Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Longview

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

Published November 9, 2023

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Office of the Washington State Auditor
Pat McCarthy

November 9, 2023

Board of Commissioners
Port of Longview
Longview, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 4

Independent Auditor's Report on the Financial Statements 6

Financial Section 9

About the State Auditor's Office 59

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 Longview
January 1, 2022 through December 31, 2022

Board of Commissioners
Port of Longview
Longview, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Port of Longview, as of and for the year ended December 31, 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 November 2, 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

Pat McCarthy, State Auditor

Olympia, WA

November 2, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Port of Longview
January 1, 2022 through December 31, 2022

Board of Commissioners
Port of Longview
Longview, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Port of Longview, 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 the Port of Longview, 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.

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 November 2, 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

Pat McCarthy, State Auditor

Olympia, WA

November 2, 2023

FINANCIAL SECTION

Port of Longview
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
Schedule of Employer Contributions – Nongovernmental Pension Plans – 2022
Schedule of Changes in Total OPEB Liability and Related Ratios – Post Retirement Health Care Program – 2022

INTRODUCTION

The following is the Port of Longview's (the Port) Management Discussion and Analysis (MD&A) of financial activities and performance for the fiscal years as of December 31, 2022, with selective comparative information for the year ending December 31, 2021. Information contained in the MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and the notes which immediately follow this discussion.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three components: management's discussion and analysis (MD&A), the basic financial statements, and the notes to the financial statements. The basic financial statements include: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Fund Net Position, and the Statement of Cash Flows.

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

The Statement of Net Position presents information on all of the Port's assets and liabilities and deferred inflows and outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the Port is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position show how the Port's net position changed during the year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows (accrual basis).

Fund Financial Statements

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

FINANCIAL ANALYSIS

Condensed Financial Position Information

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

Financial Highlights

- Total assets and deferred outflows of the Port exceeded its liabilities and deferred inflows by $168.7 million in 2022, reported as total net position. Total net position increased by $19.0 million as compared to the prior year as a result of net income and capital contributions of $19.0 million.
- Total assets and deferred outflows of resources increased by $14.3 million from 2021 primarily as a result of a $2.7 million increase in net capital assets, an increase in current and restricted assets of $13.4 million, and a decrease of $1.8 million in net pension asset.
- Total liabilities and deferred inflows of resources decreased by $4.7 million from the prior year primarily as a result of a decrease of $3.4 million in deferred inflows related to pensions and leases and a decrease in long-term debt of $1.6 million due to planned debt service payments.
- The Department of Retirement Systems (DRS) 2022 Participating Employer Financial Information (PEFI) report showed the PERS Plan 2/3 is fully funded. The Port's net pension asset is $1.1 million at the end of 2022.

The following condensed financial information provides an overview of the Port's financial position for the fiscal years ending December 31, 2022, and 2021.

STATEMENT OF NET POSITION

	2022	2021
ASSETS		
Current and Restricted Assets	$ 62,136,980	$ 47,251,940
Capital Assets, net	117,611,312	114,933,412
Net Pension Asset	1,078,699	2,856,491
Other Noncurrent Assets	62,773,631	65,000,582
Total Assets	243,600,622	230,042,425
Total Deferred Outflows of Resources	1,262,774	537,434
LIABILITIES		
Current Liabilities	4,584,556	5,212,638
Noncurrent Liabilities	25,560,331	26,226,856
Total Liabilities	30,144,887	31,439,494
Total Deferred Inflows of Resources	45,981,585	49,365,698
NET POSITION		
Net Investment in Capital Assets	112,457,420	108,089,000
Restricted	1,609,054	586,627
Unrestricted	54,670,450	41,099,040
Total Net Position	$168,736,924	$149,774,667

Summary of Operations and Changes in Net Position

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

Revenues:

- Total operating revenues in 2022 increased by $12.7 million or 24.3% from 2021 operating revenues due to an increase in project cargo imports along with new import cargo opportunities. Marine terminal charges comprise 96.3% of total operating revenues with the balance earned from property leases and rentals, and miscellaneous revenues.
- The combined total tonnage of imports and exports handled at the Port in 2022 decreased by 16.9%. The decrease is due to decreased grain exports of 24.3%. Project cargo imports increased by 253.3%
- Total non-operating revenues increased by $0.3 million due to an increase in interest income of $0.7 million and a decrease in ad valorem taxes of $0.5 million.

Expenses:

- Total 2022 operating expenses, before depreciation, increased by $9.7 million or 25.9% from 2021 operating expenses. The increase in operating expenses is the result of the increase of wind energy cargo which is labor intensive, as well as other unique cargo projects in 2022. Operating income, after depreciation, was $14.8 million as of December 31, 2022, as compared to $11.9 million at 2021 year end.
- Total 2022 non-operating expenses decreased by $21,138 from 2021.

A condensed statement of the Port's Statement of Revenues, Expenses and Changes in Net Position for years ending December 31, 2022, and 2021 begins on the following page.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

	2022	2021
OPERATING REVENUES:		
Marine terminal operations	$62,680,998	$50,415,080
Other operating revenues	2,384,402	1,916,543
Total Operating Revenues	65,065,400	52,331,623
NON-OPERATING REVENUES:		
Ad valorem taxes	1,518,703	2,063,217
Investment income	1,477,256	759,722
Other non-operating revenue	628,630	474,115
Total Non-Operating Revenues	3,624,589	3,297,054
Total Revenues	68,689,989	55,628,677
EXPENSES:		
General operations	33,646,317	26,383,842
Maintenance	6,854,885	5,118,208
General and administrative	6,017,197	5,391,119
Willow Grove Park expenses	401,937	365,298
Depreciation expense	3,341,130	3,223,129
Non-operating expenses	294,035	315,173
Total Expenses	50,555,501	40,796,769
Increase (Decrease) in Net Position before Capital Contributions	18,134,488	14,831,908
Capital Contributions	827,769	1,212,938
Increase (decrease) in net position	18,962,257	16,044,846
Net position - beginning	149,774,667	133,440,152
Prior period adjustment	0	289,669
Net position - ending	$168,736,924	$149,774,667

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

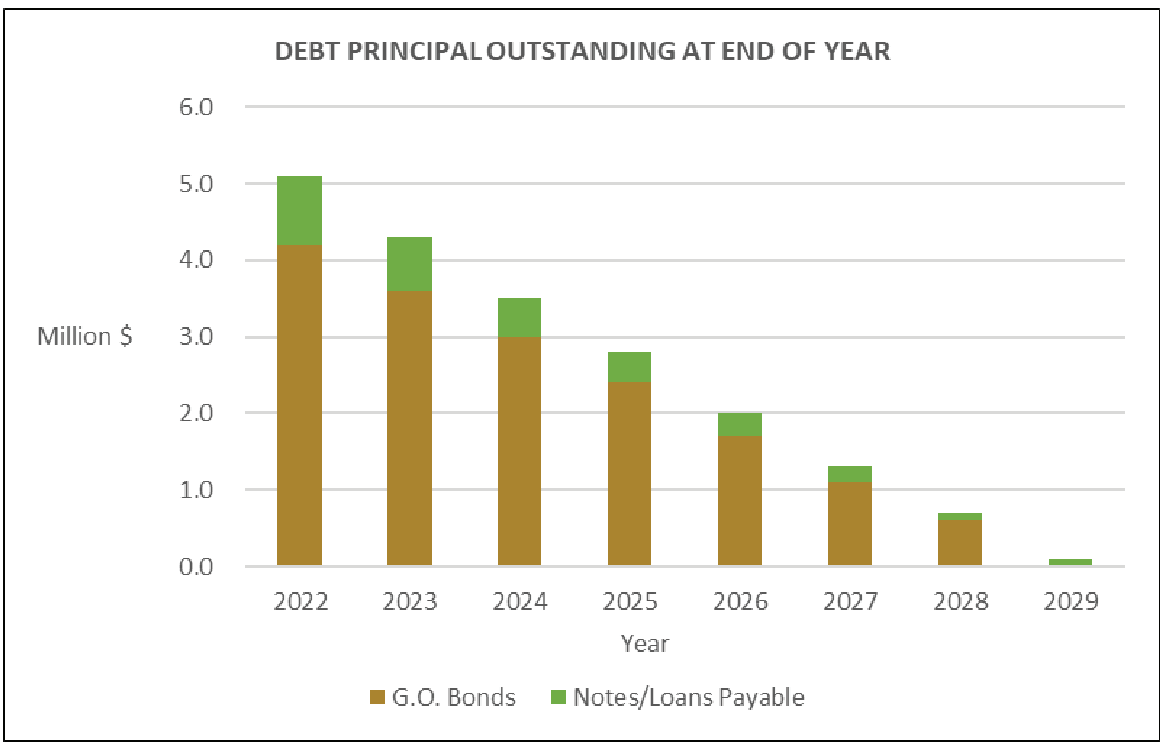
The Port's investment in capital assets for its business activities as of December 31, 2022, totaled $117.6 million, net of accumulated depreciation. The Port's investment in capital assets includes land, berths, dolphins, floats, buildings, improvements (other than buildings), machinery and equipment, construction in process and intangible assets. The total increase in the Port's investment in capital assets the year as of December 31, 2022, was $2.7 million. Major capital asset additions or improvements during 2022 included the following:

- Improvements of International Way North Laydown Yard.
- Continued engineering and design work for the Industrial Rail Corridor Expansion project.
- Purchase of equipment to support the increased cargo activity of the Port.
- Variety of improvements to the Port's environmental effluent and stormwater systems.

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

Long-Term Debt

At December 31, 2022, the Port's long-term debt totaled $5.1 million. Of this amount, $4.2 million is limited tax general obligation debt; and $0.9 million for notes/loans payable.



Additional information on the Port's long-term debt activity may be found in Note 11 in the Notes to the Financial Statements.

ECONOMIC FACTORS

- In 2022, the Port had an increase in revenue and the Port continued to maintain a competitive position in the maritime business. Revenue was $65.1 million a 24.3% increase from the previous year.
- The Port had 221 vessel calls, and over 18,000 railcars totaling 7.6 million metric tons of cargo. Overall, import cargo of 316,386 metric tons was up approximately 18.1% from the previous year's total of 267,788 metric tons. Export cargos decreased to 7.6 million from 9.1 million metric tons in 2022, representing a decrease of 16.9%. This was primarily due to a decrease in logs, a slight decrease in scrap steel and a slight decrease of EGT/Berth 9 exports due to changes in the world grain markets.
- Berth 1 and 2 or Bridgeview Terminal dry bulk export facility continued to be profitable in 2022. Bridgeview terminal soda ash exports increased to around 1,000,000 metric tons a 25.5% increase over last year. As rising population and usage of items utilizing soda ash such as detergents and glass bottles, the soda ash market will remain steady. Volumes through Bridgeview Terminal are expected to increase again in 2023.
- Berth 5 calcined coke exports continue to be a steady business for the Port with 2022 tonnage of 777,145 metric tons, slightly above the ten-year average of 755,000 metric tons.
- The Port's operated berths of 6, 7, and 8 handle a variety of bulk and breakbulk cargoes. Also at berth 6, 7 and 8, the Port utilizes break-bulk handling equipment including mobile harbor cranes along with close to vessel discharge lay-down space for large pieces of project cargo. The Port also has on-dock rail which allows customers to discharge project cargo direct to rail. These investments attract a variety of customers to the Port. In 2022, the Port handled a 141.5% increase in wind energy cargo as well as a 21% increase in foreign steel imports. In addition, the Port finished handling the breakbulk cargoes from 2021 such as plywood and containers. Some of these new breakbulk cargoes such as plywood were a result of supply chain issues where items typically moving in containers found an alternate shipping route via breakbulk. Shipping delays due to the COVID-19 pandemic caused vessel backups at large container ports such as Port of Los Angeles as well as other west coast port locations. These cargoes will not continue into 2023 along with woodpulp which was a contributor to the overall increase in import tonnage.
- The Port's diversified cargo mix consists of a variety of trading partners. The top five trading partners in 2022 included Australia, China, Japan, Korea, and the Philippines. Nearly 3.2 million metric tons of various cargos were exported to China including agricultural products, logs and soda ash. 0.8 million metric ton exports to Korea included agricultural products, scrap metal and soda ash. Exports to both Japan and the Philippines were just at 0.8 million metric tons each and included agricultural products and soda ash. Australia exports totaled 0.3 million metric tons of calcined coke.
- The Port continues to invest in rail infrastructure improvements with $1,033,913 spent on the Industrial Rail Corridor Expansion (IRCE) project in 2022. The IRCE project plans to expand the existing rail corridor to accommodate current customer growth and attract new development for the benefit of the Port's local and regional economies.

REQUESTS FOR INFORMATION

This financial report is designed and intended to provide a general overview of the Port of Longview's financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Port of Longview, Finance Manager, 10 International Way, Longview, WA 98632.

MCAG No. 1707

PORT OF LONGVIEW

STATEMENT OF NET POSITION

As of December 31, 2022

ASSETS	
CURRENT ASSETS:	
Cash and Cash Equivalents	$44,181,920
Restricted Cash and Cash Equivalents	528,173
Investments	2,978,304
Accounts Receivable (Net)	12,044,351
Lease Receivable - Current	1,526,129
Due from Other Governments	223,167
Taxes Receivable	43,430
Prepayments	611,506
TOTAL CURRENT ASSETS	**62,136,980**
NONCURRENT ASSETS:	
Capital Assets not Being Depreciated:	
Land	37,820,531
Construction in Progress	8,463,995
Total Capital Assets Not Being Depreciated	46,284,526
Capital Assets Being Depreciated:	
Berths, dolphins, floats	32,837,764
Buildings and structures	39,411,856
Machinery and equipment	33,739,522
Other Improvements	39,234,978
Intangible Assets	161,873
Less: Accumulated Depreciation	(74,200,264)
Total Capital Assets Being Depreciated (Net)	71,185,729
Right to Use Assets Being Amortized:	
Equipment	183,990
Less: Accumulated Amortization	(42,933)
Total Capital Assets Being Amortized (Net)	141,057
Total Capital Assets (Net)	117,611,312
Other Noncurrent Assets:	
Lease Receivable	45,411,631
Net Pension Asset	1,078,699
Pollution Remediation Recovery	17,362,000
Total Other Noncurrent Assets	63,852,330
TOTAL NONCURRENT ASSETS	**181,463,642**
TOTAL ASSETS	**$243,600,622**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pensions	$1,116,310
Deferred Outflows - OPEB	14,803
Deferred Outlows - ARO	110,553
Deferred Amount on Refunding	21,108
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$1,262,774**

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

PORT OF LONGVIEW

STATEMENT OF NET POSITION

As of December 31, 2022

LIABILITIES	
CURRENT LIABILITIES:	
Accounts Payable	$2,738,094
Accrued Payroll and Taxes Payable	427,122
Retention Payable	64,328
Payable from Restricted Assets	13,394
Unearned Revenue	197,659
Current Portion of Employee Leave Benefits	258,984
Current Portion of OPEB	29,606
Accrued Interest Payable	28,585
Current Portion of LTGO Bonds	585,000
Current Portion of Notes Payable	205,555
Current Portion of Lease Payable	36,229
TOTAL CURRENT LIABILITIES	**4,584,556**
NONCURRENT LIABILITIES:	
L.T. General Obligation Bonds	3,570,000
Notes and Loans Payable	656,153
Leases Payable	105,995
Other Long-Term Debt - Channel Improv. Project	17,145
Employee Leave Benefits	823,499
Other Post Employment Benefits (OPEB)	2,138,467
Asset Retirement Obligation	229,961
Pollution Remediation Obligation	17,362,000
Net Pension Liability	657,111
TOTAL NONCURRENT LIABILITIES	**25,560,331**
TOTAL LIABILITIES	**30,144,887**
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pension	1,133,620
Deferred Inflows - Leases	44,831,897
Deferred Amount on Refunding	16,068
TOTAL DEFERRED INFLOWS OF RESOURCES	**45,981,585**
NET POSITION:	
Net Investment in Capital Assets	112,457,420
Restricted Other	8,599
Restricted for Capital	506,180
Restricted for Pensions	1,094,275
Unrestricted	54,670,450
TOTAL NET POSITION	**168,736,924**

PORT OF LONGVIEW

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended December 31, 2022

OPERATING REVENUES:	
Marine terminal operations	$62,680,998
Property lease/rental operations	2,231,802
Sales and miscellaneous revenues	152,600
Total Operating Revenues	**65,065,400**
OPERATING EXPENSES:	
General operations	33,646,317
Maintenance	6,854,885
General and administrative	6,017,197
Willow Grove Park expenses	401,937
Depreciation and Amortization	3,341,130
Total Operating Expenses	**50,261,466**
Operating Income (Loss)	**14,803,934**
NONOPERATING REVENUES (EXPENSES):	
Interest income from investments	689,753
Interest income from lease activity	787,503
Ad valorem tax revenues	1,518,703
Federal and state grants	479,637
Other nonoperating revenues	148,993
Interest expense	(97,263)
Special projects	(43,321)
Environmental remediation	237
Airport expense	(76,000)
Other nonoperating expenses	(77,688)
Total Nonoperating Revenues (Expenses)	**3,330,554**
Income (loss) before capital contributions	**18,134,488**
Capital Contributions	827,769
Increase (decrease) in net position	18,962,257
Net position - January 1	149,774,667
Net position - December 31	**$168,736,924**

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

PORT OF LONGVIEW

STATEMENT OF CASH FLOWS

For Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 60,402,264
Payments to suppliers	(37,509,721)
Payments to employees	(9,891,281)
Other receipts	50,751
Other payments	(297,260)
Net cash provided (used) by operating activities	12,754,753
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from miscellaneous taxes	98,242
Operating grants received	509,254
Receipts (Payments) for environmental remediation	237
Net cash provided (used) by noncapital financing activities	607,733
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from unrestricted property taxes	1,530,367
Proceeds from grants and contributions	900,122
Proceed from sale of capital assets	5,000
Purchase of capital assets	(6,030,146)
Retainage	38,300
Principal paid on loans and notes	(204,264)
Principal paid on leases	(35,630)
Principal paid on bonds	(1,440,000)
Interest paid on capital debt	(113,147)
Net cash used for capital and related financing activities	(5,349,398)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	1,477,256
Cash received (paid) from sales (purchases) of investments	(2,978,304)
Net cash provided from investing activities	(1,501,048)
Net increase (decrease) in cash	6,512,040
Cash and cash equivalents - January 1	38,198,053
Cash and cash equivalents - December 31	$ 44,710,093
Reconciliation to Net Position:	
Cash and Cash Equivalents	$ 44,181,920
Restricted Cash and Cash Equivalents	528,173
	$ 44,710,093

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

PORT OF LONGVIEW

STATEMENT OF CASH FLOWS

For Year Ended December 31, 2022

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

Net operating income (loss)	$ 14,803,934
Adjustments to reconcile net operating income to net cash provided by operating activities	
Depreciation and amortization	3,341,130
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(3,903,770)
Increase (decrease) in accounts payable	1,058,106
Decrease (increase) in prepaid items	(83,434)
Increase (decrease) in customer deposits	13,394
Increase (decrease) in other payables	(900,003)
Increase (decrease) in employee leave benefits	148,922
Increase (decrease) in pension accounts	(440,277)
Increase (decrease) in OPEB accounts	(268,279)
Increase (decrease) in ARO accounts	4,296
Decrease (increase) in lease receivable accounts	(803,550)
Increase (decrease) in unearned revenue	30,793
Other receipts (payments)	(246,509)
Total adjustments	(2,049,181)
Net cash provided by operating activities	$ 12,754,753

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

The Port is governed by a three member Board of Commissioners (the Commission) elected by Port district voters. As policy makers, they delegate certain administrative authority to the Chief Executive Officer to conduct operations of the Port. Management is held accountable to the Commission. The Commission and appointed management possess the ability to significantly influence operations, including authority to review and approve budgets, sign contracts as the contracting authority, exercise control over facilities and properties and determine the outcome or disposition of matters affecting the Port's customers. The Commission possesses final decision-making authority and is held primarily accountable for decisions.

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

The Industrial Development Corporation of the Port of Longview, a public corporation created in 1981 is authorized to facilitate the issuance of tax-exempt nonrecourse revenue bonds to finance industrial development within the corporate boundaries of the Port. Revenue bonds issued by the Corporation are payable from revenues derived as a result of the industrial development facilities funded by the revenue bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than industrial facilities for which they were issued. The Port's Board of Commissioners governs the Industrial Development Corporation. The Industrial Development Corporation's account balances and transactions are included as a blended component unit within the Port's financial statements.

B. Basis of Accounting and Presentation:

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

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

The Port uses the full-accrual basis of accounting where revenues are recognized when earned, and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are presented as liabilities.

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

C. Use of Estimates:

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

D. Assets, Liabilities and Net Position:

1. Cash and Cash Equivalents – See Note 2
   It is the Port's policy to invest all temporary cash surpluses. These are classified as cash and cash equivalents on the statement of net position. For purposes of the statement of cash flows, the Port considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments – See Note 2

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

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

   Receivables have been recorded net of estimated uncollectible amounts. Because property taxes and special assessments are considered liens on property, no estimated uncollectible amounts are established. The allowance for doubtful accounts was $0 at December 31, 2022.

4. Amounts Due to and From Other Governments
   These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes and charges for services.

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

6. Restricted Assets and Liabilities
   In accordance with bond resolutions and certain related agreements, separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses including construction, debt service, and other special reserve requirements.

   Funds restricted as to use at December 31, 2022 are:

Current Restricted Assets	
Industrial Development Corporation Money Market Fund	$ 8,599
Customer Deposits	13,394
Funds restricted for Capital Project	506,180
Total Current Restricted Assets	**$528,173**

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

7. Compensated Absences
   In accordance with GASB Statement No. 16, *Accounting for Compensated Absences,* the Port accrues a liability for compensated absences.

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

Sick leave is earned at the rate of 8 hours per month of continuous employment, without limit. Upon termination of employment (discharge, death, resignation or retirement), an employee (or in the case of death, the employee's beneficiary) shall be paid for all accrued leave up to 960 hours of sick leave. Accrued sick leave amounts to $823,499 at December 31, 2022.

Vacation benefits are earned by full-time and part-time employees based upon length of service. Vacation must be taken within the anniversary year following its accrual. Vacation pay is payable upon termination, resignation, retirement or death. Accrued vacation payable amounts to $258,984 at December 31, 2022.

8. Unearned Revenues
This account includes amounts recognized as receivables (assets) but not revenues because the revenue recognition criteria have not been met.

9. Pensions – See Note 6
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.

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

11. Accrued Payroll and Taxes Payable
These accounts consist of accrued wages, accrued employee benefits, and accrued payroll and tax related liabilities.

12. Capital Assets and Depreciation - See Note 4.

13. Long-Term Debt - See Note 11.

14. Deferred Outflows/Inflows of Resources
A deferred outflow of resources is not an asset and is defined as a consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is not a liability and is defined as an acquisition of net assets that is applicable to a future reporting period. These are distinguished from assets and liabilities in the Statement of Net Position. The Port classified deferred charges on refunding resulting from the difference in the carrying value of refunded debt and its reacquisitions price amortized over the shorter of the life of the refunded debt as deferred outflows/inflows of resources. The Port also recognizes deferred outflows and deferred inflows related to net pension liability, net pension asset, OPEB liability, asset retirement obligations and lease receivables.

15. Leases – Port as Lessor – See Note 10
Leases receivable consist of amount recorded in compliance with GASB 87, *Leases*. The Port has recorded

the Lease Receivable and Deferred Inflows of Resources. The Port records the interest earnings from the leases, within the Statement of Revenue, Expenses, and Changes in Fund Net Position as non-operating revenue.

The Port is a lessor for noncancelable leases. Leases are contracts that convey control of a right to use the Port's land or buildings over a period that exceeds one year. The Port recognizes a lease receivable and a deferred inflow of resources when the lease commences.

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 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 basis method.

Key estimates and judgements related to lease 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.

When the interest rate is not implicit within the lease, the Port uses its estimated incremental borrowing rate 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.

16. <u>Leases – Port as Lessee</u> – See Note 10
The Port is a lessee for noncancelable leases. The Port recognized a lease liability and an intangible right-to-use asset when the lease commences.

At the commencement of a lease, the Port initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

Key estimates and judgements related to lease 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 interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Port generally uses its incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Port is reasonably certain to exercise.

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

NOTE 2 – DEPOSITS AND INVESTMENTS

The Cowlitz County Treasurer is empowered to act as fiduciary for the Port and other taxing districts within the County. Duties include the deposit and prudent investment of public funds as legally prescribed by the laws of the State of Washington. Both the Cowlitz County Treasurer and the Washington State Local Government Investment Pool have formal investment policies which apply to the Port's deposits and investments.

Deposits

The carrying amount of the Port's deposits was $1,579,038 and the bank balance was $1,665,405.

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

Investments

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

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

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

Investments in Local Government Investment Pool (LGIP)

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

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

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

At December 31, 2022, the Port had $43,131,056 invested in the WA State Local Government Investment Pool (LGIP).

Risks

Investments are subject to the following risks:

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

As of December 31, 2022, the Port held the following investments:

	Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 – 3**	**More than 3**
US Treasury Note	$999,385	$999,385	$ -	$ -
Federal Farm Credit Bank	$1,010,528	$ -	$1,010,528	$ -
Federal Home Loan Bank	$968,391	$968,391	$ -	$ -
Total Investments	**$2,978,304**	**$1,967,776**	**$1,010,528**	$ -

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

The table below identifies the credit quality ratings of the Port's investment portfolio as of December 31, 2022:

	Moody's Equivalent Credit Ratings					
Investment Type	**Fair Value**	**Aaa**	**Aa1**	**Aa2**	**Aa3**	**Unrated**
US Treasury Note	$999,385	$999,385	$ -	$ -	$ -	$ -
Federal Farm Credit Bank	$1,010,528	$1,010,528	$ -	$ -	$ -	$ -
Federal Home Loan Bank	$968,391	$968,391	$ -	$ -	$ -	$ -
Totals	**$2,978,304**	**$2,978,304**	$ -	$ -	$ -	$ -

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction the Port would not be able to recover the value of the investment or collateral securities that are in the possession of the outside party. To minimize this risk, the Port's investment policy requires that all security transactions, except the Washington State Local Government Investment Pool, are settled on a "delivery verses payment" basis. This means that payment is made simultaneously with the receipt of the security. These securities will be held by a third-party custodian designated by the Cowlitz County Treasurer.

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

Investments Measured at Fair Value

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

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

As of December 31, 2022, the Port had the following investments measured at fair value and amortized cost:

	As of	Fair Value Measurement Using		
	12/31/2022	Level 1	Level 2	Level 3
Investments by Fair Value Level				
US Treasury Note	$999,385	$ -	$999,385	$ -
Federal Farm Credit Bank	$1,010,528	$ -	$1,010,528	$ -
Federal Home Loan Bank	$968,391	$ -	$968,391	$ -
Total Investments by Fair Value Level	**$2,978,304**	$ -	**$2,978,304**	$ -
Total Investments Measured at Fair Value	**$2,978,304**			
Other Securities not Measured at Fair Value				
WA State Local Government Investment Pool (LGIP)	$43,131,056			
Total Investments	**$46,109,360**			

Summary of Deposit and Investment Balances

Reconciliation of the Port's deposits and investment balances as of December 31, 2022, is as follows:

As of December 31, 2021	Total
Deposits with Private Financial Institution	$ 1,579,037
Deposits with WA State Local Government Pool	43,131,056
Non-Pooled Investments	2,978,304
Total Deposits and Investments	**$47,688,397**
Cash and Cash Equivalents	44,181,920
Restricted Cash and Cash Equivalents	528,173
Investments	2,978,304
Total Deposits and Investments	**$47,688,397**

NOTE 3 - PROPERTY TAXES

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

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

Property taxes are recorded as a receivable and classified as non-operating revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

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

The Port's levy for 2022 was $0.127510 per $1,000 on an assessed valuation of $11,917,461,523 for a total levy amount of $1,519,600 which was used for the repayment of general obligation bonds. For 2022, the Port collected 98.5% of ad valorem taxes levied.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. All capital assets are valued at historical cost, or estimated historical cost, where historical cost is not known, or at the acquisition value for donated assets.

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

The Port's policy is to capitalize all asset additions greater than $5,000 with an estimated useful life in excess of one year. Depreciation expense is charged to operations to allocate the cost of fixed assets over their estimated useful lives using the straight-line method. Berths, dolphins and floats are assigned lives of 30 to 75 years; buildings and improvements 10 to 50 years; and machinery and equipment 5 to 30 years. With the implementations of GASB Statement 87, Leases, the right to use assets are being amortized over the life of the lease agreement.

In accordance with generally accepted accounting principles for regulated businesses, the Port has a deferred intangible asset of $161,873 as of December 31, 2022. The initial cost of $29,072 in 2005, $20,427 in 2015, and

$172,848 in 2019 were for the easement of three disposal sites for the Columbia River Channel Improvement Project. The costs are amortized on the straight-line method over 20 years.

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

	Beginning Balance 1/1/2022	**Increases**	**Decreases**	**Ending Balance 12/31/2022**
Capital Assets, not being depreciated:				
Land and Land Rights	$37,820,531	-	-	$37,820,531
Construction in process	5,588,677	4,703,972	1,828,654	8,463,995
Total Capital Assets, not being depreciated	**$43,409,208**	**$4,703,972**	**$1,828,654**	**$46,284,526**
Capital Assets, being depreciated:				
Berths, Dolphins, Floats	32,837,764	-	-	32,837,764
Buildings and Structures	39,411,856	-	-	39,411,856
Other Improvements	37,722,705	1,512,273	-	39,234,978
Machinery and Equipment	32,152,094	1,642,555	55,127	33,739,522
Intangible Asset	172,990	-	11,117	161,873
Total Capital Assets, being depreciated	**$142,297,409**	**$3,154,828**	**$66,244**	**$145,385,993**
Less Accumulated Depreciation:				
Berths, Dolphins, Floats	15,131,437	534,191	-	15,665,628
Buildings and Structures	24,338,253	903,291	-	25,241,544
Other Improvements	15,575,430	927,251	-	16,502,681
Machinery and Equipment	15,905,942	939,596	55,127	16,790,411
Total Accumulated Depreciation	**$70,951,062**	**$3,304,329**	**$55,127**	**$74,200,264**
Total Net Capital Assets, being depreciated	**$71,346,347**	**($149,501)**	**$11,117**	**$71,185,729**
Right to Use Assets, being amortized: Equipment	183,990	-	-	183,990
Total Right to Use Assets, being amortized	**$183,990**	**-**	**-**	**$183,990**
Less Accumulated Amortization: Equipment	6,133	36,800	-	42,933
Total Accumulated Amortization	**$6,133**	**$36,800**	**-**	**$42,933**
Total Net Right to Use Assets	**$177,857**	**($36,800)**	**-**	**$141,057**
Total Capital Assets, Net	**$114,933,412**	**$4,517,671**	**$1,839,771**	**$117,611,312**

NOTE 5 – COMMITMENTS

Construction Commitments:

The Port has active construction projects as of December 31, 2022. At year-end the Port's commitments on construction projects are as follows:

Project	Contract Amount	Remaining Commitment
IRC Rail Expansion	2,893,975	47,862
Advanced Wetland Mitigation	1,974,185	89,549
International Way Grade Separation	142,346	95,098
Wireless Network/Video System	673,166	112,888
Berth 2 Fender System Upgrade	278,174	65,114
Mechanic Shop Relocation	120,000	57,201
Stormwater & Wastewater Improvements	194,840	217
Total	**$6,276,686**	**$467,929**

Purchase Commitment:

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

Under the terms of these leases, Skyline has the right to purchase the building from IDC in 2023 and must notify the Port of its intention to exercise this option by February 28, 2022. If Skyline chooses not to exercise its option, the Port is required to purchase the facility from IDC by March 31, 2023, at the agreed upon price of $9 million.

In February 2022, Skyline Steel notified the Port that they are declining to purchase the building from IDC. As per the lease agreement, the Port will purchase the building in 2023 for $9 million. Since Port management had determined that it was reasonably possible that the Port would be required to purchase the facility, the Port has accumulated $8.9 million at the end of 2022 in the General Reserve Fund for the purchase of the building. The Port is continuing to set aside additional funds as per its annual budget for 2023 and will have adequate funds for the purchase in 2023.

NOTE 6 - PENSION PLAN

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ (657,111)
Pension assets	$ 1,078,699
Deferred outflows of resources	$ 1,116,310
Deferred inflows of resources	$ (1,133,620)
Pension expense/expenditures	$ (49,847)

State Sponsored Pension Plans

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

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

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.

<u>Contributions – PERS Plan 1</u>

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		
Actual Contribution Rates:	**Employer**	**Employee**
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 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions – PERS Plan 2/3

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2**
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 of Longview's actual PERS plan contributions were $149,973 to PERS Plan 1 and $240,458 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*.

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. The 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.

- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

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 (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). 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%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the Port of Longview's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Port of Longview's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$877,891	$657,111	$464,421
PERS 2/3	$1,270,309	$(1,078,699)	$(3,008,558)

Pension Plan Fiduciary Net Position

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

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

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

	Liability (or Asset)
PERS 1	$657,111
PERS 2/3	$(1,078,699)

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.023642%	0.023600%	(0.000042%)
PERS 2/3	0.028675%	0.029085%	0.000410%

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 LEOFF1.

Pension Expense

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

	Pension Expense
PERS 1	$ 301,537
PERS 2/3	$(351,384)
TOTAL	**$ (49,847)**

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the Port of Longview 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
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (108,903)
Contributions subsequent to the measurement date	76,017	-
TOTAL	**$76,017**	**$(108,903)**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 267,277	$ (24,419)
Net difference between projected and actual investment earnings on pension plan investments	-	(797,490)
Changes of assumptions	601,227	(157,422)
Changes in proportion and differences between contributions and proportionate share of contributions	51,159	(45,386)
Contributions subsequent to the measurement date	120,630	-
TOTAL	**$1,040,293**	**$(1,024,717)**

Total All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$267,277	$ (24,419)
Net difference between projected and actual investment earnings on pension plan investments	-	(906,393)
Changes of assumptions	601,227	(157,422)
Changes in proportion and differences between contributions and proportionate share of contributions	51,159	(45,386)
Contributions subsequent to the measurement date	196,647	-
TOTAL	**$1,116,310**	**$(1,133,620)**

Deferred outflows of resources related to pensions resulting from the Port of Longview's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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	PERS 2/3
2023	$ (46,085)	$(242,421)
2024	(41,857)	(219,611)
2025	(52,509)	(267,219)
2026	31,548	371,415
2027	-	127,297
Thereafter	-	125,485
Total	**$ (108,903)**	**$(105,054)**

NOTE 7 – PENSION PLANS – NONGOVERNMENTAL PLANS (PENSIONS PROVIDED THROUGH CERTAIN MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLANS)

Some Port employees are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan that, (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The Port has seven union sponsored pension plans meeting these criteria. As of December 31, 2022, the nongovernmental plans are composed of the following:

Name of Pension	Entity	Cost-Sharing	Financial Report	Benefit Type	# of Covered Employees	Benefit Terms	Contribution Requirements	Balance of Payables	Expiration Date
47P/47PNA	Oregon-Washington Carpenters-Employers Trust	Yes	Yes	Pension	3- Carpenter 11- Pilebucks	Collective Bargaining Agreement	$9.17 multiplied by hours worked	$17,285	5/31/2023
Dist 9 ER	Electrical Trust Funds	Yes	No	Pension	3- Electricians	Collective Bargaining Agreement	$5.29, $5.02 multiplied by hours worked	$2,938	12/31/2022
Edison Pension	Electrical Trust Funds	Yes	No	Pension	3- Electricians	Collective Bargaining Agreement	$9.35, $9.10 multiplied by hours worked	$5,229	12/31/2022
NEBF	Electrical Trust Funds	Yes	Yes	Pension	3- Electricians	Collective Bargaining Agreement	3.00 % multiplied by gross earnings	$1,020	12/31/2022
Pension	AGC-IUOE Local 701 Trust Funds	Yes	Yes	Pension	6- Operating Engineers	Collective Bargaining Agreement	$5.90 multiplied by hours worked	$3,151	12/31/2022
Pension	Northwest Laborers-Employers Pension Trust	Yes	Yes	Pension	16- Laborers	Collective Bargaining Agreement	$5.30 multiplied by hours worked	$12,561	5/31/2023
39P	Oregon & SW Painters Pension Plan	Yes	Yes	Pension	1- Painter	Collective Bargaining Agreement	$5.75 multiplied by hours worked	$1,061	3/31/2023
National Pension Fund (PPNPF)	Plumbers & Pipefitters National Pension Fund	Yes	No	Pension	2- Plumbers	Collective Bargaining Agreement	$2.86 multiplied by hours worked	$950	12/31/2022
UA Supplemental Pension	Washington State Plumbing & Pipefitting Trust Fund	Yes	Yes	Pension	2- Plumbers	Collective Bargaining Agreement	$2.75 multiplied by hours worked	$913	12/31/2022
WA ST Pension	Washington State Plumbing & Pipefitting Industy Trust Fund	Yes	Yes	Pension	2- Plumbers	Collective Bargaining Agreement	$8.44 multiplied by hours worked	$2,802	12/31/2022
NASI Pension Fund	National Automatic Sprinkler Industry	Yes	Yes	Pension	1- Sprinker Fitter	Collective Bargaining Agreement	$7.10 multiplied by hours worked	$1,228	3/31/2023
Sprinkler Industry Supplemental Pension	National Automatic Sprinkler Industry	Yes	Yes	Pension	1- Sprinker Fitter	Collective Bargaining Agreement	$7.23 multiplied by hours worked	$1,251	3/31/2023

The balance of payables were earned in December 2022 and due in January 2023. Required contributions to the pension plans are related to past services performed per union contracts.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year ended December 31, 2022:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	$ 2,168,073
Deferred outflows of resources	14,803
OPEB expenses/expenditures	(245,718)

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

Plan Description:

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

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

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

Employees Covered by Benefit Terms:

Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 15 of the state's K-12 schools and educational service districts (ESD's), and 274 political subdivisions and tribal governments not included in the state's financial reporting who participate in the PEBB plan.

At June 30, 2022, the following employees were covered by the benefit terms:

Summary of Plan Participants As of June 30, 2022	
Active employees	42
Retirees receiving benefits	10
Retirees not receiving benefits	0
Total active employees and retirees*	52

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

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

Benefits Provided:

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2021, the average weighted implicit subsidy was valued at $384 per adult unit per month. In calendar year 2022, the average weighted implicit subsidy is projected to be $390 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2022, the explicit subsidy was up to $183 per member per month, and it will remain $183 per member per month in calendar year 2023.

Total OPEB Liability:

The Port's total OPEB liability was measured as of June 30, 2022, using the alternative measurement method.

Actuarial Methods and Assumptions:

The total OPEB liability was determined using the following methodologies:

Actuarial Valuation Date	06/30/2022
Actuarial Measurement Date	06/30/2022
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	N/A (No Assets)

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

The total OPEB liability as of December 31, 2022, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate*:	
Beginning of Measurement Year	2.16%
End of Measurement Year	3.54%
Projected Salary Changes	3.5% + Service-Based Increases
Healthcare Trend Rates**	Initial rate ranges from about 2-11%, reaching an ultimate rate of approximately 4.3% in 2075.
Mortality Rates:	
Base Mortality Table	PubG.H-2010 (General)
Age Setback	0 years
Mortality Improvements	MP-2017 Long-Term Rates
Projection Period	Generational
Inflation Rate	2.75%
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

*Source: Bond Buyer General Obligation 20-Bond Municipal Index.
**Trend rate assumptions vary by medical plan. For additional detail on the healthcare trend rates, please see the Office of the State Actuary's PEBB OPEB Healthcare Trend Assumptions webpage.

The Port used the Alternative Measurement Method Tool provided by the Office of the State Actuary that allows employers with fewer than 100 members to determine their OPEB liability under the Governmental Accounting Standards Board Statement No. 75. The AMM Online tool was prepared with a valuation date of June 30, 2022. In order to estimate the total OPEB liability as of the beginning of the measurement period, the total OPEB liability was projected backwards to the measurement date of June 30, 2021. For the backward projection of the liability, the AMM tool reflected the estimated service cost, assumed interest, and expected benefit payments. The Office of the State Actuary actuarial reports relied upon for purposes of this AMM Tool are as follows:

- 2020 PEBB OPEB Actuarial Valuation Report
- OPEB Actuarial Valuation for the State's June 30, 2022 Fiscal Year-End

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

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

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

- Assumptions for retirement, disability, termination and mortality are consistent with the most recent PEBB OPEB valuation.
- Each cohort is assumed to be a 50/50 male/female split.
- Assumes a 45% likelihood that current (and future) retirees cover a spouse.
- The age-based cohorts selected were based upon the overall distribution of State employees and retirees that participate in PEBB.
- Dental benefits were not included when calculating the Total OPEB Liability as they represent less than 2 percent of the accrued benefit obligations under the 2020 PEBB OPEB Actuarial Valuation Report.

Changes in the Total OPEB Liability

As of December 31, 2022, the Port reported a total OPEB liability of $2,168,073. The following table presents the change in the total OPEB liability as of the measurement date June 30, 2022:

Schedule of Changes in Total OPEB Liability Measurement Date of June 30, 2022	
Total OPEB Liability at 07/01/2021	**$2,437,586**
Service Cost	100,309
Interest	54,563
Changes in Experience Data and Assumptions	(400,590)
Benefit Payments	(23,795)
Net Change in Total OPEB Liability	**$(269,513)**
Total OPEB Liability at 06/30/2022	**$2,168,073**

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

The following presents the total OPEB liability of the Port calculated using the current health care cost trend rate of 2-11 percent reaching an ultimate range of 4.30 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1-10%) or 1-percentage point higher (3-12%) than the current rate:

	1% Decrease (1-10%)	Current Health Care Cost Trend Rate (2-11%)	1% Increase (3-12%)
Total OPEB Liability	$1,806,097	$2,168,073	$2,632,781

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

The following presents the total OPEB liability of the Port calculated using the discount rate of 2.16 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16%) or 1-percentage point higher (3.16%) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	$2,573,463	$2,168,073	$1,844,160

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

The following table presents the total OPEB expense recognized by the Port for the year ending December 31, 2022:

Total OPEB Expense For Fiscal Year Ending December 31, 2022	
Service Cost	$100,309
Interest Cost	54,563
Changes in Experience Data and Assumptions	(400,590)
Changes in Benefit Terms	-
Other Changes	-
Total OPEB Expense at 12/31/2022	**$(245,718)**

On December 31, 2022, the Port reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Payments subsequent to the measurement date	$14,803	$-
TOTAL	**$14,803**	**$-**

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2023.

<u>NOTE 9 - RISK MANAGEMENT</u>

The Port is exposed to various risks of loss related to torts; damage to, theft of and destruction of assets or cargo; natural disasters; and employee injuries. To limit exposure, the Port purchases property, liability and related insurance coverage annually through a commercial insurance broker which provides coverage against most normal hazards. In comparison to prior years, there were no significant changes in the type and coverage of insurance policies purchased by the Port in 2022. Settlement claims have not exceeded commercial insurance coverage in any of the past three years.

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

NOTE 10- LEASES

At December 31, 2022, the Port has eight leases in which it is acting as a Lessor. The Port has entered into eight leases for land, building and improvements with monthly payments ranging from $3,104 to $43,448 per month. Initial terms of the lease agreements range from 5 to 50 years. The Port assumed that five of the eight lessees would exercise their remaining options available, two lessees with one five-year option, one lessee with three five-year options, one lessee with two twelve-year options, and one lessee with one two-year option. Expirations of the eight lease agreements range from 12/31/2026 to 06/02/2059. The present value assumed to be implicit in the lease was 1.67%. One of these eight leases also has a variable lease payment of $63 to $125 per acre per month that is charged if the lessee does not meet an annual tonnage output through the Port's docks and marine facilities. This variable lease payment was not included in the measurement of the lease receivable.

During 2022, the Port recognized lease revenue of $1.5 million and interest revenue of $0.8 million.

The Port's schedule of future payments included in the measurement of the lease receivable is as follows:

Year Ending December 31	Principal	Interest	Total
2023	1,526,129	772,500	2,298,629
2024	1,565,846	746,708	2,312,554
2025	1,653,666	719,897	2,373,563
2026	1,696,493	691,961	2,388,454
2027	1,070,492	668,190	1,738,682
2027-2031	4,706,183	3,104,452	7,810,635
2032-2036	5,939,984	2,659,846	8,599,830
2037-2041	6,804,638	2,131,324	8,935,962
2042-2046	5,459,070	1,613,910	7,072,980
2047-2051	6,263,918	1,133,822	7,397,740
2052-2056	8,056,009	529,931	8,585,940
2057-2061	2,195,332	25,541	2,220,873
Total	**$46,937,760**	**$14,798,082**	**$61,735,842**

At December 31, 2022, the Port has one lease in which it is acting as a Lessee. In May 2016, the Port entered into a five-year noncancelable lease with a ninety day "free rental" period at the beginning of the lease. In October 2021, the Port entered into an amendment to the 2016 lease for an additional five-year term. The present value assumed to be implicit in the lease was 1.67%. Monthly payment under the amendment to the lease is $3,194. During 2022, the Port recognized interest expense of $2,698.

The Port's schedule of future payments included in the measurement of the lease payable is as follows:

Year Ending December 31	Principal	Interest	Total
2023	$36,229	$2,099	$38,328
2024	36,838	1,490	38,328
2025	37,459	869	38,328
2026	31,698	243	31,941
Total	**$142,224**	**$4,701**	**$146,925**

NOTE 11- LONG TERM DEBT

The Port issues limited tax general obligation and/or revenue bonds to finance certain capital projects, acquisition of land, construction of facilities or purchase of capital assets. Bonded indebtedness has also been entered into in prior years to advance refund general obligation and revenue bonds. Unamortized debt issue costs are recorded as deferred charges and bonds are displayed net of premium, discount or deferred amount on refunding. Annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs, discounts, and deferred amounts on refunding.

A. Limited Tax General Obligation Bonds:

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

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

The limited tax general obligation bonds outstanding as of 12/31/2022 are as follows:

Limited Tax General Obligation Bonds				
	Orig. Issue	**Interest Rate**	**Maturity Date**	**Balance 12/31/22**
2020 Refunding Series A	$3,825,000	1.33%	12/01/2029	$1,250,000
2020 Refunding Series B	$3,580,000	1.42%	12/01/2027	2,215,000
2020 Refunding Series C	$1,160,000	1.67%	12/01/2027	690,000
			Total LTGO Bonds	**$4,155,000**

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

Year Ending December 31	**Principal**	**Interest**
2023	$585,000	$59,601
2024	595,000	50,957
2025	600,000	42,170
2026	610,000	33,313
2027	640,000	24,301
2028-2029	1,125,000	22,544
Total	**$4,155,000**	**$232,886**

B. Notes Payable (Direct Borrowings):

a. <u>CERB Loan 157</u>

In April 2004, the Port executed a note with the Washington State Department of Commerce in the amount of $1,000,000 for financing the cost of 12,150 lineal feet of rail in the Port's East Park Industrial property. The interest on this general obligation loan shall be computed and repaid at the rate of 1% per annum for 20 years which includes a deferral of principal and interest for four years. Commencing in year 2009, the first payment after the deferral period included deferred interest only. Commencing in year 2010, 1/16 of the loan principal plus interest on unpaid balance of loan is due annually. Final payment will be in January 2025. A CERB loan constitutes a full faith and credit obligation of the Port and the obligation to pay the loan is unconditional. In the event of default on payments, CERB may at its option declare the entire remaining balance of the loan, together with interest accrued thereon, immediately due and payable. The Port shall not convert any property constructed pursuant to the agreement to uses other than those for which CERB assistance was originally approved for a period of 25 years without the prior written approval of CERB. The Port has the right to accelerate payments on principle and eliminate the interest on any accelerated principal payments at its discretion. At December 31, 2022, the unpaid balance of the note was $199,824 of which $65,946 was classified as current.

b. <u>CERB Loan 208</u>

In April 2010, the Port executed a note with the Washington State Department of Commerce in the amount of $1,000,000 for financing a portion of the cost of the engineering and construction of a new 500-foot by 50-foot dock (Berth 9). The interest on this general obligation loan shall be computed and repaid at the rate of 4% per annum for 20 years which includes a deferral of principal and interest for five years. Commencing in year 2016, the first payment of deferred interest was due. Commencing in year 2017, 1/14 of the loan principal plus interest on unpaid balance of loan is due annually. Final payment will be in January 2030. A CERB loan constitutes a full faith and credit obligation of the Port and the obligation to pay the loan is unconditional. In the event of default on payments, CERB may at its option declare the entire remaining balance of the loan, together with interest accrued thereon, immediately due and payable. The Port shall not convert any property constructed pursuant to the agreement to uses other than those for which CERB assistance was originally approved for a period of 10 years without the prior written approval of CERB. The Port has the right to accelerate payments on principle and eliminate the interest on any accelerated principal payments at its discretion. At December 31, 2022, the unpaid balance of the note was $571,429 of which $71,429 was classified as current.

c. <u>County Loan</u>

In 2005, the Port executed a note through an interlocal agreement with Cowlitz County, Washington in the amount of $262,500 to provide funding to rehabilitate the "White House." The interest on this general obligation loan shall be computed and repaid at the rate of 3% per annum on the declining balance thereof until fully paid. The payments began on July 1, 2009, in the amount of $22,954.79 with a like amount, or more, paid on or before July 1 each and every year thereafter until paid in full. The entire balance and principle is due in full not later than July 1, 2024. There are no pre-payment penalties. At December 31, 2022, the unpaid balance of the note was $43,895 of which $21,620 was classified as current.

d. <u>WSDOT Loan</u>

In August 2012, the Port executed a note with the State of Washington, Department of Transportation in the amount of not to exceed $857,664 to provide funding to construct a new rail track loop connection. The contract was amended in August 2013, to decrease the loan amount to $456,605. The loan shall bear interest at 0%. The payments began on July 1, 2014, for 10 years on an annual basis with a maturity date of July 1, 2023. There are no pre-payment penalties. The State retains a Contingent Interest in a form consistent with RCW 47.76.250(10) in the rail projects improvements purchased with funds from the agreement. If the Port transfer, conveys or sell all or any substantial portion of the Project during the re-payment period, the State may require the Port to immediately repay the full amount of any loan amount outstanding. At December 31, 2022, the unpaid balance of the note was $46,560 of which $46,560 was classified as current.

Notes Payable Obligations				
Obligation	**Orig. Issue**	**Interest Rate**	**Maturity Date**	**Balance 12/31/22**
CERB Loan 157	$1,000,000	1.000%	01/01/2025	$ 199,824
CERB Loan 208	$1,000,000	4.000%	01/31/2030	571,429
County Loan	$ 262,500	3.000%	06/30/2024	43,895
WSDOT Rail Loan	$ 465,605	--	07/01/2023	46,560
			Total Notes Payable	**$861,708**

The annual debt service payments for direct borrowings are as follows:

Year Ending December 31	Principal	Interest
2023	$205,555	$26,191
2024	160,310	22,018
2025	138,700	17,816
2026	71,429	14,286
2027	71,429	11,429
2028-2030	214,285	17,143
Total	**$861,708**	**$108,883**

C. Other Long-Term Obligations:

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

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

The Washington and Oregon ports entered into the "Intergovernmental Agreement Among Lower Columbia River Ports for Columbia River Channel Deepening and Maintenance" with the U.S. Army Corps of Engineers for the Channel Improvement Project on June 21, 2004. The Project Cooperation Agreement (PCA) identifies disposal, mitigation and restoration sites needed for the Channel Improvement Project.

The State of Washington appropriated $27.7 million for the Washington sponsor's share of project costs. The Oregon-Washington Ports Agreement allocates costs of the Channel Improvement Project. All costs incurred, with the exception for port-owned beneficial use sites, will be shared 50/50 between the states. The Washington ports share of the costs is shared equally between the three Washington ports. At the completion of the Columbia River Channel Improvement Project a final accounting of the project will occur to ensure that the non-federal sponsors have equally contributed to the project, met their obligations to U.S. Army Corps of Engineers, and equalization will occur between the States of Washington and Oregon. Having reached substantial completion, on December 31, 2022, the Port has accrued cost of $17,145, and will start amortization on the straight-line method over 20 years when the U.S. Army Corps of Engineers completed the project.

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

The Corps is currently in the process of developing its DMMP for maintenance of the Columbia River Channel for the next 20 years at its current 43-foot depth.

Changes in Long-Term Liabilities

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

	Beginning Balance 01/01/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
L.T.G.O. Bonds, Direct Placement	5,595,000	-	1,440,000	4,155,000	585,000
Notes Payable, Direct Borrowing (Note 11)	1,065,972	-	204,264	861,708	205,555
Leases Payable (Note 10)	177,854	-	35,630	142,224	36,229
Other Long-Term Debt	128,513	-	111,368	17,145	-
Employee Leave Benefits	933,561	148,922	-	1,082,483	258,984
Total OPEB Liability (Note 8)	2,437,586	-	269,513	2,168,073	29,606
Asset Retirement Obligation (Note 13)	216,434	13,527		229,961	
Pollution Remediation Obligation (Note 14)	17,362,000	-	-	17,362,000	-
Net Pension Liability (Note 6)	288,724	368,387	-	657,111	-
Total Long-Term Liabilities	**$28,205,644**	**$530,836**	**$2,060,775**	**$26,675,705**	**$1,115,374**

NOTE 12 – CONTINGENCIES & LITIGATION

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

During 2022, the Port entered into a Consent Decree that requires the Port to upgrade some capital assets as part of the settlement which are estimated at a cost of approximately $500,000.

The Port participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Port management believes that such disallowances, if any, will be immaterial.

NOTE 13 – ASSET RETIREMENT OBLIGATION

An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset that has a substantial cost to a government. An ARO is recognized when the liability is incurred and reasonably estimable. Incurrence of a liability requires both an internal obligating event and an external obligating event resulting from normal operations. An internal obligating event includes acquiring or placing a capital asset into operation. An external obligating event requires federal, state, or local laws or regulations, a binding contract, or issuance of a court judgement requiring specific actions to retire and asset.

As of December 31, 2022, the Port owns, operates, and maintains 3 wells having average estimated useful lives remaining of between 8 and 52 years that it also does not foresee decommissioning in the future; however, in the event that the Port were to decommission these wells there are specific decommissioning requirements within the Washington Administrative Code (WAC) 173-160-381. The Port obtained an engineering estimate of potential decommissioning costs which supports the Port's ARO liability at December 31, 2022, of $229,961 and a deferred outflow of $110,553. This obligation will be paid from operating income; no assets have been set aside to fund this obligation. The Port has recognized $4,296 in amortization expense of the Deferred Outflow of Resources.

NOTE 14 – POLLUTION REMEDIATION OBLIGATION

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

Treated Wood Products (TWP) Site. In 1998, the State Department of Ecology and International Paper discovered contamination on approximately three acres of Port property located near its maintenance facility area (MFA) on 10 International Way. This site is referred to by Ecology as the "treated wood products (TWP)" site and contains contaminates such as creosote, diesel and other wood preservative chemicals. In 2017, a remedial investigation and feasibility study was completed and submitted to the Department of Ecology for determination between the remediation method preferred by International Paper and the Port's preferred method. Ecology has yet to issue an agreed order and no allocation of responsibility for site cleanup has been determined. In May 2020, the Department of Ecology issued a draft cleanup action plan for the TWP site. The draft cleanup action plan outlines the selected cleanup alternative. Based on this draft plan, the Port has recorded a pollution remediation obligation on this site in the amount of $8,962,000. This amount was calculated using the expected cash flow technique which measures the obligation as the sum of probability weighted amounts in a range of possible amounts. A pollution remediation receivable in the same amount has been recorded since full recovery is realizable from a combination of the amount to be paid by International Paper and the Port's insurer.

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

In 2019, the Port entered into a Joint Defense, Participation, and Cost Sharing Agreement with all of the named PLP's to share costs and other resources in connection with the TPH site with the exception of the Interim Action. This agreement establishes percentage of responsibility as follows: Chevron 40%; Kapstone 24%; Port 18%; Georgia-Pacific 10%; and Wilson Oil 8%. The Interim Action to remove the exposed abandoned fuel pipelines under the Berth 1 and 2 dock structures will be the sole responsibility of the Port and is not part of the shared costs of the agreement. The Interim Action to remove the exposed abandoned fuel pipelines was completed during 2019.

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

NOTE 15 – RESTRICTED COMPONENT OF NET POSITION

The Port's Statement of Net Position reports $1,609,054 of restricted component of net position.

Industrial Development Corporation: This amount is restricted by enabling legislation through the Industrial Development Corporation of the Port of Longview (IDC).

Net Pension Asset: The amount related to pensions is the pensions net asset for the PERS Plan 2/3 retirement program. (See Note 6 – Pension Plans)

The remaining restricted net position is related to contractual agreement related to capital projects.

Restricted Net Position	
Funds restricted for IDC	$ 8,599
Funds restricted for Capital Project	506,180
Funds Restricted for Pensions	1,094,275
Total Restricted Net Position	**$1,609,054**

NOTE 16- MAJOR CUSTOMERS

The Port had three major customers in 2022 that represented individually more than 10% of total operating revenues for the year. The total billings for these two customers in 2022 equaled $37.2 million. Receivables outstanding from those customers totaled $6.7 million as of December 31, 2022.

NOTE 17 - INDUSTRIAL DEVELOPMENT CORPORATION OF THE PORT OF LONGVIEW

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

There were no outstanding bonds during the year ended December 31, 2022. The Industrial Development Corporation did not authorize issuance of any bonds during the year ended December 31, 2022.

Funds in the Industrial Corporation at December 31, 2022, totaled $8,599. They are included on the Statement of Net Position as Restricted Assets.

NOTE 18 – JOINT VENTURE

Southwest Washington Regional Airport Board:

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

The Board formulates its preliminary annual budget and submits it to each participating jurisdiction prior to August 1 of each year. Estimated expenses for maintenance and operations, repairs and replacements to existing facilities, capital projects, and debt service are netted against estimated airport operating revenues to determine the amount of annual subsidy required by the participating jurisdictions. Each jurisdiction is responsible for 25% of the estimated subsidy. Payments made to the airport by the Port in 2022 were $76,000.

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

As of December 31, 2022, the Port's ongoing financial responsibility is minimal. In addition, the airport has no outstanding long-term obligations and is not accumulating significant resources or experiencing fiscal stress that would cause additional material financial benefit or burden on the Port in the future. The airport does not issue stand-alone financial statements.

NOTE 20 – Tax Abatement

State of Washington Tax Abatements

RCW 84.36.255 Habitat and water quality improvements

The purpose of this act is to improve fish and wildlife habitat, water quality, and water quantity for the benefit of the public at large. Private property owners should be encouraged to make voluntary improvements to their property as recommended by governmental agencies without the penalty of paying higher property taxes as a result of those improvements.

During the fiscal year ending December 31, 2022, the Port's property tax revenues were reduced in the amount of $20 as a result of these special valuations. Taxpayer savings for the State were $11,261 over the same period.

Schedule of Proportionate Share of Net Pension Liability
PERS 1
As of June 30, 2022
Last 10 Fiscal Years*

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability(asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.023600%	$ 657,111	$3,727,225	17.63%	76.56%
2021	0.023642%	288,724	3,506,471	8.23%	88.74%
2020	0.024132%	851,990	3,531,672	24.12%	68.64%
2019	0.022024%	846,901	2,987,469	28.35%	67.12%
2018	0.023426%	1,046,213	3,012,833	34.73%	63.22%
2017	0.023692%	1,124,204	2,895,809	38.82%	61.24%
2016	0.026275%	1,411,091	2,837,010	49.74%	57.03%
2015	0.025462%	1,331,899	2,729,234	48.79%	59.10%

Schedule of Proportionate Share of Net Pension Liability
PERS 2/3
As of June 30, 2022
Last 10 Fiscal Years*

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability(asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.029085%	$ (1,078,699)	$3,647,782	-29.57%	106.73%
2021	0.028675%	(2,856,491)	3,429,721	-83.29%	120.29%
2020	0.029619%	378,810	3,455,088	10.96%	97.22%
2019	0.026845%	260,756	2,917,783	8.94%	97.77%
2018	0.028592%	488,183	2,945,557	16.57%	95.77%
2017	0.028820%	1,001,357	2,825,479	35.44%	90.97%
2016	0.027833%	1,401,370	2,600,075	53.90%	85.82%
2015	0.029056%	1,038,187	2,577,680	40.28%	89.20%

Notes to Schedules:
*Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.
*Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, Par. 5.)

Schedule of Employer Contributions
PERS 1
As of December 31, 2022
Last 10 Fiscal Years*

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	$ 149,973	$ (149,973)	$ -	$3,861,384	3.88%
2021	160,757	(160,757)	-	3,588,925	4.48%
2020	171,861	(171,861)	-	3,461,122	4.97%
2019	168,127	(168,127)	-	3,283,422	5.12%
2018	160,290	(160,290)	-	3,062,246	5.23%
2017	145,804	(145,804)	-	2,882,129	5.06%
2016	141,953	(141,953)	-	2,769,304	5.13%
2015	139,444	(139,444)	-	2,936,555	4.75%

Schedule of Employer Contributions
PERS 2/3
As of December 31, 2022
Last 10 Fiscal Years*

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	$ 240,458	$ (240,458)	$ -	$3,780,766	6.36%
2021	252,195	(252,195)	-	3,510,669	7.18%
2020	268,162	(268,162)	-	3,385,876	7.92%
2019	247,701	(247,701)	-	3,211,071	7.71%
2018	224,305	(224,305)	-	2,991,114	7.50%
2017	193,202	(193,202)	-	2,815,361	6.86%
2016	162,669	(162,669)	-	2,611,072	6.23%
2015	153,420	(153,420)	-	2,739,187	5.60%

Notes to Schedules:
*Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.
*Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, Par. 5)
*Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAAL. Contributions do not include employee-paid member contributions (GASB 82, Par. 8)

Schedule of Employer Contributions
Nongovernmental Pension Plans
Statutorily or Contractually Required Contributions
As of December 31, 2022
Last 10 Fiscal Years*

Entity	Pension Plan	2022	2021	2020	2019	2018	2017	2016
Oregon-Washington Carpenters – Employers Trust Fund	47P/47AP	$198,284	$219,985	$206,169	$210,882	$198,700	$174,660	$133,379
Electrical Trust Funds	District 9 Pension	28,334	23,111	26,850	19,004	21,856	24,527	20,229
Electrical Trust Funds	Edison Pension	50,360	44,293	54,784	36,161	41,891	50,304	41,426
Electrical Trust Funds	NEBF	9,894	8,616	10,576	7,063	8,301	9,602	8,232
AGC-IUOE Local 701 Trust Funds	AGC-IUOE Pension	47,180	47,598	33,303	28,452	28,021	27,568	27,108
Northwest Laborers-Employers Trust Fund	NW Laborers Pension	145,989	148,415	115,271	104,416	102,502	95,032	81,810
Oregon and SW Painters Pension Plan	39P	11,204	8,970	10,608	9,594	11,602	13,474	10,300
Plumbers & Pipefitters National Pension Fund	National Pension (PPNPF)	10,704	10,860	8,324	10,894	11,105	10,844	8,754
WA State Plumbing & Pipefitting Industry Trust Funds	UA Supplemental Pension	10,292	10,089	7,734	7,352	3,752	3,776	3,214
WA State Plumbing & Pipefitting Industry Trust Funds	WA St Pension	29,752	24,843	17,408	22,782	23,223	23,372	18,307
National Automatic Sprinkler Industry	NASI	13,494	13,216	13,189	12,890	7,936	6,121	10,991
National Automatic Sprinkler Industry	Sprinkler Industry Supplemental	13,741	13,650	14,023	13,599	7,291	9,025	16,376

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

Post Retirement Health Care Program
Schedule of Changes in Total OPEB Liability and Related Ratios
For the year ended June 30, 2022
Last 10 Fiscal Years*

TOTAL OPEB LIABILITY	**2022**	**2021**	**2020**	**2019**	**2018**
Service Cost	$ 100,309	$ 125,561	$ 73,783	$ 82,024	$ 91,674
Interest	54,563	68,738	75,801	86,353	79,267
Changes in Experience Data and Assumptions	(400,590)	(723,357)	778,506	(195,770)	(121,711)
Benefit Payments	(23,795)	(36,006)	(34,498)	(25,470)	(19,414)
Net Change in Total OPEB Liability	**$ (269,513)**	**$ (565,064)**	**$ 893,592**	**$ (52,863)**	**$ 29,816**
Total OPEB Liability - Beginning	2,437,586	3,002,650	2,109,058	2,161,921	2,132,105
Total OPEB Liability - Ending	**$ 2,168,073**	**$ 2,437,586**	**$ 3,002,650**	**$ 2,109,058**	**$ 2,161,921**
Covered Employee Payroll	$ 3,996,846	$ 3,735,246	$ 3,650,203	$ 3,313,171	$ 3,119,160
Total OPEB Liability as a % of Covered Payroll	54.24%	65.26%	82.26%	63.66%	69.31%

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.
*Covered employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan (GASB 75, Par. 246)
*The PEBB OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis.
*Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the 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. 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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