excluded from GASB 87 reporting:**

The following, while excluded from GASB 87 lease requirements, are commitments of the Port:

The Port leases an airport from the City of Quincy. The lease expires on December 31, 2044. Future minimum lease payments are expected to be \$1 annually.

The Port entered into an indefinite land lease with BNSF Railway Company effective January 15, 2013. Rent is to be made in advance, beginning at \$1,800 for 2013 and increasing annually by 3 percent (\$2,349 for 2022). This amount is being reimbursed back to the Port from Custom Apple Packers, Inc., the lessee of the property.

The Port entered into an indefinite land lease with BNSF Railway Company effective September 15, 2015. Rent is to be made in advance, beginning at \$2,333 for 2015 and increasing annually by 3 percent (\$2,869 for 2021). This amount is being reimbursed back to the Port from Double Diamond, Inc., the lessee of the property.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 7 DEPOSITS AND INVESTMENTS**

**Deposits**

The Port’s deposits are entirely covered by federal depository insurance or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

**Investments**

The Port is a participant in the Grant County Investment Pool, an external investment pool operated by the County Treasurer. The Pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The Port reports its investment in the Pool at the fair value amount, which is the same as the value of the pool per share. The responsibility for managing the pool resides with the County Treasurer. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The Grant County investment policy is established by the Finance Committee. The county external investment pool does not have a credit rating and had a weighted average maturity of 2.47 years as of December 31, 2022.

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

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

At December 31, 2022, the Port had the following investments measured at fair value:

<b>Investments by Fair Value Level</b>	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Grant County Investment Pool	\$4,111,462	\$ 4,111,462	\$ -	\$ -
<b>Total Investments by Fair Value Level</b>	<b>\$4,111,462</b>	<b>\$ 4,111,462</b>	<b>\$ -</b>	<b>\$ -</b>

Custodial credit risk is the risk that in the event of a failure of 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. Of the Port’s total position of \$4,111,462 in Grant County Investment Pool, the total amount is exposed to custodial credit risk because the investments are held by the Port’s treasurer, which is also the counterparty in those particular securities. The Port does not have a formal policy for custodial credit risk.



**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 8 RISK MANAGEMENT**

The Port is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1998, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2022, membership includes 195 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property; including Automobile Comprehensive and Collision, Equipment Breakdown, Crime Protection and Liability; including General, Automobile, Wrongful Acts, and Cyber, which are included to fit members' various needs.

The program acquires reinsurance through their administrator, Clear Risk Solutions. Liability coverage is purchased to an aggregate limit of \$50,000,000 with a self-insured retention (SIR) of \$500,000. Members are responsible for a \$1,000 to \$50,000 deductible for each claim (can vary by member), while the program is responsible for the \$500,000 SIR. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the \$500,000 SIR, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$7,110,058, which is fully funded in its annual budget.

Property insurance is subject to a per-occurrence SIR of \$500,000. Members are responsible for a \$1,000 deductible for each claim (some members deductible may vary). The program bears the \$500,000 SIR in addition to the deductible.

Crime insurance is subject to a per occurrence SIR of \$25,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$25,000 SIR, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500 (cities and special districts) and \$500 (fire districts), which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

Cyber liability insurance is subject to a per-occurrence SIR of \$50,000. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining \$40,000 SIR.

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 8 RISK MANAGEMENT (CONTINUED)**

responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2022, were \$2,747,183.56.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The amounts of settlements have not exceeded insurance coverage over the past three years, within the boundaries of the program.

The Port settled a public records violation lawsuit against it in 2022 for \$350,000. This type of lawsuit was not covered by the program.

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

The Port has recorded in its financial statements all material liabilities; including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable the Port will have to make payment. In the opinion of management, the Port's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

The Port participates in a number of federal, state, and local-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in request for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants.

In 2014, the Port received a recoverable grant for improvements to the Quincy municipal airport in the amount of \$56,905. It was included in nonoperating revenue grant funds as of year ended December 31, 2015. This grant is contingent on the airport remaining open for 20 years after the grant was received or the funds are required to be returned within 30 days of closure, sale, or discontinued use. There is no liability recorded for the contingency.

In 2021, the Port received a recoverable grant for improvements to the Quincy municipal airport in the amount of up to \$32,107. This grant was increased to a maximum payable amount of \$282,722. \$276,987 was included in nonoperating revenue grant funds as of year ended December 31, 2022. This grant is contingent on the airport remaining open for 20 years after the grant was received or the funds are required to be returned within 30 days of closure, sale, or discontinued use. There is no liability recorded for the contingency.

In December of 2022 the Port accepted a grant of \$300,000 from the Strategic Infrastructure Program. Those funds will be used to expand the area of the intermodal yard in 2023.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2022**

**NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

In December of 2022 the Port accepted a grant of \$353,000 from the Strategic Infrastructure Program. Those funds will be used for the Water Main Extension Project in Industrial Park 5.

In December of 2022 the Port approved purchasing Farm Units 347 and 348 for \$2,200,000 by authorizing a draw of approximately \$1,700,000 from Grant County Port District No. 1 LTGO Bond, 2022 (Taxable) and obtaining a new line of credit from Washington Trust Bank for \$500,000.

In December 2022 the Port signed an agreement to pay up to \$250,000 for the provision of Emergency Medical Services within the district.

**NOTE 10 CONSTRUCTION COMMITMENTS**

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

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Industrial Park 5 - Water Main Extension	\$ -	\$ 530,000

**NOTE 11 DIRECTORY OF OFFICIALS**

**Elected**

Commissioners

		<u>Length of Term</u>	<u>Expiration</u>
District #1	Curt A. Morris	6 Years	December 2025
District #2	Patric F. Connelly	6 Years	December 2023
District #3	Brian Kuest	6 Years	December 2027

**Appointed**

Executive Assistant     Dahlia Del La Rosa  
 Comptroller             Darci L. Kleyn, CPA

**Mailing Address**

Port District             101 F Street SW  
 Quincy, Washington 98848

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**NOTE 12 SUBSEQUENT EVENTS**

In January of 2023 the Port purchased Farm Units 347 and 348 for \$2,200,000. The property was leased out as farm ground in February of 2023 for two years.

In January 2023 the Port issued the remaining available balance of \$1,715,281 on the Limited Tax General Obligation Bond, 2022 to purchase Farm Units 347 and 348. In addition, the Port signed a Line of Credit with Washington Trust Bank for \$500,000 to complete the purchase. The Line of Credit was paid back in March of 2023.

In February 2023 the Port was notified by the tenant of the building in Industrial Park 4 that they intend to exercise the purchase option included in their lease agreement. The sales price is approximately \$3.4 million. The original closing date, according to the terms of the purchase and sale agreement was 60 days after appraisals were complete (March 30<sup>th</sup>). In March 2023 the closing date was extended to June 1, 2023.

In February 2023 the Port accepted a quote for \$299,497 for gravel to expand the intermodal yard surface. Funds from an SIP grant awarded in December 2022 will be used.

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 PENSION PLANS PERS 1 AND PERS 2/3  
 AS OF JUNE 30, 2022  
 LAST EIGHT FISCAL YEARS**

	2022	2021	2020	2019	2018	2017	2016	2015
<b>PERS Plan 1</b>								
Employer's proportion of the net pension liability (asset)	0.002469%	0.002814%	0.003155%	0.003229%	0.004608%	0.003363%	0.003059%	0.003987%
Employer's proportionate share of the net pension liability	\$ 68,746	\$ 34,366	\$ 111,389	\$ 124,167	\$ 205,795	\$ 159,577	\$ 164,283	\$ 208,557
Employer's covered employee payroll	\$ 399,327	\$ 373,377	\$ 394,561	\$ 381,497	\$ 616,432	\$ 364,089	\$ 308,714	\$ 406,486
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	17.22%	9.20%	28.23%	32.55%	33.38%	43.83%	53.22%	51.31%
Plan fiduciary net position as a percentage of the total pension liability	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
<b>PERS Plan 2/3</b>								
Employer's proportion of the net pension liability (asset)	0.003212%	0.002850%	0.002952%	0.003072%	0.004762%	0.003244%	0.002789%	0.003940%
Employer's proportionate share of the net pension liability (asset)	\$ (119,126)	\$ (283,906)	\$ 37,754	\$ 29,840	\$ 81,307	\$ 112,713	\$ 140,424	\$ 140,779
Employer's covered employee payroll	\$ 399,327	\$ 342,496	\$ 344,617	\$ 332,904	\$ 564,424	\$ 318,089	\$ 262,713	\$ 360,486
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-29.83%	-82.89%	10.96%	8.96%	14.41%	35.43%	53.45%	39.05%
Plan fiduciary net position as a percentage of the total pension liability	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	82.50%	59.20%

**PORT DISTRICT NO. 1 OF GRANT COUNTY (PORT OF QUINCY)  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 PENSION PLANS PERS 1 AND PERS 2/3  
 AS OF DECEMBER 31, 2022  
 LAST EIGHT FISCAL YEARS**

	2022	2021	2020	2019	2018	2017	2016	2015
<b>PERS Plan 1</b>								
Statutorily or contractually required contributions	\$ 18,199	\$ 17,329	\$ 22,339	\$ 22,951	\$ 31,152	\$ 23,652	\$ 17,014	\$ 17,426
Contributions in relation to the statutorily or contractually required contributions	(18,199)	(17,329)	(22,339)	(22,951)	(31,152)	(23,652)	(17,014)	(17,426)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$ 453,792	\$ 375,606	\$ 390,453	\$ 387,161	\$ 617,834	\$ 420,888	\$ 296,612	\$ 360,239
Contributions as a percentage of covered employee payroll	4.01%	4.61%	5.72%	5.93%	5.04%	5.62%	5.74%	4.84%
<b>PERS Plan 2/3</b>								
Statutorily or contractually required contributions	\$ 30,798	\$ 26,678	\$ 26,429	\$ 25,905	\$ 37,249	\$ 25,151	\$ 15,613	\$ 16,667
Contributions in relation to the statutorily or contractually required contributions	(30,798)	(26,678)	(26,429)	(25,905)	(37,249)	(25,151)	(15,613)	(16,667)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$ 453,792	\$ 375,606	\$ 334,544	\$ 337,752	\$ 565,257	\$ 374,358	\$ 250,612	\$ 314,239
Contributions as a percentage of covered employee payroll	6.79%	7.10%	7.90%	7.67%	6.59%	6.72%	6.23%	5.30%

**Notes:**

During 2018 covered payroll and contributions were significantly increased due to an audit conducted by the Department of Retirement Services in 2017. Additional employees were determined to be eligible for retirement and back-up contributions were made.

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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