Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Kennewick

For the period January 1, 2021 through December 31, 2022

Published February 12, 2024

Report No. 1034243

Office of the Washington State Auditor
Pat McCarthy

February 12, 2024

Board of Commissioners
Port of Kennewick
Kennewick, Washington

Report on Financial Statements

Please find attached our report on the Port of Kennewick'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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Port of Kennewick
January 1, 2021 through December 31, 2022

Board of Commissioners
Port of Kennewick
Kennewick, 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 Kennewick, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated February 5, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits 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 opinions 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

February 5, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Port of Kennewick
January 1, 2021 through December 31, 2022

Board of Commissioners
Port of Kennewick
Kennewick, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the Port of Kennewick, as of and for the years ended December 31, 2022 and 2021, 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 Kennewick, as of December 31, 2022 and 2021, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 opinions.

Matters of Emphasis

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 February 5, 2024 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor
Olympia, WA
February 5, 2024

FINANCIAL SECTION

Port of Kennewick
January 1, 2021 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Port of Kennewick

MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2022

INTRODUCTION

The following is the Port of Kennewick (Port) Management's Discussion and Analysis (MD&A) of financial activities and the performance for the calendar year ended December 31, 2022, with selected comparative information for the year ended 2021. The design of the discussion and analysis is to assist the reader in focusing on the significant financial activities of the Port, to identify any significant changes in financial position, and to serve as an introduction to the Port's financial statements.

This report also presents certain required supplementary information regarding Other post-employment benefits (OPEB) and the Port's proportionate share of net pension liability and contributions. 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Statements of Net Position and Revenues, Expenses, and Changes in Net Position shows the Port's overall financial position and provides an understanding on the operations of the Port, to assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities. Over time, increases or decreases in net position may serve as an indicator of whether the Port is financially stable or if there are any concerns.

The Statement of Revenues, Expenses, and Changes in Net Position shows how the Port's net position changed during the most recent year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and non-capital and capital related financing activities. A reconciliation of the cash provided by operating activities to the Port's operating income as reflected on the statement of revenues, expenses, and changes in net assets is also included.

The Notes to Financial Statements provide the reader additional detailed information that may not be apparent from the actual financial statements. The Notes to Financial Statements are essential to a full understanding of the data contained in the financial statements and can be found immediately following the financial statements.

FINANCIAL REPORT

Financial Highlights

The Port's overall financial condition has improved over the prior year based on several financial highlights stated below:

- The Port's assets and deferred outflows exceeded its liabilities and deferred inflows at close of calendar year 2022 by $65 million.
- The Port has approximately $4 million outstanding debt.
- The Port's overall operating revenues in 2022 increased by approximately $121 thousand or 9% from 2021 while operating expenses before deprecation increased by approximately $404 thousand or 15%.
- The Port's non-operating revenues over non-operating expenses were approximately $1.5 million. Port 2022 non-operating revenues decreased $287 thousand from 2021 due to less land sales in 2022 while 2022 non-operating expenses increased $2.2 million due to $1.7 million interlocal agreement payments to City of Kennewick and Richland in 2022 and the increase in governmental relations expenses.
- The Port's net position decreased by nearly $1.3 million. The Port entered into several interlocal agreements with partnering jurisdictions such as City of Kennewick and City of Richland where the Port participated in economic development projects that benefit the Port. These economic development projects were not on Port owned land. Thus, this is deemed as a non-operating expense verse a capital asset.
- There are no known significant liabilities or contingencies that will negatively impact the Port's future financial position.

Financial Position Summary

The Statement of Net Position presents the financial position of the Port. This statement includes all the Port's assets, deferred outflows, liabilities, and deferred inflows. As described earlier, the net position serves as an indicator of the Port's financial position. A condensed comparison of the Port's assets, liabilities, deferred inflows and outflows of resources, and net position at December 31, 2022 and 2021 follows:

PORT OF KENNEWICK'S Net Position

	2022	2021
Current assets	$ 12,839,000	$ 13,714,000
Other assets	$ 7,527,000	$ 1,066,000
Capital assets	57,984,000	58,330,000
Total assets	**78,350,000**	**73,110,000**
Deferred Outflows of Resources	453,000	156,000
Current liabilities	1,354,000	1,197,000
Noncurrent liabilities	4,793,000	4,938,000
Total liabilities	**6,147,000**	**6,135,000**
Deferred Inflows of Resources	7,900,000	1,119,000
Net Position:		
Investment in capital assets, net of related debt	53,892,000	54,002,000
Restricted for net pension asset	1,467,000	187,000
Unrestricted	9,398,000	11,825,000
Total net position	$ 64,757,000	$ 66,014,000

Note: Net Position rounded to nearest thousand

Capital Assets: The Port's investment in capital assets (land, buildings, improvements, machinery and equipment, and construction in progress), net of related debt is $54 million (net of accumulated depreciation). As described in the notes to the financials, the major capital asset events during 2022 included Columbia Gardens and Vista Field redevelopment projects.

Current and Noncurrent Liabilities: The Port's noncurrent liabilities consist of two accounting treatments required by Governmental Accounting Standards Board for reporting the Port's share of Pension liabilities and Other Postemployment Benefits (OPEB). These are non-cash transactions and are not legal liabilities owed by the Port to any third party. The Port's noncurrent liabilities also includes a $5 million bond issued in 2020. The Port's non-current liabilities decreased by $145 thousand primarily due to bond payments made in 2022.

The Port's current liabilities consist of warrants and retainage payable, employee accrued paid time off (compensated absences), benefits payable, lease securities payable, and prepaid rents (unearned revenue). Current liabilities increased by $158 thousand primarily due to the increase in employee accrued paid time off and retainage payable.

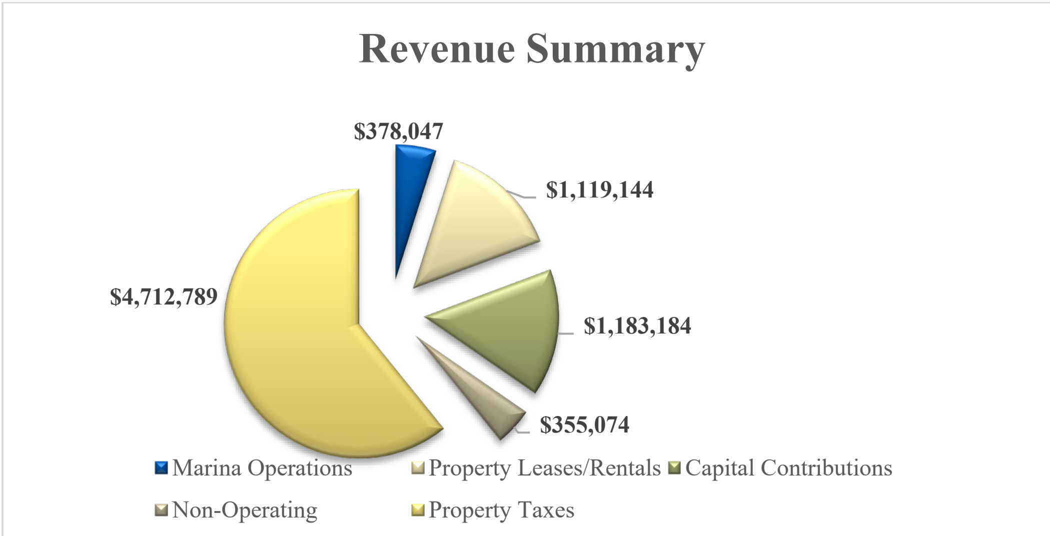
Debt: The Port has approximately $4 million in debt as of December 31, 2022.

Financial Operating Highlights Summary

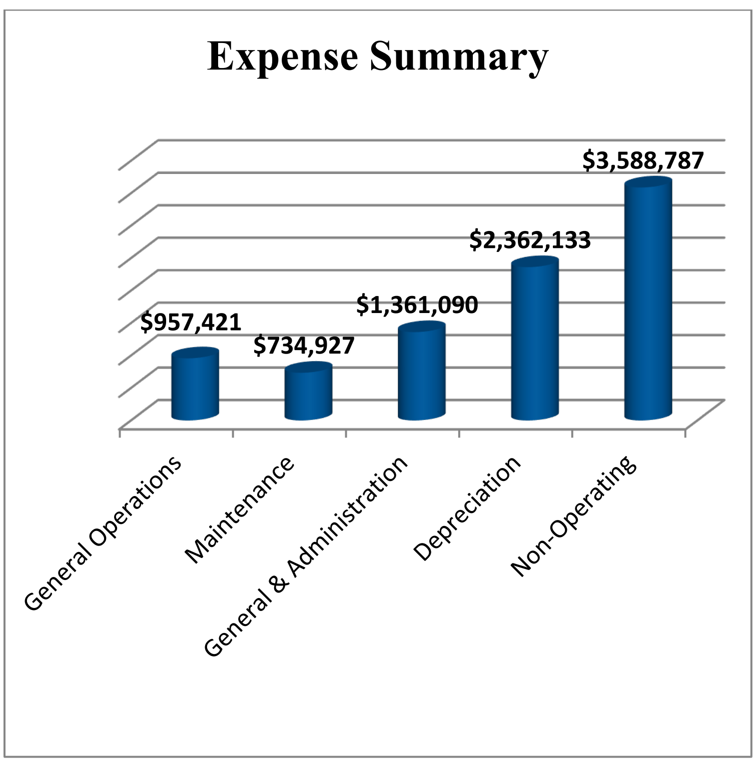
The following condensed financial information summarizes the Port's revenues, expenses, and changes in net position:

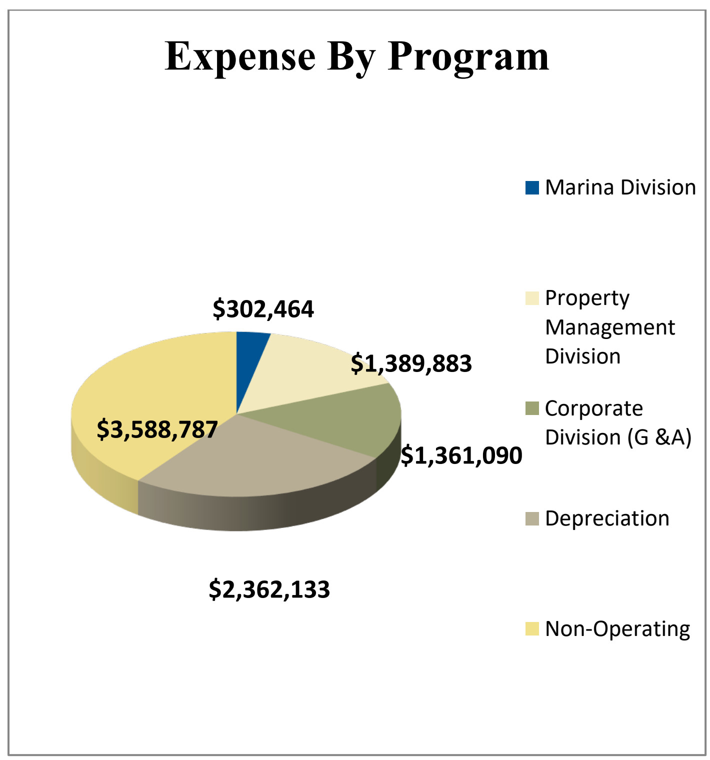
Statement of Revenues, Expenses, and Changes in Net Position	**2022**	**2021**
Operating revenues	1,497,000	1,376,000
Non-operating revenues	5,068,000	5,355,000
Total revenues	6,565,000	6,731,000
Operating expenses	5,416,000	3,874,000
Non-operating expenses	3,589,000	1,355,000
Total expenses	9,005,000	5,229,000
Increase (Decrease) in net position, before capital contributions	**(2,440,000)**	**1,502,000**
Capital contributions	1,183,000	4,020,000
Increase (Decrease) in net position	**(1,257,000)**	**5,522,000**
Net position at beginning of year	66,013,000	60,492,000
Net position at end of year	**64,756,000**	**66,014,000**

Operating Revenues: 2022 operating revenues amounted to approximately $1.5 million, a $121 thousand increase over 2021 due to increases in lease rates.



Operating Expenses: 2022 operating expenses before depreciation amounted to just over $3 million, a $879 thousand increase from 2021. This increase is primarily due to more cost incurred to operate and maintain Port properties, increase in corporate division cost (general and administrative cost such as legal, travel, advertising, etc.…) including more staffing time spent in the corporate division, and due to Governmental Accounting Standards Board non-cash accounting treatment for other post-employment benefits and state pension.





PORT OUTLOOK AND ECONOMIC FACTORS

Port of Kennewick is a 485-square-mile district which includes the Cities of Kennewick and West Richland; Richland south of the Yakima River; a small portion of Benton City; and the eastern one-third of unincorporated Benton County.

Port of Kennewick is engaging in transparent urban planning; working to revitalize Kennewick's historic waterfront district; partnering with municipalities on life, health, and safety benefits; and constructing a regional town-center in place of a former airfield.

At **Vista Field**, the Port is creating a pedestrian-focused development which features mixed-use neighborhoods and urban lifestyle amenities. The first phase of infrastructure, which included utilities, streets, lighting, landscaping, a pond, fountains, plaza, and a streamside esplanade was completed and one of the largest ribbon-cutting events ever held in the community took place on June 16, 2022 with more than 600 people attending.

A call for builder proposals followed that ribbon cutting, and Port staff are now working to bring private sector investment to the first twenty acres at Vista Field. Lots are being marketed for commercial, retail, and residential development, and those proceeds will help fund future phases of infrastructure until the entire 103-acre site plan is complete.

In early 2023, Benton County awarded Port of Kennewick $3.4 million in Rural County Capital Funds for the Vista Field Southern Gateway Deschutes and Crosswind Boulevard project. The Port plans to remodel two existing hangers and create three lively public use facilities by removing metal walls, constructing several restrooms and storage areas and building a pergola, soundwall, and bandstand. The project will create a sheltered courtyard between two former hangars with lighting, industrial fans, landscaping, and wayfinding signage. The Port plans to reuse the site's distinctive metal carrier-deck artifacts which will help share the story of Vista Field's WWII Naval history. This investment follows the community-driven master plan for support facilities and is designed to attract additional private-sector investment to the regional town center.

The Port's Vista Field land holdings are included within a federally designated "Opportunity Zone" which provides tax incentives that are also expected to encourage economic development by the private sector. At full build-out of the 103 acres, Vista Field is expected to generate more than $500 million in private-sector investment with more than 1,000 residential units and 740,000 square feet of commercial space.

The Port is also focused on improving, and bringing businesses to, **Kennewick's Historic Waterfront District** which includes Clover Island and Columbia Drive.

In 2022, the Port worked to ensure continued sustainability for Clover Island, including the Commission recommitting to its recently adopted (fall 2021) master plan by re-stating support for land-lease-only arrangements for Clover Island parcels. That decision eliminated a development proposal for the sale and transition of the Clover Island Inn into micro-apartments; thus, maintaining the hotel and an emphasis on Clover Island as a tourism destination. The adopted *Kennewick Historic Waterfront District Master Plan* is effectively a citizen-driven document that is helping guide potential public and private investments at both Clover Island and Columbia Drive for the next decade.

The Port, City, County, State, and Confederated Tribes of the Umatilla Indian Reservation have partnered with the U.S. Army Corps of Engineers (USACE) to restore **Clover Island's** north shoreline and extend the

Riverwalk trail. A cost-share partnership project to transform then island's northern shoreline was recently completed. The project was funded 75% from the USACE federal 1135 habitat restoration program funds and 25% local matching dollars consisting of: $500,000 Washington State Recreation & Conservation Aquatic Lands Enhancement Account grant; a $1,000,000 Benton County Rural County Capital Fund grant; and $1,000,000 from Port capital funds.

The USACE construction and restoration work began fall 2021 and will be finished in 2023. That project created vibrant habitat, stabilized the shoreline, and extended the Clover Island Riverwalk Trail. A public ribbon cutting event is planned for May 12, 2023. Port staff are now working to close out financing and grant reporting, and to determine lease pricing for four development parcels which were readied for private-sector development by the project.

At the **Columbia Gardens Wine & Artisan Village,** the Port held a fall 2022 ribbon cutting event to celebrate Gordon Brothers and Muret-Gaston joining the wine village. Those wineries joined Bartholomew Winery and Monarcha/Palencia Wine Company which opened in early 2018. There are now four winery tasting rooms and two wine production facilities at Columbia Gardens, and six micro-entrepreneurial food truck vendors offer a variety of cuisine.

In 2022, the Port added three artistic utility-box wraps within the wine village; added standing-bar counters to tasting room patios; added landscape screenings; engaged an architect to design shade structures; and completed A&E design work and then went out to bid for wayfinding signage, a public restroom, and a demonstration vineyard to be completed in 2023.

The Port is now working to sell, or ground-lease, the five remaining shovel-ready wine village parcels to provide opportunities for complementary private-sector development. In 2022, the Port sold the first parcel to Swampy's BBQ—one of Columbia Garden's original, anchor food trucks. The high-visibility location will enable Swampy's to operate a commissary kitchen and serve guests with expanded hours.

Kennewick's Historic Waterfront District (Clover Island and Columbia Drive) has evolved into a destination area with award-winning artworks, great food, wonderful wines, a lighthouse, and recreational path—all nestled alongside the Columbia River and a scenic nature pond.

In addition, to Port-led projects, in 2022 the Port invested $500,000 in the **City of Kennewick's** Washington Street improvement project to better connect the waterfront with historic downtown. And in March 2023, the Port and City partnered to refresh the city's wayfinding sign on the levee at the entrance to Clover Island.

In other parts of its 485-square-mile-district, a Port land sale of 93 acres to the **City of West Richland** enabled them to build their new police station. With 20,000 more West Richland residents anticipated within the next 20 years, the sale of that property was critical to helping the City expand emergency services, reduce response times, and ensure continued public safety. That land sale also allowed the city to create opportunities for additional private-sector commercial and light industrial development at their Red Mountain Event Center.

In **Richland**, the Port invested $800,000 in the City's project to upgrade the Island View neighborhood by making road, utility, pedestrian, and recreational-access improvements to Columbia Park Trail. The Port also invested $400,000 toward Richland's Center Parkway extension project—all with the goal of attracting additional private-sector commercial, retail, and employment opportunities to those Port-district neighborhoods.

Challenges & Opportunities: While the community has prioritized these above redevelopment strategies and projects, the Port cannot do them alone. The Port must secure partnerships and leverage funding, and we must remain vigilant to ensure that changing regulations and priorities do not hinder a chance to foster distinctive neighborhoods with a strong sense of place.

As always, Port of Kennewick will endeavor to serve as a catalyst for economic development throughout our large and diverse district. Indeed, in all we do, the Port remains mindful that we are stewards of the public's trust. We work to exercise thoughtful planning and diligent consideration for potential projects; to communicate our projects, programs, financial standing, and economic impacts skillfully and transparently; and to ensure resources and developments are economically sustainable with a positive return to the citizens and taxpayers in our region.

Tax Levy. Over the years, the Port of Kennewick has worked to minimize the Port's property tax levy. We strive to keep the Port levy low. Our goal is to be able to offset operational costs and future economic development opportunities with revenue from tenants or developers while keeping tax revenue well below our taxing authority. With those goals in mind, the Port's levy rate has decreased from $0.44 in 2001 to $0.26 in 2022 which is a 41% decrease. A $400 thousand house cost $176 in Port property taxes in 2001; and just $104 in 2022.

REQUEST FOR INFORMATION

This annual report is designed to provide citizens, customers, investors, and creditors with a general overview of the Port's finances and to show accountability of public funds. If you have any questions regarding this annual report, or need additional information, please visit our website at www.PortofKennewick.org or contact: Chief Financial Officer, 350 Clover Island Drive, Suite 200, Kennewick, WA 99336; Telephone (509) 586-1186; Fax (509) 582-7678.

Port of Kennewick

MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2021

INTRODUCTION

The following is the Port of Kennewick (Port) Management's Discussion and Analysis (MD&A) of financial activities and the performance for the calendar year ended December 31, 2021, with selected comparative information for the year ended 2020. The design of the discussion and analysis is to assist the reader in focusing on the significant financial activities of the Port, to identify any significant changes in financial position, and to serve as an introduction to the Port's financial statements.

This report also presents certain required supplementary information regarding Other post-employment benefits (OPEB) and the Port's proportionate share of net pension liability and contributions. 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Statements of Net Position and Revenues, Expenses, and Changes in Net Position shows the Port's overall financial position and provides an understanding on the operations of the Port, to assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities. Over time, increases or decreases in net position may serve as an indicator of whether the Port is financially stable or if there are any concerns.

The Statement of Revenues, Expenses, and Changes in Net Position shows how the Port's net position changed during the most recent year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and non-capital and capital related financing activities. A reconciliation of the cash provided by operating activities to the Port's operating income as reflected on the statement of revenues, expenses, and changes in net assets is also included.

The Notes to Financial Statements provide the reader additional detailed information that may not be apparent from the actual financial statements. The Notes to Financial Statements are essential to a full understanding of the data contained in the financial statements and can be found immediately following the financial statements.

FINANCIAL REPORT

Financial Highlights

The Port's overall financial condition has improved over the prior year based on several financial highlights stated below:

- The Port's assets and deferred outflows exceeded its liabilities and deferred inflows at close of calendar year 2021 by $66 million.
- The Port has approximately $4.3 million outstanding debt.
- The Port's overall operating revenues in 2021 increased by approximately $37 thousand or 3% from 2020 while operating expenses before deprecation increased by approximately $275 thousand or 11%.
- The Port's non-operating revenues over non-operating expenses were just under $4 million. Port 2021 non-operating revenues increased $541 thousand from 2020 primarily due to less land sales in 2021 while 2021 non-operating expenses decreased $292 thousand primarily due to a large public records request in 2020.
- The Port's net position increased by $5.5 million due to $4 million in capital contributions and the rest was an increase in total revenues over total expenses, which represents a healthy organization.
- There are no known significant liabilities or contingencies that will negatively impact the Port's future financial position.

Financial Position Summary

The Statement of Net Position presents the financial position of the Port. This statement includes all the Port's assets, deferred outflows, liabilities, and deferred inflows. As described earlier, the net position serves as an indicator of the Port's financial position. A condensed comparison of the Port's assets, liabilities, deferred inflows and outflows of resources, and net position at December 31, 2021 and 2020 follows:

PORT OF KENNEWICK'S Net Position

	2021	2020
Current assets	$ 13,714,102	$ 12,554,668
Other assets	1,066,490	1,316,000
Capital assets	58,329,792	53,725,650
Total assets	**73,110,384**	**67,596,318**
Deferred Outflows of Resources	156,330	165,306
Current liabilities	1,196,733	1,329,355
Noncurrent liabilities	4,937,672	5,787,987
Total liabilities	**6,134,405**	**7,117,342**
Deferred Inflows of Resources	1,118,938	152,100
Net Position:		
Investment in capital assets, net of related debt	54,001,623	48,964,991
Restricted for net pension asset	186,934	
Unrestricted	11,824,814	11,527,191
Total net position	$ 66,013,371	$ 60,492,182

Capital Assets: The Port's investment in capital assets (land, buildings, improvements, machinery and equipment, and construction in progress), net of related debt is $54 million (net of accumulated depreciation). As described in the notes to the financials, the major capital asset events during 2021 included Columbia Drive and Vista Field redevelopment projects.

Current and Noncurrent Liabilities: The Port's noncurrent liabilities consist of two accounting treatments required by Governmental Accounting Standards Board for reporting the Port's share of Pension liabilities and Other Postemployment Benefits (OPEB). These are non-cash transactions and are not legal liabilities owed by the Port to any third party. The Port also issued a $5 million bond. The Port's non-current liabilities decreased by $850 thousand primarily due to the Vista Field construction bond payments and the decrease in the Port's share of the state net pension liability.

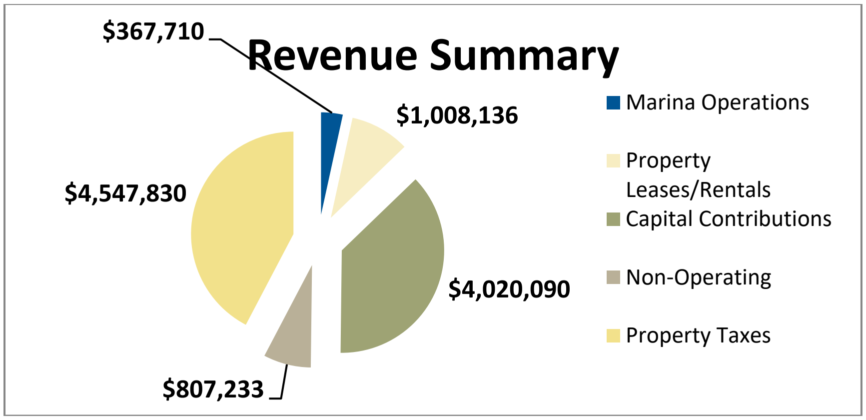
The Port's current liabilities consist of warrants and retainage payable, employee accrued paid time off (compensated absences), benefits payable, lease securities payable, and prepaid rents (unearned revenue). Current liabilities decreased by $132 thousand primarily due to the close out of the Vista Field redevelopment project.

Debt: The Port has approximately $4.3 million in debt as of December 31, 2021.

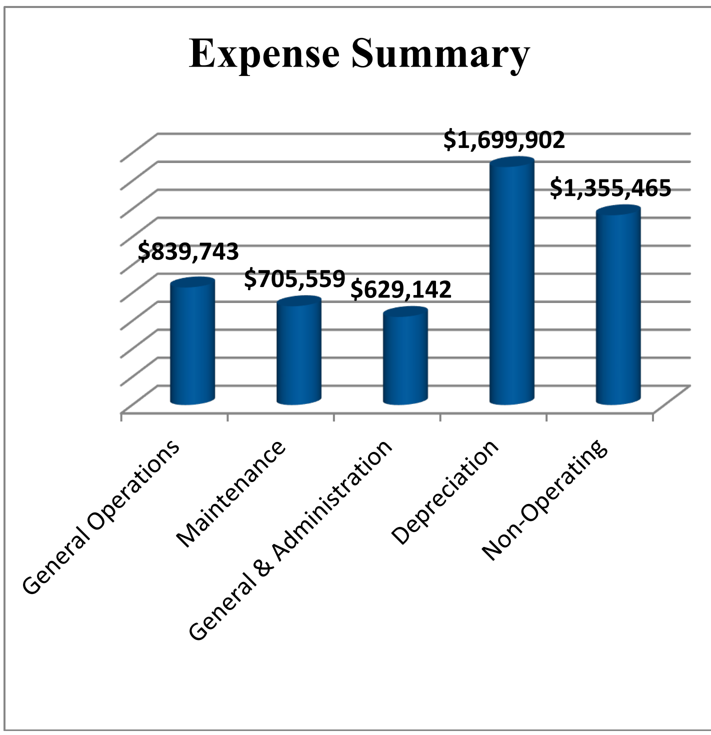
Financial Operating Highlights Summary
The following condensed financial information summarizes the Port's revenues, expenses, and changes in net position:

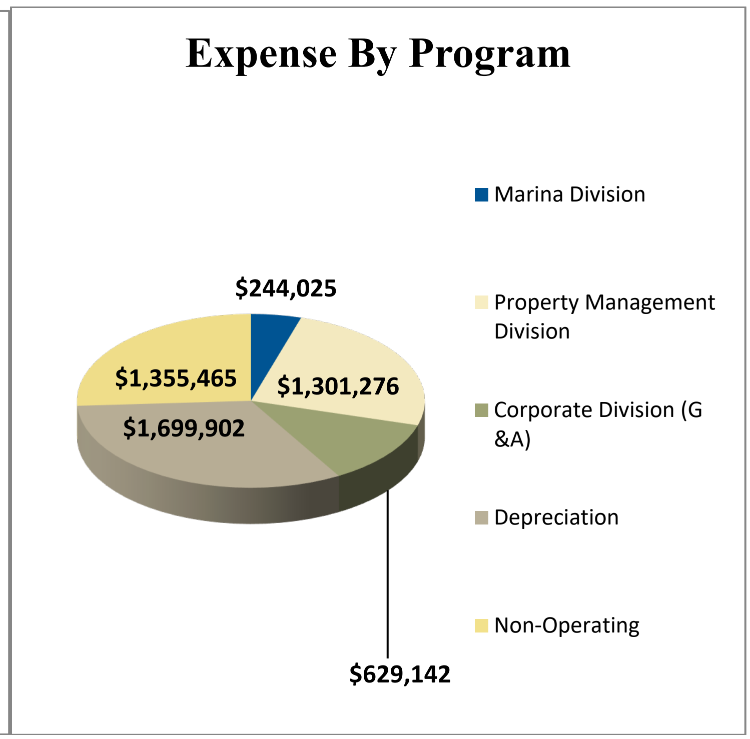
Statement of Revenues, Expenses, and Changes in Net Position	**2021**	**2020**
Operating revenues	1,375,846	1,338,519
Non-operating revenues	5,355,063	4,814,078
Total revenues	6,730,909	6,152,597
Operating expenses	3,874,346	4,131,689
Non-operating expenses	1,355,465	1,647,891
Total expenses	5,229,811	5,779,580
Increase in net position, before capital contributions	**1,501,099**	**373,018**
Capital contributions	4,020,090	376,796
Increase in net position	**5,521,188**	**749,813**
Net position at beginning of year	60,492,182	59,742,369
Net position at end of year	**66,013,371**	**60,492,182**

Operating Revenues: 2021 operating revenues amounted to approximately $1.4 million, a $37 thousand increase due to increasing lease rates.



Operating Expenses: 2021 operating expenses before depreciation amounted to just under $2.2 million, a $337 thousand decrease from 2020. This decrease is primarily due Governmental Accounting Standards Board non-cash accounting treatment for other post-employment benefits and state pension.





PORT OUTLOOK AND ECONOMIC FACTORS

Port of Kennewick is a 485-square-mile district which includes the Cities of Kennewick and West Richland; Richland south of the Yakima River; a small portion of Benton City; and the eastern one-third of unincorporated Benton County.

Port of Kennewick is engaging in transparent urban planning; working to revitalize Kennewick's historic waterfront district; partnering with municipalities on life, health and safety benefits; and constructing a regional town-center in place of a former airfield.

At **Vista Field**, the Port is creating a pedestrian-focused development which features mixed-use neighborhoods and urban lifestyle amenities. The first phase of Vista Field infrastructure is now complete including utilities, streets, lighting, landscaping, a pond, fountains, plaza, and a streamside esplanade.

In 2021, the Port finalized design standards, created a commercial owners' association and a property owners' association, and established parcel pricing. The City of Kennewick has accepted the binding site plan and assigned the parcel addresses. Marketing and advertising materials are currently being prepared including an all-new website, VistaField.com; and a call for builder proposals will happen in early June to bring the private sector investment to the first twenty acres at Vista Field.

Lots will be sold to the private-sector for commercial, retail and residential development, and those proceeds will help fund future phases of infrastructure until the entire 103-acre site plan is complete.

In 2021, the Port partnered with City of Kennewick to invest in road improvements to serve their new Fire Station #3 at Vista Field; that road also serves as an entrance to future Vista Field development.

The Port also completed a study of the Covid-19 pandemic's influence on development trends which may impact the Port/Vista Field development options. The Port is also undertaking an assessment to determine potential reuse of the three former airplane hangars at Vista Field—looking to help foster immediate vibrancy at that new, regional town center.

The Port's Vista Field land holdings are included within a federally designated "Opportunity Zone" which provides tax incentives that are expected to encourage economic development by the private sector. At full build-out of the 103 acres, Vista Field is expected to generate more than $500 million in private-sector investment with more than 1,000 residential units and 740,000 square feet of commercial space.

In addition, the Port will continue to focus on improving and bringing new businesses to **Kennewick's Historic Waterfront District** which includes Clover Island and Columbia Drive.

In 2021, the Port completed a year-long waterfront Master Planning process which resulted in the largest amount of public input/community participation for any port project to date—with 2,365 unique contacts, 168 comments, and 137 survey responses. The final *Kennewick Historic Waterfront District Master Plan* is a citizen-driven document that will help guide potential public and private investments at both Clover Island and Columbia Drive for next decade.

The Port, City, County, State, and Confederated Tribes of the Umatilla Indian Reservation have partnered with the U.S. Army Corps of Engineers (USACE) to restore **Clover Island's** north shoreline and extend the Riverwalk trail. That project is being funded with $5 million from the USACE federal 1135 habitat restoration program funds, and local matching dollars consisting of $500,000 from a Washington State Recreation & Conservation Aquatic Lands Enhancement Account grant, $1,000,000 from a Benton County Rural County Capital Fund grant, and $1,000,000 from the Port's capital funds.

In 2021, the USACE finished engineering and construction design, took the project out to bid summer, and began construction in fall 2021. That project is expected to finish early summer 2022. Upon completion of the USACE's Clover Island 1135 project, four upland development parcels will be ready for private-sector development opportunities.

At the **Columbia Gardens Wine & Artisan Village,** the Port constructed a fourth building which brought Cave B Estate Winery and Gordon Estate Winery tasting rooms to the wine village in February of 2021. Those wineries joined Bartholomew Winery and Monarcha/Palencia Wine Company which opened in early 2018.

There are now four winery tasting rooms and two wine production facilities at Columbia Gardens, and six micro-entrepreneurial food truck vendors offer a variety of cuisine. In 2021, the Port added a shade structure, lighting, and seating improvements to the food truck plaza; and additional standing-bar space was added to the tasting room patios. A restroom is planned; and the Port has identified a need for more shade canopies, signage, another electrical pedestal, fencing, and in-water improvements.

At Columbia Gardens Wine & Artisan Village, the Port finalized design standards, set pricing, created an property-owners association, and are working now to sell or ground-lease six shovel-ready parcels to provide opportunities for complementary private-sector development—with a sale currently pending on one of those sites for a future BBQ restaurant!

Kennewick's Historic Waterfront District (Clover Island and Columbia Drive) has evolved into a destination area with award-winning artworks, great food, wonderful wines, a lighthouse, and recreational path—all nestled alongside the Columbia River and a scenic nature pond.

And in 2021, the Port also partnered with the City of Kennewick and committed $500,000 to their Washington Street improvement project to better connect the waterfront with historic downtown (reimbursement funds paid in 2022).

In other parts of its 485-square-mile-district, a Port land sale of 93 acres to the **City of West Richland** enabled Richland to complete construction on a new police station. With 20,000 more West Richland residents anticipated within the next 20 years, the sale of that property was critical to helping the city expand emergency services, reduce response times, and ensure continued public safety. That land sale also allowed the city to create opportunities for additional private-sector commercial and light industrial development on that site—including the new Red Mountain Event Center which began operating in 2021.

In **Richland**, the Port invested $800,000 in the city's project to upgrade the Island View neighborhood by making road, utility, pedestrian and recreational-access improvements to Columbia Park Trail (reimbursement funds paid from 2021/2022 budget). The Port is also investing $400,000 toward Richland's Center Parkway extension project—all with the goal of attracting additional private-sector commercial, retail, and employment opportunities to those port-district neighborhoods.

Also in 2021, following a two-year investigation into commission actions that resulted in a finding of no-sanctionable misconduct, the Port Commission directed staff to hire a consultant to create a scope of work for a detailed **governance evaluation** to include internal operating policies and the commission ethics policy. That project took an extensive amount of staff resources during 2021, including significant scope creep influenced by commissioners. Following election of a new Commissioner, the 2022 Board chose not to pursue that project. However, the two-year commission-conduct investigation resulted in the Port receiving an SAO management letter related to a sitting (now former) port-commissioner voting to approve reimbursement of his own legal-fees. As recommended by the SAO, the Port has hired outside counsel to conduct a legal review related to that action—which SAO deemed to be outside both port policy and state law.

Challenges & Opportunities: While the community has prioritized these above redevelopment strategies and projects, the Port cannot do them alone. The Port must secure partnerships and leverage funding, and we must remain vigilant to ensure that changing regulations and priorities do not hinder a chance to foster distinctive neighborhoods with a strong sense of place.

As always, Port of Kennewick will endeavor to serve as a catalyst for economic development throughout our large and diverse district. Indeed, in all we do, the Port remains mindful that we are stewards of the public's trust: we work to exercise thoughtful planning and diligent consideration for potential projects; to communicate our projects, programs, financial standing, and economic impacts skillfully and transparently; and to ensure resources and developments are economically sustainable with a positive return to the citizens and taxpayers our region.

Tax Levy. Over the years, the Port of Kennewick has worked to minimize the Port's property tax levy. We strive to keep the Port levy low. Our goal is to be able to offset operational costs and future economic development opportunities with revenue from tenants or developers while keeping tax revenue well below our taxing authority. With those goals in mind, the Port's levy rate has decreased from $0.44 in 2001 to $0.28 in 2021 which is a 36% decrease. A $400 thousand house cost $176 in Port property taxes in 2001; and just $112 in 2021.

REQUEST FOR INFORMATION

This annual report is designed to provide citizens, customers, investors, and creditors with a general overview of the Port's finances and to show accountability of public funds. If you have any questions regarding this annual report, or need additional information, please visit our website at www.PortofKennewick.org or contact: Chief Financial Officer, 350 Clover Island Drive, Suite 200, Kennewick, WA 99336; Telephone (509) 586-1186; Fax (509) 582-7678.

Port of Kennewick

STATEMENT OF NET POSITION*
December 31, 2022

Business-Type Activities

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 11,975,673
Other receivables (net)	48,321
Lease receivable	457,332
Taxes receivable	83,387
Prepaid expenses	261,321
Investment pool valuation account	13,368
Total current assets	$ 12,839,402
Noncurrent Assets:	
Lease receivable	7,086,945
Net pension asset	440,084
Capital assets	
Capital assets not being depreciated:	
Land	8,530,786
Construction in progress	8,615,905
Capital assets being depreciated:	
Improvements to land	22,252,784
Buildings	37,521,699
Equipment	1,756,654
Less: accumulated depreciation	(20,693,482)
Total capital assets (net)	57,984,346
Total noncurrent assets	$ 65,511,375
TOTAL ASSETS	$ 78,350,775
Deferred Outflows of Resources:	
Other post-employment benefits	5,184
State pension	448,237
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 453,421

***The accompanying Notes to Financial Statements are an integral part of these financial statements.**

Port of Kennewick

STATEMENT OF NET POSITION*
December 31, 2022

Business-Type Activities

LIABILITIES	
Current Liabilities:	
Warrants payable	$ 227,737
Retainage payable under construction contracts	6,979
Compensated absences	475,873
Accrued benefits	195,000
Current portion of long-term debt	326,775
Unearned revenue	33,537
Lease securities payable	88,567
Total current liabilities	1,354,468
Noncurrent Liabilities:	
Long-term debt	3,647,865
Total other post-employment benefits	891,161
Net pension liability	253,851
Total noncurrent liabilities	4,792,877
TOTAL LIABILITIES	$ 6,147,345
Deferred Inflows of Resources:	
Lease	7,429,493
State pension	470,115
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 7,899,608
NET POSITION	
Net investment in capital assets	53,891,648
Restricted for net pension asset	433,198
Unrestricted	10,432,405
TOTAL NET POSITION	$ 64,757,251

***The accompanying Notes to Financial Statements are an integral part of these financial statements.**

Port of Kennewick

STATEMENT OF NET POSITION*
December 31, 2021

Business-Type Activities

ASSETS		
Current Assets:		
Cash and cash equivalents	$	13,323,419
Other receivables (net)		10,198
Taxes receivable		74,611
Prepaid expenses		228,016
Investment pool valuation account		77,858
Total current assets	$	13,714,102
Noncurrent Assets:		
Net pension asset		1,066,490
Capital assets		
Capital assets not being depreciated:		
Land		8,601,106
Construction in progress		6,887,626
Capital assets being depreciated:		
Improvements to land		22,264,938
Buildings		37,503,680
Equipment		1,554,955
Less: accumulated depreciation		(18,482,513)
Total capital assets (net)		58,329,792
Total noncurrent assets	$	59,396,282
TOTAL ASSETS	$	73,110,384
Deferred Outflows of Resources:		
Other post-employment benefits		5,178
State pension		151,152
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	156,330

***The accompanying Notes to Financial Statements are an integral part of these financial statements.**

Port of Kennewick

STATEMENT OF NET POSITION*
December 31, 2021

Business-Type Activities

LIABILITIES		
Current Liabilities:		
Warrants payable	$	173,128
Retainage payable under construction contracts		3,697
Compensated absences		370,927
Accrued benefits		172,500
Current portion of long-term debt		328,759
Unearned revenue		46,494
Lease securities payable		101,228
Total current liabilities		1,196,733
Noncurrent Liabilities:		
Long-term debt		3,974,640
Total other post-employment benefits		861,352
Net pension liability		101,680
Total noncurrent liabilities		4,937,672
TOTAL LIABILITIES	$	6,134,405
Deferred Inflows of Resources:		
State pension		1,118,938
TOTAL DEFERRED INFLOWS OF RESOURCES	$	1,118,938
NET POSITION		
Net investment in capital assets		54,001,623
Restricted for net pension asset		186,934
Unrestricted		11,824,814
TOTAL NET POSITION	$	66,013,371

***The accompanying Notes to Financial Statements are an integral part of these financial statements.**

Port of Kennewick

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION*
For the Year Ended December 31, 2022

Business-Type Activities

OPERATING REVENUES	
Property lease/rental operations	$ 1,119,144
Marina operations	378,047
Total operating revenues	1,497,191
OPERATING EXPENSES	
General operations	957,421
Maintenance	734,927
General and administration	1,361,090
Total before depreciation	3,053,438
Depreciation	2,362,133
Total operating expenses	5,415,571
Operating loss	(3,918,380)
NONOPERATING REVENUES (EXPENSES)	
Taxes levied for general purposes	4,712,789
Interest income	179,515
Interest income from lease activity	115,600
Change in fair value of investments	(64,489)
Gain or (Loss) on disposition of assets	104,368
Other nonoperating revenues	20,080
Interest expense	(120,491)
Real estate division expenses	(155,155)
Economic development division expenses	(245,825)
Public, election, OPEB, Pension, & governmental relations expenses	(3,067,317)
Total nonoperating revenues (expenses)	1,479,076
Loss before other revenues, expenses, gains and losses	(2,439,304)
Capital contributions	1,183,184
Decrease in net position	(1,256,120)
Net position - beginning of year	66,013,371
Net position - end of year	$ 64,757,251

***The accompanying Notes to Financial Statements are an integral part of these financial statements.**

Port of Kennewick

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION*
For the Year Ended December 31, 2021

Business-Type Activities

OPERATING REVENUES	
Property lease/rental operations	$ 1,008,136
Marina operations	367,710
Total operating revenues	1,375,846
OPERATING EXPENSES	
General operations	839,743
Maintenance	705,559
General and administration	629,142
Total before depreciation	2,174,444
Depreciation	1,699,902
Total operating expenses	3,874,346
Operating loss	(2,498,500)
NONOPERATING REVENUES (EXPENSES)	
Taxes levied for general purposes	4,547,830
Interest income	101,741
Change in fair value of investments	(200,733)
Gain or (Loss) on disposition of assets	729,824
Other nonoperating revenues	176,401
Interest expense	(129,664)
Real estate division expenses	(75,659)
Economic development division expenses	(242,905)
Public, election, OPEB, Pension, & governmental relations expenses	(907,236)
Total nonoperating revenues (expenses)	3,999,598
Income before other revenues, expenses, gains and losses	1,501,098
Capital contributions	4,020,090
Increase in net position	5,521,188
Net position - beginning of year	60,492,182
Net position - end of year	$ 66,013,371

***The accompanying Notes to Financial Statements are an integral part of these financial statements.**

Port of Kennewick

STATEMENT OF CASH FLOWS*
For the Year Ended December 31, 2022

Business-Type Activities

CASH FLOWS from OPERATING ACTIVITIES	
Receipts from customers	$ 1,434,266
Payments to suppliers	$ (1,250,898)
Payments to employees	$ (1,881,326)
Net cash used by operating activities	(1,697,957)
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES	
Non-capital property taxes received	$ 3,758,312
Non-operating receipts	$ 20,080
Non-operating expenses	$ (3,468,297)
Net cash provided by noncapital financing activities	310,095
CASH FLOWS from CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital property taxes received	$ 945,701
Proceeds from sale of capital assets	$ 184,489
Principal paid on capital debt	$ (328,759)
Interest paid on capital debt	$ (120,491)
Payments received on capital debt	$ -
Purchases of capital assets	$ (954,477)
Capital contributions	$ 134,139
Net cash used by capital and related financing activities	(139,398)
CASH FLOWS from INVESTING ACTIVITIES	
Interest and dividends on investments	$ 179,515
Net cash provided by investing activities	179,515
Net Increase (decrease) in cash and cash equivalents	(1,347,745)
Balance - beginning of the year	$ 13,323,419
Balance - end of the year	$ 11,975,673

***The accompanying Notes to Financial Statements are an integral part of these financial statements.**

Port of Kennewick

STATEMENT OF CASH FLOWS CONTINUED*
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities*
For the Year Ended December 31, 2022

Business-Type Activities

Operating loss	$ (3,918,380)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	2,362,133
Other post-employment benefits	29,803
State pension	(167,331)
Changes in assets and liabilities	
Accounts receivable (net)	(38,124)
Lease revenue	816
Prepayments	(33,305)
Customer deposits payable	(12,661)
Warrants payable	(35,398)
Compensated absences	104,946
Accrued benefits	22,500
Unearned revenue	(12,957)
Net cash used by operating activities	$ (1,697,957)

Non-Cash Activities for Investing and Financing Activities

The noncash portion of these transactions are as follows:

Change in investment pool valuation account	$64,489
Army Corps of Engineer Capital Contribution	$1,049,045

***The accompanying Notes to Financial Statements are an integral part of these financial statements.**

Port of Kennewick

STATEMENT OF CASH FLOWS*
For the Year Ended December 31, 2021

Business-Type Activities

CASH FLOWS from OPERATING ACTIVITIES	
Receipts from customers	$ 1,478,980
Payments to suppliers	$ (634,842)
Payments to employees	$ (2,272,843)
Net cash used by operating activities	(1,428,705)
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES	
Non-capital property taxes received	$ 1,879,758
Non-operating receipts	$ 176,401
Non-operating expenses	$ (1,225,802)
Net cash provided by noncapital financing activities	830,357
CASH FLOWS from CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital property taxes received	$ 2,676,074
Proceeds from sale of capital assets	$ 794,426
Principal paid on capital debt	$ (319,586)
Interest paid on capital debt	$ (129,664)
Payments received on capital debt	$ 1,316,000
Purchases of capital assets	$ (2,668,072)
Capital contributions	$ 206,612
Net cash used by capital and related financing activities	1,875,790
CASH FLOWS from INVESTING ACTIVITIES	
Interest and dividends on investments	$ 101,743
Net cash provided by investing activities	101,743
Net Increase (decrease) in cash and cash equivalents	1,379,186
Balance - beginning of the year	$ 11,944,234
Balance - end of the year	$ 13,323,419

***The accompanying Notes to Financial Statements are an integral part of these financial statements.**

Port of Kennewick

STATEMENT OF CASH FLOWS CONTINUED*
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities*
For the Year Ended December 31, 2021

Business-Type Activities

Operating loss	$ (2,498,500)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	1,699,902
Other post-employment benefits	(208,788)
State pension	(403,444)
Changes in assets and liabilities	
Accounts receivable (net)	74,326
Prepayments	(63,309)
Customer deposits payable	3,231
Warrants payable	(81,320)
Compensated absences	31,120
Accrued benefits	(7,500)
Unearned revenue	25,577
Net cash used by operating activities	$ (1,428,705)

Non-Cash Activities for Investing and Financing Activities

The noncash portion of these transactions are as follows:

Change in investment pool valuation account	$ (200,733)
Army Corps of Engineer Capital Contribution	$ 3,813,478

***The accompanying Notes to Financial Statements are an integral part of these financial statements.**

Port of Kennewick

NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Port of Kennewick (the "Port") was formed by citizen vote March 6, 1915 and incorporated on April 12, 1915. The Port operates under the laws of the State of Washington applicable to public Port districts. The Port is governed by an elected three-member Board of Commissioners.

The Port is a special purpose government and provides marina and property lease/rental operations to the general public and is supported primarily through operating lease revenues, property sales, and/or property taxes. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Port has no component units.

B. Basis of Accounting and Reporting

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

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

The Port distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Port's ongoing operations. The primary operating revenues of the Port are charges to customers primarily for services provided by the Port and for leasing of Port property for the Marine Division and the Property Management Division.

Operating expenses for the Port include expenses associated with the operations of the Marine Division and Property Management Division for the services provided by the Port and for leasing of Port property for the Marine Division and the Property Management Division. Operating expenses also include the cost of sales and services, general and administrative (Corporate Division) expenses as defined below, depreciation of capital assets, and other post-employment benefits and pension expenses (which are defined as an accounting liability by the Governmental Accounting Standards Board and are not a legal liability that the Port is required to contribute in the future). Other post-employment benefits and pension expenses are treated as direct expense to general and administration, thus these costs are not allocated out to the various properties or operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital.

The Port uses a Cost Allocation Methodology Plan to allocate the Port's staffing and indirect costs to the Port's various properties, operations, capital (except indirect cost which is not allocated to capital assets) and non-operating divisions. The Corporate Division allocates its general and administrative expenses according to the direct level of services they provide to the divisions; however, a majority of their function is to support all operations, non-operating and capital. The Port's cost allocation methodology does not allocate all corporate costs to the various divisions; however, it does apply an indirect cost allocation based on the direct cost associated with the division, non-operating items, or other special items. The Corporate Division includes, but is not limited to Accounting, Finance & Auditing, Board of Directors, Legal, and Management and Administration.

Non-operating revenues are defined as revenues that do not support the Port's Marine and Property Management Divisions. Non-operating revenues include but are not limited to property tax revenue (Ad Valorem Taxes), gain on sale of assets, capital contributions such as grants, interest income, public revenues, and other miscellaneous income not associated with the Port's Marine and Property Management Divisions.

Non-operating costs are expenses incurred by activities not related to the Marine and Property Management Divisions. Furthermore, some of the non-operating costs are non-recurring in nature and do not support the current operations of the Port; however, they are useful for planning and decision making such as market and feasibility studies. Non-operating costs include, but are not limited to, interest expense; governmental relations consultant; grant seeking and writing; public costs such as responding to public records requests and public awareness marketing campaigns; non-capital studies that do not currently impact or improve the Marine, and Property Management Divisions; and other costs that do not currently impact or improve the Marine or Property Management Divisions, and/or costs that do not meet the capitalization requirements per Governmental Accounting Standards. The definition of operating cost is for accounting purposes only (not to be used for legal definitions and includes but is not limited to bond and debt issuance).

The Economic Development & Planning Division plans and delivers projects as well as provides technical and contracting services in support of the business plans and infrastructure needs of the Port. This division supports all the Port capital assets to be acquired or constructed. As defined by Governmental Accounting Standards, not all Economic Development & Planning Division costs can be capitalized such as indirect costs (e.g. feasibility studies, indirect staffing cost allocation, and miscellaneous office supplies). The above costs are located in the non-operating expenses for this division and all costs, associated directly and properly identified as capital, are reported as capital costs and are located in the capital budget. Capital costs are necessary expenditures and are directly associated with putting a capital asset into place, which includes, but is not limited to planning, direct staffing costs, site readiness costs, construction, and/or acquisition costs.

The Real Estate Division deals with the process of selling and purchasing property in support of the business plans and infrastructure needs of the Port. The Real Estate Division also markets Port properties for sale and provides technical and contracting services in support of the business plans and infrastructure needs of the Port. The associated staffing and indirect costs related to the Real Estate Division are located within the expenses of this division as non-operating and all costs, associated directly and properly identified as capital, are reported as capital costs and are located in the capital budget.

All assets and all liabilities (whether current or noncurrent) with the associated activity to these accounts are included in the statement of net position (or balance sheet). The reported fund net 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 the operating, noncapital financing, capital and related financing, and investing activities. Capital asset purchases are capitalized and long-term liabilities are accounted for in the statement of net position (or balance sheet).

C. Pension

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.

D. Summary of Significant Accounting Policies (Accounting and Reporting Change)

a. Change in Accounting Principle

The Port implemented GASB Statement No. 87, Leases in 2022. GASB claims the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This required the Port to recognize a material amount of lease for the right-to-use Port assets along with recognizing an inflow of resources based on the payment provisions of the lease contract. This Statement also requires the Port to shift part of the operating lease revenue received during the current year to a non-operating interest revenue component.

E. Assets, Liabilities, and Net Position

a. Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2022, the Benton County Treasurer held just under $12 million in short-term residual investments of surplus cash as discussed in Note 5, *Deposits and Investments* held in Washington State approved depository. These amounts are classified on the Statement of Net Position as cash and cash equivalents.

Interest on deposits and investments are accounted for on the Statement of Revenues, Expenses, and Changes in Net Position as non-operating revenues.

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.

b. Investments – See Note 5, *Deposits and Investments*.

c. Receivables and Unearned Revenues
Taxes receivable consist of property taxes and related interest and penalties. (See Note 12, *Property Tax*). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer and tenant accounts receivable consist of amounts owed from private individuals or organizations for goods, services, or leases of property including amounts owed for which billings have not been prepared. The Port classifies prepaid rents from tenants as unearned revenue in the current liability section of the financial statements.

Notes and contracts receivable consist of amounts owed on open accounts from private individuals or organizations for goods and services rendered, from insurance proceeds to be received, or from property sales on contract.

d. Capital Assets and Depreciation - See Note 2, *Capital Assets and Depreciation.*

e. Other Assets, Debts, or Liabilities
Lease securities payable are lease securities or deposits held under the terms of certain lease agreements. The Port requires or allows its customers or tenants to provide security to satisfy contractual obligations. The Port classifies these amounts as lease securities and they are included in the current liability in the Statement of Net Position. The Port is allowed to draw from these lease securities in certain events as defined in these agreements, such as defaults or delinquencies in rent payment. The balance is determined by the lease terms and is recalculated according to the provisions of the agreements.

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

Retainage payable under construction contracts are retainage amounts held and required to be paid upon full legal performance of the contractor. The Port reports the amounts owed to contractors under retainage payable on the Statement of Net Position as a current liability.

f. Deferred Outflows/Inflows of Resources
The Port reports deferred outflows and deferred inflows separately on the Statement of Net Position. Deferred outflows represent a consumption of net assets that apply to a future period(s). Conversely, deferred inflows represent an acquisition of net assets that apply to a future period(s).

g. Compensated Absences and Accrued Benefits
In accordance with GASB Statement No. 16, *Accounting for Compensated Absences,* the Port accrues a liability for compensated absences (e.g., paid time off). All paid time off is accrued when incurred by the Port.

Payable upon separation of services from the Port, PTO (paid time off) may be accumulated up to a maximum of 60 days at 100% of an employee's current salary and up to a maximum of 120 days at 50% of an employee's current salary. Employees are also allowed to cash out up to 30 days per year and the CEO up to 40 days per year of their unused PTO balances.

Furthermore, to encourage longevity at the Port, employees who have served for at least five years receive a lump sum payment based on a multiplier and years of service into their HRA VEBA upon separation.

h. Long-Term Debt – See Note 7, *Long-Term Debt and Changes in Long-Term Liabilities*.

i. Leases (Port as Lessor) – *See Note 6, Leases*

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

At lease commencement, the lease receivable is initially measured 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 made. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, plus lease payments made at or before the lease commencement date, less any lease incentives paid to, or on behalf of, the lessee at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as lease revenue using the straight-line method over the lease term.

Key estimates and judgments include how the Port determines (1) incremental borrowing rate (IBR) used to calculate the present value of the expected lease payments, (2) lease term, and (3) lease payments.

1. The Port used the IBR based on a combination of the applicable market rate and a credit spread based on market data points as of the most recent quarter end as compared to the lease commencement date. This gives the best estimate of the Port's IBR. The Port used a tax-exempt government A rating adjusted for each lease term. IBR term vary based on lease start date and the market rates. The IBR is calculated as follows:

Lease Start Date	Lease End Date	Tax Status	Scale Date	Term	Tax-Exempt AAA Rate	Credit Spread	Adjusted Rate IBR
1/1/2022	10/31/2027	Tax-Exempt	1/1/2022	6.00000	0.769%	0.124%	**0.893%**
1/1/2022	12/31/2059	Tax-Exempt	1/1/2022	30.00000	1.541%	0.310%	**1.851%**
1/1/2022	4/30/2025	Tax-Exempt	1/1/2022	3.00000	0.396%	0.080%	**0.476%**
1/1/2022	1/31/2023	Tax-Exempt	1/1/2022	1.00000	0.218%	0.040%	**0.258%**
1/1/2022	12/31/2034	Tax-Exempt	1/1/2022	13.00000	1.162%	0.250%	**1.412%**
1/1/2022	7/31/2087	Tax-Exempt	1/1/2022	30.00000	1.541%	0.310%	**1.851%**
1/1/2022	4/30/2024	Tax-Exempt	1/1/2022	2.00000	0.310%	0.070%	**0.380%**
1/1/2022	1/31/2023	Tax-Exempt	1/1/2022	1.00000	0.218%	0.040%	**0.258%**
1/1/2022	4/30/2045	Tax-Exempt	1/1/2022	23.00000	1.447%	0.310%	**1.757%**
1/1/2022	12/31/2026	Tax-Exempt	1/1/2022	5.00000	0.636%	0.100%	**0.736%**
1/1/2022	12/31/2024	Tax-Exempt	1/1/2022	3.00000	0.396%	0.080%	**0.476%**
5/15/2022	5/31/2025	Tax-Exempt	4/1/2022	3.00000	1.868%	0.277%	**2.145%**
6/1/2022	5/31/2025	Tax-Exempt	4/1/2022	3.00000	1.868%	0.277%	**2.145%**
1/1/2022	10/31/2032	Tax-Exempt	1/1/2022	11.00000	1.117%	0.230%	**1.347%**
7/1/2022	12/31/2024	Tax-Exempt	7/1/2022	3.00000	2.038%	0.317%	**2.354%**
1/1/2022	12/31/2023	Tax-Exempt	1/1/2022	2.00000	0.310%	0.070%	**0.380%**
1/1/2022	12/31/2023	Tax-Exempt	1/1/2022	2.00000	0.310%	0.070%	**0.380%**

2. The lease term includes the noncancellable period of the lease plus any additional periods covered by either a lessee or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and the lessor/vendor have a unilateral option to terminate (or if both parties have to agree to extend or terminate) are excluded from the lease or subscription term.

3. Port procedure is to negotiate all leases at fair market value, considering market conditions, economic factors, property condition, and location, as well as other factors that may impact negotiating lease prices.

j. Net Position Classification

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted. The Port's Statement of Net Position reports $433 thousand of restricted net position for pension asset as per Note 7, Pension. None of the restricted net position is restricted by enabling legislation.

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, parking lots, sidewalks, and similar items), are reported in the Statement of Net Position. The Port's policy is to capitalize all assets with an initial, individual cost of $1,000 or more and an estimated life of more than one year. Such assets are recorded at historical cost (or estimated historical cost, where historical cost is not known) if purchased or constructed. Donated capital assets are recorded at acquisition value (or estimated market value) at the date of donation. Donations by developers (and customers) are recorded at the contract price or acquisition value.

Cost for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. Major expenses 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. (Obligations under capital leases, if any, are disclosed in Note 6, *Leases* and Note 7, *Long-Term Debt and Changes in Long-Term Liabilities*).

Ongoing major outlays for capital assets and improvements are capitalized under construction in progress (CIP).

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of 1 to 50 years. In general, furniture and equipment are depreciated over 5 to 7 years; improvements are depreciated over 15 to 25 years; and buildings are depreciated over 25 to 45 years.

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

In the event of a sale or disposal of a significant capital asset, the original cost is removed from the Port's capital accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold or disposed, and the net gain or loss on disposition is credited or charged to income.

The Port did not have any impaired capital assets in 2022. Capital asset activity for the year ending December 31, 2022 was as follows:

	Beginning Balance January 1	Deletions	Additions	Ending Balance December 31
Capital assets, not depreciated:				
Land	$ 8,601,106	$ 70,320	-	$ 8,530,786
Construction in progress	6,887,626	106,708	1,834,987	8,615,905
Total capital assets, not depreciated	15,488,732	177,028	1,834,987	17,146,691
Capital assets, depreciated:				
Buildings	37,503,680	57,621	75,640	37,521,699
Improvements other than buildings	22,264,938	12,154	-	22,252,784
Machinery and equipment	1,554,955	91,691	293,390	1,756,654
Total capital assets, depreciated	61,323,573	161,466	369,030	61,531,137
Less accumulated depreciation for:				
Buildings	10,983,550	50,625	869,426	11,802,351
Improvements other than buildings	6,542,025	12,154	1,411,707	7,941,578
Machinery and equipment	956,938	88,286	80,901	949,553
Total accumulated depreciation	18,482,513	151,065	2,362,034	20,693,482
Total capital assets, being depreciated (net)	42,841,060	10,401	(1,993,004)	40,837,655
Total capital assets (net)	**$ 58,329,792**	**$ 187,429**	**$ (158,017)**	**$ 57,984,346**

NOTE 3 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2022, The Port had four active planning and construction projects; Vista Field Redevelopment, Columbia Drive Redevelopment, Clover Island Shoreline enhancements, and Clover Island Master Plan. At year-end, the Port's commitments on contract were as follows:

Project	Spent to Date		Remaining Commitment	
Vista Field Redevelopment	$	139,074	$	61,226
Columbia Drive Redevelopment, Tasting Room	$	24,012	$	3,989
Clover Island Shoreline 1135 Project	$	19,977	$	25,023
Clover Island Master Plan	$	241,292	$	6,996
Total	***$***	***424,355***	***$***	***97,234***

Of the committed balance of approximately $97 thousand, the Port has sufficient funding available to cover all cost as disclosed in Note 5, *Deposits and Investments*.

NOTE 4 – CONTINGENCIES, LITIGATION, STEWARDSHIP, AND ACCOUNTABILITY

There have been no material violations of financial, accountability, legal or contractual compliance requirements.

The Port has recorded in its financial statements all material liabilities. In the opinion of management, the Port's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

As discussed in Note 7, *Long-Term Debt and Changes in Long-Term Liabilities*, the Port has approximately $4 million long-term debts.

As discussed in Note 3, *Construction Commitments,* the Port has several ongoing projects that are under contract. They are fully funded by the Port's revenues, cash, and investments.

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 expenses disallowed under the terms of the grants. Management is not aware of any disallowances; however, if any, these would be immaterial.

The Port entered into an interlocal agreement with the City of Kennewick in 2020. The interlocal commits $1 million from the City's Rural County Capital Fund allocation for development assistance on the Clover Island Shoreline Project (Resolution 2020-04). This project will also create additional marketable land for sale/lease to the public sector. This project is slated to be finished in summer of 2023.

The Port entered into an interlocal agreement with Benton County on February 7th 2023 where the County has committed $3.4 million Rural County Capital Funds to assist the Port's Vista Field Southern Gateway & Hangar Transformation project (Resolution 2023-01). This collaboration serves the public interest by leveraging funds for significant economic benefit. The project is slated to be completed before December 31, 2025.

Other than the instances described above, the Port Management believes that such disallowances of other grants or the tenant leases, if any, will be immaterial.

NOTE 5 – DEPOSITS AND INVESTMENTS

Deposits

The Benton County Treasurer is the *ex officio* treasurer for the Port of Kennewick and holds all accounts of the Port in the Port's name within the Benton County Treasurer's accounts. The Port directs the County Treasurer to invest Port financial resources which management has determined are not needed to meet the current financial obligations of the Port.

The Port is a participant in the Benton County Treasurer's Investment Pool (TIP), an external investment pool. The Port reports its share of the Fair Value variance of the TIP, which is calculated by the net asset value of the Pool per share. Benton County Treasurer is responsible for managing the Pool and has adopted a formal deposit and investment policy pursuant to RCW 36.29.020. The Benton County Finance Committee consists of the Benton County Treasurer as Chair, the Benton County Auditor as Secretary, and the Chair of the Board of Benton County Commissioners. All deposits and investments are subject to written policies and procedures adopted by the Benton County Finance Committee. The philosophy in developing the TIP was to create a locally managed diversified investment option that would take advantage of the economies of scale, simplify administration, and achieve a potentially higher yield than other available programs.

Deposits are classified on the Statement of Net Position as cash and cash equivalents. Investments with maturities of more than three months are classified on the Statement of Net Position as investments. The TIP combines deposits and investments together which averages maturities of more than three months as of December 31, 2022. All of the Port's deposits are either within the Benton County TIP or held in the County's cash account that can be cashed out in their entirety daily or with a ten (10) day notice if over $10 million as per the Investment Service Agreement. GASB 72 require the Port to report external investment pools at their fair value. Port of Kennewick had $13,000 thousand in fair value of the Port's portion of the deposits held in the Benton County TIP. The County's policy is to hold investments until maturity, thus there will be no realized loss or gain recognized.

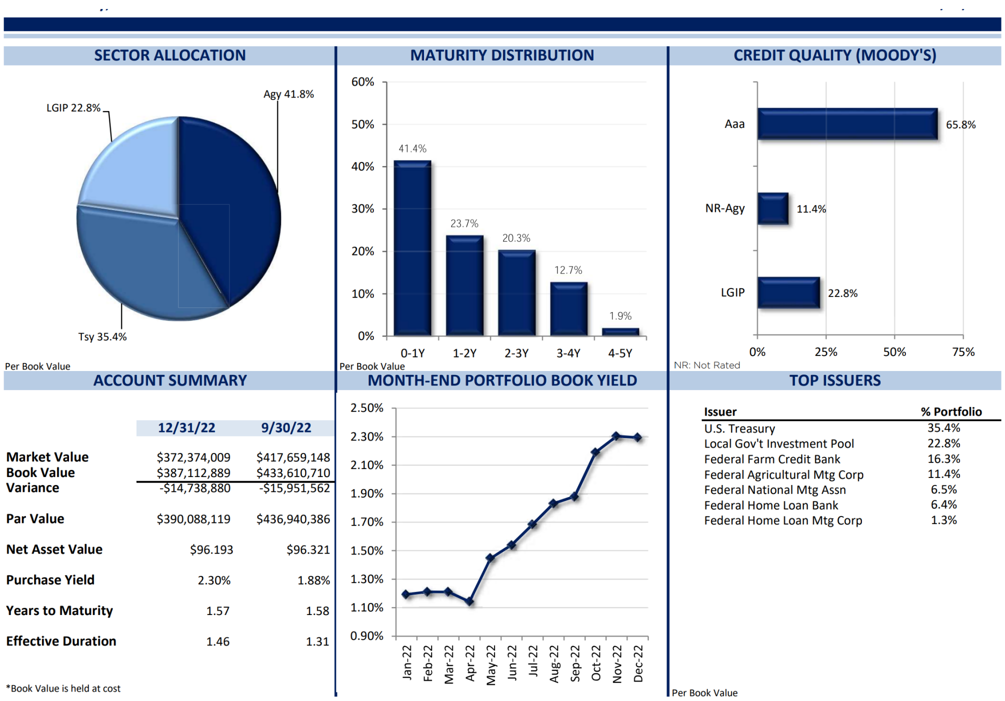
Custodial Risk. Custodial risk for deposits and investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its deposits and investment or collateral securities that are in the possession of an outside party. The Port's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in multiple financial institutions collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The Benton County Treasurer's policy dictates that all deposits and investment instruments other than non-negotiable certificates of deposit and monies placed with the Washington State Local Government Investment Pool are transacted on the delivery versus payment basis. This means that payment is made simultaneously with the receipt of the security. Securities are held in safekeeping in the county's name by an institution (custodian) under contract with the county Treasurer. Currently, safekeeping is with Bank of New York Mellon.

Port of Kennewick deposits by type at December 31, 2022 are as follows:

Deposit	Maturity	Carrying Cost	Fair Value Valuation
Benton County (External Investment Pool)	Daily	$11,960,673	$13,369
Gesa petty cash	Daily	15,000	0
Total		$11,975,673	$13,369

The Gesa $15,000 petty cash account is highly liquid and is held at Washington State approved depositories.

External Investment Pool. The Benton County TIP is not registered with the Securities and Exchange Commission (SEC) as an investment company and does not have a credit rating. Oversight is provided by the Benton County Finance Committee. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. In 2012, the Board of Commissioners, Finance Committee, and County Treasurer authorized the expansion of the TIP and with that expansion, an alternative investment vehicle is available not only to the county, but allows for participation by other legally separate entities such as special districts and public agencies, for which the county is *ex officio* treasurer. Participation in the pool by districts and agencies is voluntary, with a signed Investment Service Agreement submitted to the county treasurer. The county and districts are able to take advantage of higher yielding investment opportunities by combining purchasing power while maintaining objectives of safety, liquidity, and yield. The Port share of the TIP is 2.95% and the County's entire portfolio summary for the TIP is as follows:



	12/31/22	9/30/22
Market Value	$372,374,009	$417,659,148
Book Value	$387,112,889	$433,610,710
Variance	-$14,738,880	-$15,951,562
Par Value	$390,088,119	$436,940,386
Net Asset Value	$96.193	$96.321
Purchase Yield	2.30%	1.88%
Years to Maturity	1.57	1.58
Effective Duration	1.46	1.31

*Book Value is held at cost

Issuer	% Portfolio
U.S. Treasury	35.4%
Local Gov't Investment Pool	22.8%
Federal Farm Credit Bank	16.3%
Federal Agricultural Mtg Corp	11.4%
Federal National Mtg Assn	6.5%
Federal Home Loan Bank	6.4%
Federal Home Loan Mtg Corp	1.3%

NOTE 6 – LEASES

For the year ended 12/31/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Leases subject to GASB Statement No. 87 have a noncancelable fixed term that exceeds one-year. The Port of Kennewick had no lessee activity for 2022.

As of 12/31/2022, the Port had the following noncancelable lessor lease activity with a fixed term exceeding one-year:

Clover Island Land, Lessor Activity:
A 456-month lease for the use of land located at 355 Clover Island Drive. An initial lease receivable was recorded in the amount of $2,310,038. As of 12/31/2022, the value of the lease receivable is $2,304,162. The lessee is

required to make monthly fixed payments of $3,749. The future lease payments were discounted using an incremental borrowing rate of 1.8510%. The Port does not have an estimated useful life of the land as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $2,249,247, and the Port recognized lease revenue of $60,790 during the fiscal year. The lessee has 1 extension option for 120 months.

A 156-month lease for the use of 435 Clover Island Drive. An initial lease receivable was recorded in the amount of $960,143. As of 12/31/2022, the value of the lease receivable is $904,561. The lessee is required to make monthly fixed payments of $5,637. The future lease payments were discounted using an incremental borrowing rate of 1.4120%. The Port does not have an estimated useful life of the land as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $886,286, and Port of Kennewick, WA recognized lease revenue of $73,857 during the fiscal year. The lessee has 2 extension option(s), each for 60 months.

East Cochran Road Land, Lessor Activity:
A 280-month lease for the use of their East Cochran Road land. An initial lease receivable was recorded in the amount of $1,149,530. As of 12/31/2022, the value of the lease receivable is $1,107,695. The lessee is required to make monthly fixed payments of $5,000. The future lease payments were discounted using an incremental borrowing rate of 1.7570%. The Port does not have an estimated useful life of the land as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $1,100,265, and the Port recognized lease revenue of $49,266 during the fiscal year. The lessee has 4 extension option(s), each for 60 months.

East 3rd Avenue Land, Lessor Activity:
A 24-month lease for the use of approximately 13.9-acre land located at East 3rd Avenue. An initial lease receivable was recorded in the amount of $3,713. As of 12/31/2022, the value of the lease receivable is $1,853. The lessee is required to make annual fixed payments of $1,860. The future lease payments were discounted using an incremental borrowing rate of 0.38%. The Port does not have an estimated useful life of the land as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $1,856, and the Port recognized lease revenue of $1,856 during the fiscal year.

Columbia Gardens Wine Village Building B, Lessor Activity:
A 70-month lease for the use of Building B located in the Columbia Gardens Wine Village. An initial lease receivable was recorded in the amount of $206,221. As of 12/31/2022, the value of the lease receivable is $174,262. The lessee is required to make monthly fixed payments of $2,771. The future lease payments were discounted using an incremental borrowing rate of 0.893%. The Port does not have an estimated useful life of the building as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $170,869, and the Port recognized lease revenue of $35,352 during the fiscal year. The lessee has 1 extension option for 60 months.

A 130-month for the use of Building B located in the Columbia Gardens Wine Village. An initial lease receivable was recorded in the amount of $616,252. As of 12/31/2022, the value of the lease receivable is $570,925. The lessee is required to make monthly fixed payments of $4,350. The future lease payments were discounted using an incremental borrowing rate of 1.347%. The Port does not have an estimated useful life of the building as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $559,367, and the Port recognized lease revenue of $56,885 during the fiscal year. The lessee has 1 extension option for 60 months.

Oak Street Development Building C, Lessor Activity:
A 36-month lease for the use of Oak Street Development Building located at 1426 E. 3rd Avenue. An initial lease receivable was recorded in the amount of $48,273. As of 12/31/2022, the value of the lease receivable is $37,342. The lessee is required to make monthly fixed payments of $1,298. The future lease payments were discounted using an incremental borrowing rate of 0.14%. The Port does not have an estimated useful life of the building as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $37,065, and the Port recognized lease revenue of $11,208 during the fiscal year.

A 30-month lease for the use of the Oak Street Development Building C located at 1426 East 3rd Avenue. An initial lease receivable was recorded in the amount of $175,326. As of 12/31/2022, the value of the lease receivable is $141,717. The lessee is required to make monthly fixed payments of $5,860. The future lease payments were discounted using an incremental borrowing rate of 2.354%. The Port does not have an estimated useful life of the building as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $140,261, and the Port recognized lease revenue of $35,065 during the fiscal year.

A 24-month lease for the use of the Oak Street Development Building C located at 1426 East 3rd Avenue. An initial lease receivable was recorded in the amount of $31,090. As of 12/31/2022, the value of the lease receivable is $15,729. The lessee is required to make monthly fixed payments of $1,283. The future lease payments were discounted using an incremental borrowing rate of 0.14%. The Port does not have an estimated useful life of the building as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $15,545, and the Port recognized lease revenue of $15,545 during the fiscal year.

Columbia Gardens Way Wine Tasting Room Building, Lessor Activity:
A 13-month lease for the use of a wine tasting room located at 313 East Columbia Gardens Way. An initial lease receivable was recorded in the amount of $17,014. As of 12/31/2022, the value of the lease receivable is $1,313. The lessee is required to make monthly fixed payments of $1,276. The future lease payments were discounted using an incremental borrowing rate of 0.258%. The Port does not have an estimated useful life of the building as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $1,309, and the Port recognized lease revenue of $15,706 during the fiscal year.

A 13-month lease for the use of a wine tasting room located at 313 East Columbia Gardens Way. An initial lease receivable was recorded in the amount of $16,740. As of 12/31/2022, the value of the lease receivable is $1,292. The lessee is required to make monthly fixed payments of $1,256. The future lease payments were discounted using an incremental borrowing rate of 0.258%. The Port does not have an estimated useful life of the building as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $1,288, and the Port recognized lease revenue of $15,452 during the fiscal year.

A 36-month lease for the use of a wine tasting room located at 313 East Columbia Gardens Way. An initial lease receivable was recorded in the amount of $47,976. As of 12/31/2022, the value of the lease receivable is $39,076. The lessee is required to make monthly fixed payments of $1,338. The future lease payments were discounted using an incremental borrowing rate of 2.145%. The Port does not have an estimated useful life of the building as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $38,647, and the Port recognized lease revenue of $9,329 during the fiscal year.

Clover Island Yacht Club/Professional Office Building, Lessor Activity:

A 787-month lease for the use of Clover Island Yacht Club/Professional Office Building located at 104 Clover Island Drive. An initial lease receivable was recorded in the amount of $1,927,477. As of 12/31/2022, the value of the lease receivable is $1,909,309. The lessee is required to make monthly fixed payments of $4,225. The future lease payments were discounted using an incremental borrowing rate of 1.851%. The Port does not have an estimated useful life of the building as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $1,898,087, and the Port recognized lease revenue of $29,390 during the fiscal year. The lessee has 2 extension option(s), each for 180 months.

A 28-month lease of Clover Island Yacht Club/Professional Office Building located at 104 Clover Island Drive. An initial lease receivable was recorded in the amount of $110,801. As of 12/31/2022, the value of the lease receivable is $64,274. The lessee is required to make monthly fixed payments of $3,810. The future lease payments were discounted using an incremental borrowing rate of 0.38%. The Port does not have an estimated useful life of the building as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $63,315, and the Port recognized lease revenue of $47,486 during the fiscal year.

A 36-month lease for the use of Clover Island Yacht Club/Professional Office Building located at 104 Clover Island Drive. An initial lease receivable was recorded in the amount of $65,356. As of 12/31/2022, the value of the lease receivable is $44,296. The lessee is required to make monthly fixed payments of $1,775. The future lease payments were discounted using an incremental borrowing rate of 0.476%. The Port does not have an estimated useful life of the building as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $43,571, and the Port recognized lease revenue of $21,785 during the fiscal year.

Clover Island Port Office Building, Lessor Activity:
A 60-month lease for the use of the Port Office Building located at 350 Clover Island Drive. An initial lease receivable was recorded in the amount of $176,347. As of 12/31/2022, the value of the lease receivable is $142,910. The lessee is required to make monthly fixed payments of $2,876 The future lease payments were discounted using an incremental borrowing rate of 0.736%. The Port does not have an estimated useful life of the building as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $141,077, and the Port recognized lease revenue of $35,269 during the fiscal year.

Vista Field Development Building A, Lessor Activity:
A 36-month lease for the use Vista Field Development Building A located at 415 North Roosevelt. An initial lease receivable was recorded in the amount of $102,594. As of 12/31/2022, the value of the lease receivable is $83,562. The lessee is required to make monthly fixed payments of $2,850. The future lease payments were discounted using an incremental borrowing rate of 2.145%. The Port does not have an estimated useful life of the building as of the contract commencement. The value of the deferred inflow of resources as of 12/31/2022 was $81,439, and the Port recognized lease revenue of $21,155 during the fiscal year. The lessee has 1 extension option for 12 months.

The following is the Port's lease activity schedule for 2022:

Port of Kennewick
Activity (Roll forward Schedule)

BUSINESS-TYPE ACTIVITIES:	IBR	2022 Fixed Monthly Payments	Lease Term In Months	Deferred Inflow of Resources: Balance as of January 1 2022	Additions	Reductions	Balance as of December 31 2022	Lease Receivable: Balance as of January 1 2022	Additions	Reductions	Balance as of December 31 2022
Clover Island Land Lease	1.85%	$ 3,749	456	$ -	$ 2,310,038	$ 60,790	$ 2,249,247	$ -	$ 2,310,038	$ 5,876	$2,304,162
Clover Island Land Lease	1.41%	5,637	156	-	960,143	73,857	886,286	-	960,143	55,582	904,561
East Cochran Road Land Lease	1.76%	5,000	280	-	1,149,530	49,266	1,100,265	-	1,149,530	41,835	1,107,695
East 3rd Avenue Land Lease	0.38%	155	24	-	3,713	1,856	1,856	-	3,713	1,860	1,853
Total Land Lease Activty				-	4,423,424	185,770	4,237,654	-	4,423,424	105,153	4,318,271
Columbia Gardens Wine Village Building B	0.89%	2,771	70	-	206,221	35,352	170,869	-	206,221	31,958	174,262
Columbia Gardens Wine Village Building B	1.35%	4,350	130	-	616,252	56,885	559,367	-	616,252	45,327	570,925
Oak Street Development Building C	0.14%	1,298	36	-	48,273	11,208	37,065	-	48,273	10,930	37,342
Oak Street Development Building C	2.35%	5,860	30	-	175,326	35,065	140,261	-	175,326	33,609	141,717
Oak Street Development Building C	0.14%	1,283	24	-	31,090	15,545	15,545	-	31,090	15,361	15,729
Columbia Gardens Way Wine Tasting Building	0.26%	1,276	13	-	17,014	15,705	1,309	-	17,014	15,701	1,313
Columbia Gardens Way Wine Tasting Building	0.26%	1,256	13	-	16,740	15,452	1,288	-	16,740	15,448	1,292
Columbia Gardens Way Wine Tasting Building	2.15%	1,338	36	-	47,976	9,329	38,647	-	47,976	8,900	39,076
Clover Island Yacht Club/Professional Building	1.85%	4,225	787	-	1,927,477	29,390	1,898,087	-	1,927,477	18,168	1,909,309
Clover Island Yacht Club/Professional Building	0.38%	3,810	28	-	110,801	47,486	63,315	-	110,801	46,527	64,274
Clover Island Yacht Club/Professional Building	0.48%	1,775	36	-	65,356	21,785	43,571	-	65,356	21,061	44,296
Clover Island Port Office Building	0.74%	2,876	60	-	176,347	35,269	141,077	-	176,347	33,436	142,910
Vista Field Development Building A	2.15%	$ 2,850	36	-	102,594	21,155	81,438	-	102,594	19,032	83,561
Total Building Lease Activity				-	*3,541,466*	*349,627*	*3,191,839*	-	*3,541,466*	*315,460*	*3,226,006*
Total Port Lease Activity				$ -	$ 7,964,890	$535,397	$ 7,429,494	$ -	$ 7,964,890	$420,613	$7,544,277

The Port's minimum future lease principal and interest calculations for leases meeting GASB Statement No. 87 are as follows:

Principal and Interest Expected to Maturity

Fiscal Year	Business-Type Activities: Principal Payments	Interest Payments	Total Payments
2023	$ 457,332	$ 124,249	$ 581,582
2024	422,176	118,067	540,243
2025	281,189	112,804	393,993
2026	264,369	109,251	373,620
2027	230,472	105,800	336,272
2028 - 2032	1,119,957	478,966	1,598,923
2033 - 2037	693,781	402,006	1,095,788
2038 - 2042	623,393	348,429	971,822
2043 - 2047	600,790	289,551	890,341
2048 - 2052	606,153	237,443	843,596
2053 - 2057	780,688	173,667	954,355
2058 - 2062	463,371	105,998	569,369
2063 - 2067	168,407	85,063	253,470
2068 - 2072	184,724	68,746	253,470
2073 - 2077	202,622	50,848	253,470
2078 - 2082	222,254	31,216	253,470
2083 - 2087	222,600	9,747	232,348
TOTAL	$ 7,544,277	$ 2,851,853	$ 10,396,130

NOTE 7 – LONG-TERM DEBT AND CHANGES IN LONG-TERM LIABILITIES

A. Long-Term Debt

In accordance with the Port's Comprehensive Scheme of Development Plan and Budget, the Port entered into a tax-exempt bond financing agreement with Cashmere Valley Bank in August of 2018 to fund the Vista Field Phase-One(A) Infrastructure for the construction of a road, utilities, landscape improvements, and a water feature for $5 million. The interest rate is 2.85% until the first rate reset date of June 1, 2023. The bond matures June 1, 2033. The bond's interest rate is 3.45% until June 1, 2028 and thereafter is 1 minus the then current federal marginal corporate income tax rate multiplied by the then current prime rate less 10 basis points.

As of December 31, 2022, the total draws amounted to $5 million with approximately $4 million principal outstanding. There are no assets pledged as collateral for this debt since the bond constitutes general indebtedness payable from Port tax revenues. The following are terms specified in the debt agreement:

1) Default: The Port is obligated to pay interest on the bond until paid in full.
2) Termination: The bond only terminates upon full payment of principal and interest.
3) Acceleration: There is no acceleration.

Debt service requirements on long-term debt as of December 31, 2022 are as follows:

Year Ending December 31,	Bond Principal	Bond Interest
2023	$ 326,775	122,305
2024	326,017	123,064
2025	337,361	111,719
2026	349,100	99,980
2027	361,248	87,832
2028-2033	2,274,139	247,155
Total	$ 3,974,640	$ 792,055

B. Changes in Long-Term Liabilities

As of December 31, 2022, the following changes occurred in long-term liabilities:

Type	ID No.	Description	Date of Original Issue	Date of Maturity	Beginning Balance January 1	Additions	Deletions	Ending Oustanding Balance December 31	Due Within One Year
GO	259.12	Compensated Absences	N/A	N/A	$ 370,927	$ 104,946	$ -	$ 475,873	$ -
GO	263.99	Accrued Benefits	N/A	N/A	172,500	22,500	-	195,000	-
GO	264.30	PERS/Pension Related	Jan-15	N/A	101,680	152,171	-	253,851	-
GO	263.40	OPEB/Pension Related	Jan-13	N/A	861,352	29,809	-	891,161	-
GO	251.41	Non-Voted General Obligation Bond for Construction	May-20	Jun-28	4,303,399	-	328,759	3,974,640	326,775
Total Liabilities					**$ 5,809,858**	**$ 309,426**	**$ 328,759**	**$ 5,790,525**	**$ 326,775**

Compensated absences accounts for accrued employee paid time off (PTO), which includes vacation and sick pay. Accrued benefits account for HRA Veba contributions for employees who have at least five years of service. In order to encourage longevity at the Port, employees will receive a lump sum payment based on a multiplier and years of service upon separation into their HRA Veba account. These liabilities are paid through the Port's general budget (operating revenues or taxes levied) each year as employee uses their PTO.

The PERS and OPEB Pension related liabilities are not actual legal liabilities of the Port that require funding. The PERS and OPEB liabilities are accounting entries only required in order to be incompliance with Generally Accepted Accounting Principles.

NOTE 8 – OTHER DISCLOSURES

The Port had several contractual obligations which are discussed in Note 4, *Contingencies and Litigation.*

The Port has several real estate holdings that were originally purchased with the intent to develop, build, or lease. Real estate deemed no longer needed for Port purposes and available for sale in accordance with the Port's Comprehensive Scheme of Development are approximately as follows:

- 4 acres at Willows
- 3 acres at Cable Greens
- 3 acres Columbia Gardens
- 103 acres Vista Field

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

Legally, the Port does not have a contractual obligation or a policy to maintain and provide its employees with continued medical insurance coverage after termination or retirement. The Public Employees Benefits Board (PEBB) plan document offers a subsidized retirement coverage to its plan participants and the Port can terminate medical insurance with no future obligation or liability to PEBB or its retirees. In order to be in compliance with GASB Statement No. 75, the Port adopted and implemented this statement in 2018.

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

	2022
OPEB Liabilities	$891,161
Deferred Outflows of Resources	5,184
OPEB Expense	$37,040

The Port provides to its retirees' employer subsidies for postemployment medical insurance benefits (OPEB) provided through the Public Employees Benefits Board (PEBB). The actual medical costs are paid through annual fees and premiums to the PEBB.

General Information about the OPEB Plan

Plan Description

The PEBB was created within the Washington State Health Care Authority to administer medical, dental and life insurance plans for public employees and retirees and their dependents as a single employer plan. Port employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system.

Benefits Provided

The Washington State Health Care Authority (HCA) administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

The implicit medical subsidy is the difference between the total cost of medical benefits and the premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, but that amount is based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average, and therefore can be expected to have lower average health costs. For post-65 retirees and spouses, the retiree does not pay the full premium due to the subsidy discussed above.

Employees Covered by Benefit Terms

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

Active Employees	16
Inactive Employees or beneficiaries currently receiving benefits	3
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	*
Total	19

**It is not possible to determine the number of employees entitled to but not yet receiving benefit payments. Retiring employees apply for benefits at their discretion, may be otherwise working and not eligible for benefits or be deceased. This data is not monitored by the Port, Health Care Authority or the state of Washington.*

Funding Policy

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

Contributions.

The OPEB relationship between PEBB employers and their employees and retirees are not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. 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 employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

Total OPEB Liability

The Port's total OPEB liability was measured as of June 30, 2022, and was determined using the alternative measurement method as of that date, which is permitted under GASB Statement No. 75. The data (e.g., age range) is compiled into the Office of State Actuary GASB No. 75 reporting tool for all active and inactive members to determine the total OPEB Liability and OPEB Expense. The Office of the State Actuary report involves calculations that require assumptions about future economic and demographic events.

The alternative measurement was based on the following methods and assumptions:

Methodology	
Actuarial Valuation Date	6/30/2022
Actuarial Measurement Date	6/30/2022
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	N/A (No Assets)
Assumptions	
Discount Rate[1]	
Beginning of Measurement Year	2.16%
End of Measurement Year	3.54%
Projected Salary Changes	3.5% + Service-Based Increases
Healthcare Trend Rates[2]	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%

[1] *Source: Bond Buyer General Obligation 20-Bond Municipal Index.*

[2] *Trend rate assumptions vary by medical plan. For additional detail on the healthcare trend rates, please see our PEBB OPEB Healthcare Trend Assumptions webpage.*

Changes in the Total OPEB Liability

Schedule of Changes in Total OPEB Liability and Related Ratios *Measurement Date of June 30, 2022*	
Total OPEB Liability (TOL)	
Service Cost	$30,967
Interest Cost	$19,196
Changes in Experience Data and Assumptions	($13,123)
Changes in Benefit Terms	$0
Benefit Payments	($7,231)
Other	$0
Net Change in Total OPEB Liability	**$29,809**
Total OPEB Liability - Beginning	$861,352
Total OPEB Liability - Ending	**$891,161**
Covered Employee Payroll	$1,277,262
TOL as a Percentage of Covered Payroll	**69.77%**

Sensitivity of the Total OPEB Liability

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate and Discount Rate.

The following presents the total OPEB liability of the Port calculated using a discount rate and healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current discount rate and health care cost trend rates:

Sensitivity Analysis			
Total OPEB Liability	**1% Decrease**	**Current**	**1% Increase**
Discount Rate	$1,050,847	**$891,161**	$762,300
Healthcare Trend	$749,029	**$891,161**	$1,070,604

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

The Port recognized OPEB expense for the years ended December 31, as follows:

OPEB Expense for Fiscal Year Ending June 30, 2022	
Service Cost	$30,967
Interest Cost	$19,196
Changes in Experience Data and Assumptions	($13,123)
Changes in Benefit Terms	$0
Other Changes in Fiduciary Net Position	$0
Total OPEB Expense	**$37,040**

At December 31 the Port reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Payments subsequent to the measurement date	$5,184

Deferred outflows of resources will be recognized as an OPEB expense in 2023.

NOTE 10 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2022:

Aggregate Pension Amounts - All Plans	
Pension liabilities	(253,851)
Pension assets	440,084
Deferred outflows of resources	448,237
Deferred inflows of resources	(470,115)
Pension expense/expenditures	(25,557)

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employee's 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.

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.

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.

<u>Contributions</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 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 1 and PERS Plan 2/3 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		
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%**
July – December 2021		
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%**

Port of Kennewick's actual contributions to the plan 1 were $53 thousand and plan 2/3 were $89 thousand (excluding the administration fee).

Actuarial Assumptions

The total pension liability (TPL) for each of the 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 are summarized in the Actuarial Section of DRS' Annual Comprehensive Financial Report located on the DRS website. The actuarial assumptions used in the June 30, 2021 valuation were based on the results of the 2013-2018 Demographic Experience Study Report and the 2021 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2021 Actuarial Valuation Report. https://leg.wa.gov/osa/.

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 our base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

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

- Joint-and-Survivor Factors and Early Retirement Factors were updated. These 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 recently provided to DRS for future implementation that reflect current demographic and economic assumptions.
- Economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board were updated. The investment return assumption was reduced from 7.50 (7.40 for LEOFF 2) to 7.00 percent, and the salary growth assumption was lowered from 3.50 to 3.25 percent.

Please see the Actuarial Assumptions and Methods section of OSA 2020 AVR for more information.

Discount Rate

The discount rate used to measure the total pension liability was 7% for all plans included in this publication. 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 the assumptions described in OSA's certification letter within the DRS ACFR, the pension plan's 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% 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% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the Capital Market Assumptions (CMA's) and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the table below. 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.

Estimated Rates of Return
For the Fiscal Year Ended June 30, 2022

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00 %	1.50 %
Tangible Assets	7.00 %	4.70 %
Real Estate	18.00 %	5.40 %
Global Equity	32.00 %	5.90 %
Private Equity	23.00 %	8.90 %

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

Port Allocation %	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
PERS 1	3,719,876,000	2,784,367,000	1,967,887,000
0.009117%	339,141	253,851	179,412
PERS 2/3	4,367,575,000	(3,708,781,000)	(10,344,018,000)
0.011866%	518,256	(440,084)	(1,227,421)

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, the Port reported a total pension liability for its proportionate share of the net pension liabilities as follows:

Account Balance	PERS 1	PERS 2/3
Ending Net Pension Asset (Liability)	(253,851)	440,084

At June 30, the Port'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	0.0083%	0.0091%	0.0008%
PERS 2/3	0.0107%	0.0119%	0.0012%

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

Pension Expense

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

	PERS 1	PERS 2/3	TOTAL PLANS
Total pension expense	132,000	(157,557)	(25,557)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	0	0
Net difference between projected and actual investment earnings on pension plan investments	0	(42,071)
Changes of assumptions	0	0
Changes in proportion and differences between contributions and proportionate share of contributions	0	0
Contributions subsequent to the measurement date	26,656	0
TOTAL	26,656	(42,071)

PERS 2	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	109,043	(9,962)
Net difference between projected and actual investment earnings on pension plan investments	0	(325,357)
Changes of assumptions	245,286	(64,225)
Changes in proportion and differences between contributions and proportionate share of contributions	22,683	(28,500)
Contributions subsequent to the measurement date	44,570	0
TOTAL	421,581	(428,044)

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense if the net amount is under $1,000. Other amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year	PERS 1	PERS 2/3
2023	(17,803)	(104,500)
2024	(16,170)	(86,714)
2025	(20,285)	(107,128)
2026	12,188	147,287
2027	-	50,678
Thereafter	-	49,344
Total (DI) / DO	**(42,071)**	**(51,033)**

NOTE 11 – PLEDGES OF FUTURE REVENUES

In August of 2009, the Port of Kennewick entered into an interlocal agreement with the City of Kennewick establishing a Local Revitalization Financing Agreement as allowed by the State of Washington. The Port pledges the increased property taxes due to new construction stimulated by the City of Kennewick's bond financing in an amount not to exceed $14,000 per year for a period of 25 years. The Port reports the revenues and expenses within the non-operations section on the Statement of Revenues, Expenses and Changes in Net Position.

NOTE 12 – PROPERTY TAX

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

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

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principle, 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's regular tax levy for 2022 was $0.26 per $1,000 on an assessed valuation of approximately $17.9 billion for a total regular tax levy of just under $4.7 million.

NOTE 13 – RISK MANAGEMENT AND PAID FAMILY MEDICAL LEAVE ACT

Cities Insurance Association of Washington: Port of Kennewick is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Government Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2022, there are 195 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: property, including automobile comprehensive and collision, equipment breakdown, crime protection and liability; including general, automobile, wrongful acts, and cyber, which are included to fit members' various needs.

The program acquires reinsurance through their Administrator, Clear Risk Solutions. Liability coverage is purchased to an aggregate limit of $50 million with a self-insured retention (SIR) of $500 thousand. Members are responsible for $1 thousand to $50 thousand deductible for each claim (can vary by member), while the program is responsible for the $500 thousand SIR. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of $500 thousand of the SIR, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of $7.1 million, that is fully funded in its annual budget.

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

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

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

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

Members contract to remain in the pool for a minimum of one year, and must give notice before December 1, to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ended December 31, 2022, were just over $2.7 million. The Port of Kennewick had no material claims in 2022 nor has the Port had any settlements exceed insurance coverage in the past three years..

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

Unemployment: Port of Kennewick has chosen to be self-insured for unemployment insurance purposes. The Port had no claims during 2022 and no unemployment claims are outstanding as of December 31, 2022. The Port has sufficient unrestricted cash as disclosed in Note 5, *Deposits and Investments* to pay any future claims if incurred, and reserve policy in place (Resolution 2018-27).

Paid Family Medical Leave: The Port administers a voluntary plan for paid family medical leave benefits for its employees. Voluntary plans are approved by the Employment Security Department and are available for employers who wish to opt out of the State of Washington's Paid Family Medical Leave Program for either family leave benefit, medical leave benefit, or both, and instead administer their own internal plan. Employers with voluntary plans are required to offer benefits that are equal to or exceed the benefits offered by the State's program and must report employee hours, wages, premiums deducted from employee pay, and other information to the Employment Security Department on a quarterly basis. The Port paid $0 in claims during 2022 and held $0 of employee premiums at fiscal year-end.

Port of Kennewick

NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Port of Kennewick (the "Port") was formed by citizen vote March 6, 1915 and incorporated on April 12, 1915. The Port operates under the laws of the State of Washington applicable to public Port districts. The Port is governed by an elected three-member Board of Commissioners.

The Port is a special purpose government and provides marina and property lease/rental operations to the general public and is supported primarily through operating lease revenues, property sales, and/or property taxes. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Port has no component units.

B. Basis of Accounting and Reporting

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

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

The Port distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Port's ongoing operations. The primary operating revenues of the Port are charges to customers primarily for services provided by the Port and for leasing of Port property for the Marine Division and the Property Management Division.

Operating expenses for the Port include expenses associated with the operations of the Marine Division and Property Management Division for the services provided by the Port and for leasing of Port property for the Marine Division and the Property Management Division. Operating expenses also include the cost of sales and services, general and administrative (Corporate Division) expenses as defined below, depreciation of capital assets, and other post-employment benefits and pension expenses (which are defined as an accounting liability by the Governmental Accounting Standards Board and are not a legal liability that the Port is required to contribute in the future). Other post-employment benefits and pension expenses are treated as direct expense to general and administration, thus these costs are not allocated out to the various properties or operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital.

The Port uses a Cost Allocation Methodology Plan to allocate the Port's staffing and indirect costs to the Port's various properties, operations, capital (except indirect cost which is not allocated to capital assets) and non-operating divisions. The Corporate Division allocates its general and administrative expenses according to the direct level of services they provide to the divisions; however, a majority of their function is to support all operations, non-operating and capital. The Port's cost allocation methodology does not allocate all corporate costs to the various divisions; however, it does apply an indirect cost allocation based on the direct cost associated with the division, non-operating items, or other special items. The Corporate Division includes, but is not limited to Accounting, Finance & Auditing, Board of Directors, Legal, and Management and Administration.

Non-operating revenues are defined as revenues that do not support the Port's Marine and Property Management Divisions. Non-operating revenues include but are not limited to property tax revenue (Ad Valorem Taxes), gain on sale of assets, capital contributions such as grants, interest income, public revenues, and other miscellaneous income not associated with the Port's Marine and Property Management Divisions.

Non-operating costs are expenses incurred by activities not related to the Marine and Property Management Divisions. Furthermore, some of the non-operating costs are non-recurring in nature and do not support the current operations of the Port; however, they are useful for planning and decision making such as market and feasibility studies. Non-operating costs include, but are not limited to, interest expense; governmental relations consultant; grant seeking and writing; public costs such as responding to public records requests and public awareness marketing campaigns; non-capital studies that do not currently impact or improve the Marine, and Property Management Divisions; and other costs that do not currently impact or improve the Marine or Property Management Divisions, and/or costs that do not meet the capitalization requirements per Governmental Accounting Standards. The definition of operating cost is for accounting purposes only (not to be used for legal definitions and includes but is not limited to bond and debt issuance).

The Economic Development & Planning Division plans and delivers projects as well as provides technical and contracting services in support of the business plans and infrastructure needs of the Port. This division supports all the Port capital assets to be acquired or constructed. As defined by Governmental Accounting Standards, not all Economic Development & Planning Division costs can be capitalized such as indirect costs (e.g. feasibility studies, indirect staffing cost allocation, and miscellaneous office supplies). The above costs are located in the non-operating expenses for this division and all costs, associated directly and properly identified as capital, are reported as capital costs and are located in the capital budget. Capital costs are necessary expenditures and are directly associated with putting a capital asset into place, which includes, but is not limited to planning, direct staffing costs, site readiness costs, construction, and/or acquisition costs.

The Real Estate Division deals with the process of selling and purchasing property in support of the business plans and infrastructure needs of the Port. The Real Estate Division also markets Port properties for sale and provides technical and contracting services in support of the business plans and infrastructure needs of the Port. The associated staffing and indirect costs related to the Real Estate Division are located within the expenses of this division as non-operating and all costs, associated directly and properly identified as capital, are reported as capital costs and are located in the capital budget.

All assets and all liabilities (whether current or noncurrent) with the associated activity to these accounts are included in the statement of net position (or balance sheet). The reported fund net 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 the operating, noncapital financing, capital and related financing, and investing activities. Capital asset purchases are capitalized and long-term liabilities are accounted for in the statement of net position (or balance sheet).

C. Pension

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.

D. Summary of Significant Accounting Policies (Accounting and Reporting Change)

a. Change in Accounting Principle

The Port did not have any changes in accounting principles for 2021.

E. Assets, Liabilities, and Net Position

a. Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2021, the Benton County Treasurer held just over $13.3 million in short-term residual investments of surplus cash as discussed in Note 5, *Deposits and Investments* held in Washington State approved depository. These amounts are classified on the Statement of Net Position as cash and cash equivalents. Interest on deposits and investments are accounted for on the Statement of Revenues, Expenses, and Changes in Net Position as non-operating revenues.

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.

b. Investments – See Note 5, *Deposits and Investments*.

c. Receivables and Unearned Revenues
Taxes receivable consist of property taxes and related interest and penalties. (See Note 12, *Property Tax*). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer and tenant accounts receivable consist of amounts owed from private individuals or organizations for goods, services, or leases of property including amounts owed for which billings have not been prepared. The Port classifies prepaid rents from tenants as unearned revenue in the current liability section of the financial statements.

Notes and contracts receivable consist of amounts owed on open accounts from private individuals or organizations for goods and services rendered, from insurance proceeds to be received, or from property sales on contract.

d. Capital Assets and Depreciation - See Note 2, *Capital Assets and Depreciation.*

e. Other Assets, Debts, or Liabilities
Lease securities payable are lease securities or deposits held under the terms of certain lease agreements. The Port requires or allows its customers or tenants to provide security to satisfy contractual obligations. The Port classifies these amounts as lease securities and they are included in the current liability in the Statement of Net Position. The Port is allowed to draw from these lease securities in certain events as defined in these agreements, such as defaults or delinquencies in rent payment. The balance is determined by the lease terms and is recalculated according to the provisions of the agreements.

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

Retainage payable under construction contracts are retainage amounts held and required to be paid upon full legal performance of the contractor. The Port reports the amounts owed to contractors under retainage payable on the Statement of Net Position as a current liability.

f. Deferred Outflows/Inflows of Resources
The Port reports deferred outflows and deferred inflows separately on the Statement of Net Position. Deferred outflows represent a consumption of net assets that apply to a future period(s). Conversely, deferred inflows represent an acquisition of net assets that apply to a future period(s).

g. Compensated Absences and Accrued Benefits
In accordance with GASB Statement No. 16, *Accounting for Compensated Absences,* the Port accrues a liability for compensated absences (e.g., paid time off). All paid time off is accrued when incurred by the Port.

Payable upon separation of services from the Port, PTO (paid time off) may be accumulated up to a maximum of 60 days at 100% of an employee's current salary and up to a maximum of 120 days at 50% of an employee's current salary. Employees are also allowed to cash out up to 30 days per year and the CEO up to 40 days per year of their unused PTO balances.

Furthermore, to encourage longevity at the Port, employees who have served for at least five years receive a lump sum payment based on a multiplier and years of service into their HRA VEBA upon separation.

h. Long-Term Debt – See Note 7, *Long-Term Debt and Changes in Long-Term Liabilities*.

i. Net Position Classification

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted. The Port's Statement of Net Position reports $187 thousand of restricted net position for pension asset as per Note 7, Pension. None of the restricted net position is restricted by enabling legislation.

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, parking lots, sidewalks, and similar items), are reported in the Statement of Net Position. The Port's policy is to capitalize all assets with an initial, individual cost of $1,000 or more and an estimated life of more than one year. Such assets are recorded at historical cost (or estimated historical cost, where historical cost is not known) if purchased or constructed. Donated capital assets are recorded at acquisition value (or estimated market value) at the date of donation. Donations by developers (and customers) are recorded at the contract price or acquisition value.

Cost for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. Major expenses for capital assets, including leases assets and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. (Obligations under capital leases, if any, are disclosed in Note 6, *Leases* and Note 7, *Long-Term Debt and Changes in Long-Term Liabilities*).

Ongoing major outlays for capital assets and improvements are capitalized under construction in progress (CIP).

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of 1 to 50 years. In general, furniture and equipment are depreciated over 5 to 7 years; improvements are depreciated over 15 to 25 years; and buildings are depreciated over 25 to 45 years.

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

In the event of a sale or disposal of a significant capital asset, the original cost is removed from the Port's capital accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold or disposed, and the net gain or loss on disposition is credited or charged to income.

The Port did not have any impaired capital assets in 2021. Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance January 1	Deletions	Additions	Ending Balance December 31
Capital assets, not depreciated:				
Land	$ 8,651,068	$ 49,962	-	$ 8,601,106
Construction in progress	11,473,504	10,848,701	6,262,824	6,887,626
Total capital assets, not depreciated	20,124,572	10,898,663	6,262,824	15,488,732
Capital assets, depreciated:				
Buildings	37,548,157	96,630	52,153	37,503,680
Improvements other than buildings	11,417,467	-	10,847,471	22,264,938
Machinery and equipment	1,500,056	-	54,899	1,554,955
Total capital assets, depreciated	50,465,680	96,630	10,954,523	61,323,573
Less accumulated depreciation for:				
Buildings	10,169,845	81,990	895,695	10,983,550
Improvements other than buildings	5,816,898	-	725,127	6,542,025
Machinery and equipment	877,859	-	79,079	956,938
Total accumulated depreciation	16,864,602	81,990	1,699,901	18,482,513
Total capital assets, being depreciated (net)	33,601,078	14,640	9,254,622	42,841,060
Total capital assets (net)	**$ 53,725,650**	**$ 10,913,303**	**$ 15,517,446**	**$ 58,329,792**

NOTE 3 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2021, The Port had four active planning and construction projects; Vista Field Redevelopment, Columbia Drive Redevelopment, Clover Island Shoreline enhancements, and Clover Island Master Plan. At year-end, the Port's commitments on contract were as follows:

Project	Spent to Date	Remaining Commitment
Vista Field Redevelopment	$ 61,267	$ 31,233
Columbia Drive Redevelopment, Tasting Room	$ 3,060	$ 11,940
Clover Island Shoreline 1135 Project	$ 10,320	$ 34,680
Clover Island Master Plan	$ 219,442	$ 28,846
Total	***$ 294,088***	***$ 106,700***

Of the committed balance of approximately $107 thousand, the Port has sufficient funding available to cover all cost as disclosed in Note 5, *Deposits and Investments*.

NOTE 4 – CONTINGENCIES, LITIGATION, STEWARDSHIP, AND ACCOUNTABILITY

There have been no material violations of financial, accountability, legal or contractual compliance requirements.

The Port has recorded in its financial statements all material liabilities. In the opinion of management, the Port's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

As discussed in Note 7, *Long-Term Debt and Changes in Long-Term Liabilities*, the Port has approximately $4.3 million long-term debts.

As discussed in Note 3, *Construction Commitments,* the Port has several ongoing projects that are under contract. They are fully funded by the Port's revenues, cash, and investments.

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 expenses disallowed under the terms of the grants. Management is not aware of any disallowances; however, if any, these would be immaterial.

The Port entered into an interlocal agreement with the City of Kennewick in 2020. The interlocal commits $1 million from the City's RCCF allocation for development assistance on the Clover Island Shoreline Project (Resolution 2020-04). This project will also create additional marketable land for sale/lease to the public sector.

The Port Commission has directed the Chief Executive Officer to formalize an agreement with the City of Richland, contributing $800 thousand of Port funding to installing infrastructure and utilities on Columbia Park Trail (Resolution 2021-02). This project will stimulate economic development in the Island View area of Richland, providing more incentive for businesses to relocate there.

On March 25, 2019 the Port received a citizen complaint alleging violation of Port Commission Rules of Policy and Procedure and the Open Public Meetings Act by two Port Commissioners. No monetary damages are claimed. On August 6, 2019 an investigation report was issued by independent legal counsel finding violation of Port Commission Rules by Commissioner Barnes and Commissioner Moak. The recommended actions resulting from the findings were accepted by Commissioner Moak. Commissioner Barnes did not accept the recommended actions and requested a hearing. A hearing was conducted December 4, 2020 and on December 31, 2020 a decision was issued by the third-party neutral finding no violation of Port Commission Rules by Commissioner Barnes. Thereafter, Commissioner Barnes sought reimbursement of his legal fees from the Port. The Port sought legal review and advice from its special counsel, Steve DiJulio. He advised that the Port could authorize reimbursement but he could not guarantee that the State Auditor would not issue a finding. Subsequently, the Commission voted to reimburse Commissioner Barnes' legal fees (Commissioner Moak and Barnes voted "yes" and Commissioner Novakovich abstained). After its recent audit, the State Auditor's Office issued a management letter stating that:

State law and the Port's Rules of Policy and Procedure allow the Port to provide legal representation to defend a claim or lawsuit filed against Port officials unless they elect to provide their own representation. Because the Commissioner obtained his own representation rather than using a Port-appointed legal counsel, reimbursing the Commissioner's legal fees is not an allowable expense. In April 2021, two of three Commissioners voted to approve the reimbursement of the Commissioner's legal fees totaling $49,282.75. One of the two votes approving the reimbursement came from the Commissioner seeking reimbursement. State law does not allow an officer to benefit directly from a contract made through or under the supervision of the officer. The Commissioner seeking reimbursement should not have voted on a matter that directly benefitted him. Instead, the Commissioner should have recused himself from the vote. We recommend the Port follow its own policy and state law. Further, we recommend the Port conduct additional legal review to determine if any further actions, such as repayment, are necessary or required by law.

The Port Commission has authorized counsel to retain independent counsel to conduct legal review to determine if any further actions, such as repayment, are necessary or required by law. Legal review is pending.

On November 17, 2021, a letter was received from counsel for CEO Tim Arntzen, Matthew Crotty, indicating that Mr. Arntzen was seeking to mediate a dispute concerning his performance evaluations. The Port Commission agreed to mediate the dispute and that mediation is pending. Subsequently, Mr. Arntzen submitted a notice of tort claim on January 4, 2022. Matthew Mensik of the Spokane law firm Witherspoon Kelley was retained to represent the Port. This matter in in the process of resolution, pending authorization by the Port Commission and signatures of the parties to a settlement agreement. For additional information, please contact Matthew Mensik.

Other than the instances described above, the Port Management believes that such disallowances of other grants or the tenant leases, if any, will be immaterial.

NOTE 5 – DEPOSITS AND INVESTMENTS

Deposits

The Benton County Treasurer is the *ex officio* treasurer for the Port of Kennewick and holds all accounts of the Port in the Port's name within the Benton County Treasurer's accounts. The Port directs the County Treasurer to invest Port financial resources which management has determined are not needed to meet the current financial obligations of the Port.

The Port is a participant in the Benton County Treasurer's Investment Pool (TIP), an external investment pool. The Port reports its 3.08% share of the Fair Value variance of the TIP, which is calculated by the net asset value of the Pool per share. Benton County Treasurer is responsible for managing the Pool and has adopted a formal deposit and investment policy pursuant to RCW 36.29.020. The Benton County Finance Committee consists of the Benton County Treasurer as Chair, the Benton County Auditor as Secretary, and the Chair of the Board of Benton County Commissioners. All deposits and investments are subject to written policies and procedures adopted by the Benton County Finance Committee. The philosophy in developing the TIP was to create a locally managed diversified investment option that would take advantage of the economies of scale, simplify administration, and achieve a potentially higher yield than other available programs.

Deposits are classified on the Statement of Net Position as cash and cash equivalents. Investments with maturities of more than three months are classified on the Statement of Net Position as investments. The TIP combines deposits and investments together which averages maturities of more than three months as of December 31, 2021. All of the Port's deposits are either within the Benton County TIP or held in the County's cash account that can be cashed out in their entirety daily or with a ten (10) day notice if over $10 million as per the Investment Service Agreement. GASB 72 require the Port to report external investment pools at their fair value. Port of Kennewick had $79 thousand in changes in fair value of the Port's portion of the deposits held in the Benton County TIP. The County's policy is to hold investments until maturity, thus there will be no realized loss or gain recognized.

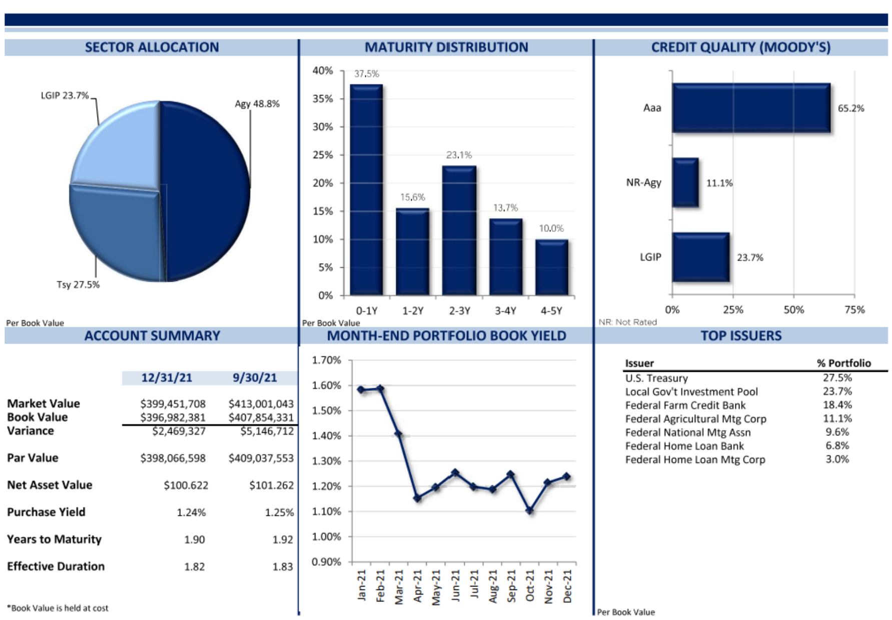
Custodial Risk. Custodial risk for deposits and investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its deposits and investment or collateral securities that are in the possession of an outside party. The Port's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in multiple financial institutions collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The Benton County Treasurer's policy dictates that all deposits and investment instruments other than non-negotiable certificates of deposit and monies placed with the Washington State Local Government Investment Pool are transacted on the delivery versus payment basis. This means that payment is made simultaneously with the receipt of the security. Securities are held in safekeeping in the county's name by an institution (custodian) under contract with the county Treasurer. Currently, safekeeping is with Bank of New York Mellon.

Port of Kennewick deposits by type at December 31, 2021 are as follows:

Deposit	Maturity	Carrying Cost	Fair Value Valuation
Benton County (External Investment Pool)	Daily	$13,308,419	$78,858
Gesa petty cash	Daily	15,000	0
Total		$13,323,419	$78,858

The Gesa $15,000 petty cash account is highly liquid and is held at Washington State approved depositories.

External Investment Pool. The Benton County TIP is not registered with the Securities and Exchange Commission (SEC) as an investment company and does not have a credit rating. Oversight is provided by the Benton County Finance Committee. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. In 2012, the Board of Commissioners, Finance Committee, and County Treasurer authorized the expansion of the TIP and with that expansion, an alternative investment vehicle is available not only to the county, but allows for participation by other legally separate entities such as special districts and public agencies, for which the county is *ex officio* treasurer. Participation in the pool by districts and agencies is voluntary, with a signed Investment Service Agreement submitted to the county treasurer. The county and districts are able to take advantage of higher yielding investment opportunities by combining purchasing power while maintaining objectives of safety, liquidity, and yield. The Port share of the TIP is 3.08% and the County's entire portfolio summary for the TIP is as follows:



	12/31/21	9/30/21
Market Value	$399,451,708	$413,001,043
Book Value	$396,982,381	$407,854,331
Variance	$2,469,327	$5,146,712
Par Value	$398,066,598	$409,037,553
Net Asset Value	$100.622	$101.262
Purchase Yield	1.24%	1.25%
Years to Maturity	1.90	1.92
Effective Duration	1.82	1.83

*Book Value is held at cost

Issuer	% Portfolio
U.S. Treasury	27.5%
Local Gov't Investment Pool	23.7%
Federal Farm Credit Bank	18.4%
Federal Agricultural Mtg Corp	11.1%
Federal National Mtg Assn	9.6%
Federal Home Loan Bank	6.8%
Federal Home Loan Mtg Corp	3.0%

NOTE 6 – LEASES

As of December 31, 2021, the Port had no material non-cancellable contracts where the Port leases property as a lessee. The Port has one major customer that is just over 10 percent of total operating revenues.

The Port, as a lessor, enters into several operating leases with tenants for the use of properties at various locations, including Marine Division and Property Management Division land, facilities, and equipment rentals with minimum annual guarantees, securities, or deposits under lease terms of 1 to 50 years. In addition, some properties are rented on a month-to-month basis. Port procedure is to negotiate all leases at fair market value at the best of our abilities considering market conditions, economic factors, property condition and location, as well as other factors that may impact negotiating lease prices.

The Port currently has 15 non-cancellable lease arrangements ranging in annual payments between $18 hundred and $139 thousand with either fixed, 2% to 4% rent escalation clauses. Seven of the non-cancellable leases have contract terms ranging from one to four option(s) of 5 to 15-year lease renewal option(s). One lease contains a purchase option at fair market value at the end of the lease expiration.

The Port has calculated the minimum future lease rental income on non-cancellable operating leases through their lease terms and with the optional extensions. On leases with optional extensions the Port included the extension periods if it is a land lease with significant improvements (e.g., building) or the Port has reason to believe the tenant will renew (e.g., long history with the Port).

The Port's minimum future lease rental income on non-cancellable operating lease terms remaining in excess of one year are as follows:

Years Ending December 31	
2022	*619,183*
2023	*466,167*
2024	*372,759*
2025	*362,719*
2026	*369,065*
2027	*321,661*
Thereafter	*7,796,018*
Total	*10,307,572*

The Port's leased properties involved are in part used by internal Port operations, or in part of a building with land, and/or for land held for sale. It is not reasonably determinable to segregate the value of assets associated with producing minimum rental income from the value of the assets associated with an entire facility.

NOTE 7 – LONG-TERM DEBT AND CHANGES IN LONG-TERM LIABILITIES

A. Long-Term Debt
In accordance with the Port's Comprehensive Scheme of Development Plan and Budget, the Port entered into a tax-exempt bond financing agreement with Cashmere Valley Bank in August of 2018 to fund the Vista Field Phase-One(A) Infrastructure for the construction of a road, utilities, landscape improvements, and a water feature for $5 million. The interest rate is 2.85% until the first rate reset date of June 1, 2023. The bond matures June 1, 2033. The bond's interest rate is 3.45% until June 1, 2028

and thereafter is 1 minus the then current federal marginal corporate income tax rate multiplied by the then current prime rate less 10 basis points.

As of December 31, 2021, the total draws amounted to $5 million with approximately $4.3 million principal outstanding. There are no assets pledged as collateral for this debt since the bond constitutes general indebtedness payable from Port tax revenues. The following are terms specified in the debt agreement:

1) Default: The Port is obligated to pay interest on the bond until paid in full.
2) Termination: The bond only terminates upon full payment of principal and interest.
3) Acceleration: There is no acceleration.

Debt service requirements on long-term debt as of December 31, 2021 are as follows:

	Bond	
Year Ending December 31,	Principal	Interest
2022	328,759	120,321
2023	326,775	122,305
2024	326,017	123,064
2025	337,361	111,719
2026	349,100	99,980
2027-2031	1,936,398	309,002
2032-2033	698,990	25,984
Total	$ 4,303,399	$ 912,374

B. Changes in Long-Term Liabilities

As of December 31, 2021, the following changes occurred in long-term liabilities:

Type	ID No.	Description	Date of Original Issue	Date of Maturity	Beginning Balance January 1	Additions	Deletions	Ending Oustanding Balance December 31	Due Within One Year
GO	259.12	Compensated Absences	N/A	N/A	$ 339,807	$ 31,120	$ -	$ 370,927	$ -
GO	263.99	Accrued Benefits	N/A	N/A	180,000	-	7,500	172,500	-
GO	264.30	PERS/Pension Related	Jan-15	N/A	415,804	-	314,124	101,680	-
GO	263.40	OPEB/Pension Related	Jan-13	N/A	1,068,784	-	207,432	861,352	-
GO	251.41	Non-Voted General Obligation Bond for Construction	May-20	Jun-28	4,622,985	-	319,586	4,303,399	328,759
Total Liabilities					**$ 6,627,380**	**$ 31,120**	**$ 848,642**	**$ 5,809,858**	**$ 328,759**

Compensated absences accounts for accrued employee paid time off (PTO), which includes vacation and sick pay. Accrued benefits account for HRA Veba contributions for employees who have at least five years of service. In order to encourage longevity at the Port, employees will receive a lump sum payment based on a multiplier and years of service upon separation into their HRA Veba account. These liabilities are paid through the Port's general budget (operating revenues or taxes levied) each year as employee uses their PTO.

The PERS and OPEB Pension related liabilities are not actual legal liabilities of the Port that require funding. The PERS and OPEB liabilities are accounting entries only required in order to be incompliance with Generally Accepted Accounting Principles.

NOTE 8 – OTHER DISCLOSURES

The Port had several contractual obligations which are discussed in Note 4, *Contingencies and Litigation.*

The Port has several real estate holdings that were originally purchased with the intent to develop, build, or lease. Real estate deemed no longer needed for Port purposes and available for sale in accordance with the Port's Comprehensive Scheme of Development are as follows:

- 3.97 acres at Willows
- 3.2 acres at Cable Greens

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

Legally, the Port does not have a contractual obligation or a policy to maintain and provide its employees with continued medical insurance coverage after termination or retirement. The Public Employees Benefits Board (PEBB) plan document offers a subsidized retirement coverage to its plan participants and the Port can terminate medical insurance with no future obligation or liability to PEBB or its retirees. In order to be in compliance with GASB Statement No. 75, the Port adopted and implemented this statement in 2018.

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

	2021
OPEB Liabilities	$861,352
Deferred Outflows of Resources	2,466
OPEB Expense	($201,859)

The Port provides to its retirees employer subsidies for postemployment medical insurance benefits (OPEB) provided through the Public Employees Benefits Board (PEBB). The actual medical costs are paid through annual fees and premiums to the PEBB.

General Information about the OPEB Plan

Plan Description

The PEBB was created within the Washington State Health Care Authority to administer medical, dental and life insurance plans for public employees and retirees and their dependents as a single employer plan. Port employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system.

Benefits Provided

The Washington State Health Care Authority (HCA) administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of $183 or 50% of the monthly premiums.

The implicit medical subsidy is the difference between the total cost of medical benefits and the premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, but that amount is based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average, and therefore can be expected to have lower average health costs. For post-65 retirees and spouses, the retiree does not pay the full premium due to the subsidy discussed above.

Employees Covered by Benefit Terms

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

Active Employees	16
Inactive Employees or beneficiaries currently receiving benefits	1
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	0
Total	17

Funding Policy

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

Contributions.

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. 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 employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

Total OPEB Liability

The Port's total OPEB liability was measured as of June 30, 2021, and was determined using the alternative measurement method as of that date, which is permitted under GASB Statement No. 75. The data (e.g., age range) is compiled into the Office of State Actuary GASB No. 75 reporting tool for all active and inactive members to determine the total OPEB Liability and OPEB Expense. The Office of the State Actuary report involves calculations that require assumptions about future economic and demographic events.

The alternative measurement was based on the following methods and assumptions:

Methodology	
Actuarial Valuation Date	6/30/2021
Actuarial Measurement Date	6/30/2021
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	N/A (No Assets)
Assumptions	
Discount Rate[1]	
Beginning of Measurement Year	2.21%
End of Measurement Year	2.16%
Projected Salary Changes	3.5% + Service-Based Increases
Healthcare Trend Rates[2]	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%

[1] Source: Bond Buyer General Obligation 20-Bond Municipal Index.

[2] Trend rate assumptions vary by medical plan. For additional detail on the healthcare trend rates, please see OSA's 2020 PEBB OPEB Actuarial Valuation Report.

Changes in the Total OPEB Liability

Total OPEB Liability (TOL)	
Service Cost	$48,026
Interest Cost	$24,620
Changes in Experience Data and Assumptions	($274,505)
Changes in Benefit Terms	$0
Benefit Payments	($5,573)
Other	$0
Net Change in Total OPEB Liability	**($207,432)**
Total OPEB Liability - Beginning	$1,068,784
Total OPEB Liability - Ending	**$861,352**

Sensitivity of the Total OPEB Liability

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate and Discount Rate.

The following presents the total OPEB liability of the Port calculated using a discount rate and healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current discount rate and health care cost trend rates:

Total OPEB Liability	1% Decrease	Current	1% Increase
Discount Rate	$1,037,490	**$861,352**	$721,646
Healthcare Trend	$700,572	**$861,352**	$1,070,998

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

The Port recognized OPEB expense for the years ended December 31, as follows:

OPEB Expense for Fiscal Year Ending June 30, 2021	
Service Cost	$48,026
Interest Cost	$24,620
Changes in Experience Data and Assumptions	($274,505)
Changes in Benefit Terms	$0
Other Changes in Fiduciary Net Position	$0
Total OPEB Expense	**($201,859)**

At December 31, 2021 the Port reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Payments subsequent to the measurement date	$2,466

Deferred outflows of resources will be recognized as an OPEB expense in 2022.

NOTE 10 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2021:

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	(101,680)
Pension assets	$	1,066,490
Deferred outflows of resources	$	151,152
Deferred inflows of resources	$	(1,118,942)
Pension expense/expenditures		($251,037)

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit

P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employee's Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	**12.97%**	**6.00%**
July – December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**

Port of Kennewick's actual contributions to the plan amounted to approximately $57 thousand.

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.97%**	**7.90%**
July – December 2021		
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%**

Port of Kennewick's actual contributions to the plan amounted to approximately $95 thousand.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2020 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were developed using the Society of Actuaries' Pub. H-2021 mortality rates, which vary by member status, 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 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 his or her lifetime.

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

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. A high-level summary of those changes is outlined in the following paragraph. OSA will revert back to the methods outlined in their 2019 AVR when preparing the 2021 AVR, a contribution ratesetting valuation, which will serve as the basis for 2022 ACFR results.

- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019, AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the Fiscal Year (FY)-end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to our projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. Please see the Actuarial Assumptions and Methods section of OSA 2020 AVR for more information.

Discount Rate

The discount rate used to measure the total pension liability was 7.40% for all plans included in this publication. 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 the assumptions described in OSA's certification letter within the DRS ACFR, the pension plan's 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 7.40% was used to determine the total liability.

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Estimated Rates of Return For the Fiscal Year Ended June 30, 2021		
Asset Class	**Target Allocation**	**% Long-Term Expected Real Rate of Return Arithmetic**
Fixed Income	20.00 %	2.20 %
Tangible Assets	7.00 %	5.10 %
Real Estate	18.00 %	5.80 %
Global Equity	32.00 %	6.30 %
Private Equity	23.00 %	9.30 %

Sensitivity of the Net Pension Liability/(Asset)

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

Port Allocation %	1% Decrease 6.40%	Current Rate 7.40%	1% Increase 8.40%
PERS 1	2,080,441,000	1,221,234,000	471,917,000
0.008326%	173,218	101,680	39,292
PERS 2/3	(2,837,869,000)	(9,961,609,000)	(15,828,012,000)
0.010706%	(303,822)	(1,066,490)	(1,694,547)

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, 2021, Port reported a total pension liability for its proportionate share of the net pension liabilities as follows:

	(Liability) or Asset
PERS 1	($101,680)
PERS 2 & 3	$1,066,490
TOTAL	$964,810

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.008015%	0.008326%	0.000311%
PERS 2/3	0.010386%	0.010706%	0.000320%

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

Pension Expense

For the year ended December 31, 2021, the Port recognized pension expense as follows:

	Liability (or Asset)
PERS 1	($101,680)
PERS 2 & 3	$1,066,490

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	(112,831)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	24,597	
TOTAL	24,597	(112,831)

PERS 2/3	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	51,798	(13,074)
Net difference between projected and actual investment earnings on pension plan investments		(891,335)
Changes of assumptions	1,558	(75,738)
Changes in proportion and differences between contributions and proportionate share of contributions	31,033	(25,963)
Contributions subsequent to the measurement date	42,166	
TOTAL	126,555	(1,006,111)

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense if the net amount is under $1,000. Other amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year	PERS 1	PERS 2/3
	Yearly Amortization	Yearly Amortization
2022	(29,889)	(245,869)
2023	(27,389)	(229,855)
2024	(25,897)	(213,140)
2025	(29,655)	(231,683)
2026	-	(2,435)
Thereafter	-	1,261
Total Net Deferred (Inflows)/Outflows	(112,831)	(921,722)

NOTE 11 – PLEDGES OF FUTURE REVENUES

In August of 2009, the Port of Kennewick entered into an interlocal agreement with the City of Kennewick establishing a Local Revitalization Financing Agreement as allowed by the State of Washington. The Port pledges the increased property taxes due to new construction stimulated by the City of Kennewick's bond financing in an amount not to exceed $14,000 per year for a period of 25 years. The Port reports the revenues and expenses within the non-operations section on the Statement of Revenues, Expenses and Changes in Net Position.

NOTE 12 – PROPERTY TAX

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

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

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principle, 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's regular tax levy for 2021 was $0.28 per $1,000 on an assessed valuation of $16.2 billion for a total regular tax levy of just over $4.5 million.

NOTE 13 – RISK MANAGEMENT AND PAID FAMILY MEDICAL LEAVE ACT

Cities Insurance Association of Washington: Port of Kennewick is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Government Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2021, there are 192 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: property, including automobile comprehensive and collision, equipment breakdown, crime protection and liability; including general, automobile, wrongful acts, and cyber, which are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Clear Risk Solutions that is subject to a per-occurrence self-insured retention (SIR) of $100,000, with the exception of Wrongful Acts and Law Enforcement Liability which has a self-insured retention of $25,000. Members are responsible for $1,000 to $10,000 deductible for each claim (can vary by member), while the program is responsible for the $100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of $100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of $3,505,566, which is fully funded in its annual budget.

Property insurance is subject to a per-occurrence self-insured retention of $25,000. Members are responsible for a $1,000 deductible for each claim (some member deductibles vary). The program bears the $100,000 self-insured retention, in addition to the deductible.

Privacy and Network Liability coverage is offered with a $10,000 member deductible and $40,000 self-insured retention for systems using encryption and $50,000 member deductible and $50,000 self-insured for those without encryption.

Crime insurance is subject to a per occurrences self-insurance retention of $25,000. Members are responsible for a $1,000 deductible for each claim (some member deductible vary). The program bears the $25,000 self-insured retention, in addition to the deductible.

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

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

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

In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

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

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ended December 31, 2021, were $2,772,987. The Port of Kennewick had no material claims in 2021 nor has the Port had any settlements exceed insurance coverage in the past three years.

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

Unemployment: Port of Kennewick has chosen to be self-insured for unemployment insurance purposes. The Port had no claims during 2021 and no unemployment claims are outstanding as of December 31, 2021. The Port has sufficient unrestricted cash as disclosed in Note 5, *Deposits and Investments* to pay any future claims if incurred, and reserve policy in place (Resolution 2018-27).

Paid Family Medical Leave: The Port administers a voluntary plan for paid family medical leave benefits for its employees. Voluntary plans are approved by the Employment Security Department and are available for employers who wish to opt out of the State of Washington's Paid Family Medical Leave Program for either family leave benefit, medical leave benefit, or both, and instead administer their own internal plan. Employers with voluntary plans are required to offer benefits that are equal to or exceed the benefits offered by the State's program and must report employee hours, wages, premiums deducted from employee pay, and other information to the Employment Security Department on a quarterly basis. The Port paid $0 in claims during 2021 and held $0 of employee premiums at fiscal year-end.

NOTE 14 – COVID-19 PANDEMIC

In February 2021, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. The Port proactively implemented safety measures, and operations have continued with most staff working remotely. Management continues to monitor the situation for any operational or financial effects and is ready to respond appropriately as needed. To date, the Port has not experienced any direct financial impacts due the pandemic.

Port of Kennewick

MCAG No. 1699

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

As of June 30, 2022

	2018	2019	2020	2021	2022
Total OPEB liability - beginning	$886,449	$ 898,057	$ 813,180	$1,068,784	$861,352
Service cost	36,525	31,986	31,101	48,026	30,967
Interest	32,933	35,681	29,422	24,620	19,196
Changes in benefit terms	0	0	0	0	0
Differences between expected and actual experience	0	0	0	0	0
Changes of assumptions	(51,687)	(136,279)	202,421	(274,505)	(13,123)
Benefit payments	(6,163)	(16,265)	(7,340)	(5,573)	(7,231)
Other changes	0	0	0	0	0
Total OPEB liability - ending	898,057	813,180	1,068,784	861,352	891,161
Covered-employee payroll	$ 1,170,103	$ 1,223,389	$ 1,295,883	$ 1,178,318	$ 1,277,262
Total OPEB liability as a % of covered payroll	76.75%	66.47%	82.48%	73.10%	69.77%

Note to Schedule

Changes of assumptions: Changes assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are discount rates used in each period:
2018 3.58% to 3.87%
2019 3.87% to 3.50%
2020 3.50% to 2.21%
2021 2.21% to 2.16%
2022 2.16% to 3.54%

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

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Port will present information for only those years for which information is available.

Port of Kennewick

MCAG No. 1699

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

As of June 30, 2021

	2018	2019	2020	2021
Total OPEB liability - beginning	$886,449	$ 898,057	$ 813,180	$1,068,784
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Interest	32,933	35,681	29,422	$24,620
Changes in benefit terms	0	0	0	0
Differences between expected and actual experience	0	0	0	0
Changes of assumptions	(51,687)	(136,279)	202,421	($274,505)
Benefit payments	(6,163)	(16,265)	(7,340)	($5,573)
Other changes	0	0	0	
Total OPEB liability - ending	898,057	813,180	1,068,784	861,352
Covered-employee payroll	1,170,103	1,223,389	1,295,883	$ 1,178,318
Total OPEB liability as a % of covered payroll	76.75%	66.47%	82.48%	73.10%

Note to Schedule

Changes of benefit terms:
For 2018, amounts presented reflect a $150 per month in the retirees' share of health insurance premiums.
For 2019, amounts presented reflect a $168 per month in the retirees' share of health insurance premiums.
For 2020, amounts presented reflect a $183 per month in the retirees' share of health insurance premiums.
For 2021, amounts presented reflect a $183 per month in the retirees' share of health insurance premiums.

Changes of assumptions: Changes assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are discount rates used in each period:
2018 3.58% to 3.87%
2019 3.87% to 3.50%
2020 3.50% to 2.21%
2021 2.21% to 2.16%

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

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Port of Kennewick

MCAG No. 1699

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PORT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

As of June 30, 2022

PERS 1

	2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	0.007%	0.008%	0.007%	0.008%	0.008%	0.008%	0.008%	0.009%
Employer's proportionate share of the net pension liability (asset)	$391,535	$455,094	$338,561	$ 352,727	$ 314,588	$ 282,973	$ 101,680	$ 253,851
Employer's covered payroll	$857,894	$947,168	$982,936	$1,058,341	$1,156,993	$1,218,811	$1,287,051	$1,363,607
Employer's proportionate share of the net pension liability as a percentage of covered payroll	45.64%	48.05%	34.44%	33.33%	27.19%	23.22%	7.90%	18.62%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.66%	88.74%	76.56%

PERS 2 & 3

Port of Kennewick								
Schedule of Proportionate Share of the Net Pension Liability								
PERS 2 & 3								
As of June 30, 2022								
	2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	0.007%	0.011%	0.009%	0.010%	0.010%	0.010%	0.011%	0.012%
Employer's proportionate share of the net pension liability (asset)	$ 345,229	$ 546,188	$ 318,857	$ 172,329	$ 102,632	$ 132,831	$(1,066,490)	$ (440,084)
Employer's covered payroll	$ 857,894	$ 947,168	$ 982,936	$ 1,058,341	$ 1,156,993	$ 1,218,811	$ 1,287,051	$ 1,363,607
Employer's proportionate share of the net pension liability as a percentage of covered payroll	40.24%	57.67%	32.44%	16.28%	8.87%	10.90%	-82.86%	-32.27%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Port will present information for only those years for which information is available.

Port of Kennewick

MCAG No. 1699

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PORT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

As of June 30, 2021

PERS 1

	2015	2016	2017	2018	2019	2020	2021
Employer's proportion of the net pension liability (asset)	0.007%	0.008%	0.007%	0.008%	0.008%	0.008%	0.008%
Employer's proportionate share of the net pension liability (asset)	$ 391,535	$ 455,094	$ 338,561	$ 352,727	$ 314,588	$ 282,973	$ 101,680
Employer's covered payroll	$ 857,894	$ 947,168	$ 982,936	$ 1,058,341	$ 1,156,993	$ 1,218,811	$ 1,287,051
Employer's proportionate share of the net pension liability as a percentage of covered payroll	45.64%	48.05%	34.44%	33.33%	27.19%	23.22%	7.90%
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PERS 2 & 3

	2015	2016	2017	2018	2019	2020	2021
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Employer's proportionate share of the net pension liability (asset)	$ 345,229	$ 546,188	$ 318,857	$ 172,329	$ 172,329	$ 132,831	$(1,066,490)
Employer's covered payroll	$ 857,894	$ 947,168	$ 982,936	$ 1,058,341	$ 1,156,993	$ 1,218,811	$ 1,287,051
Employer's proportionate share of the net pension liability as a percentage of covered payroll	40.24%	57.67%	32.44%	16.28%	14.89%	10.90%	-82.86%
Plan fiduciary net position as a percentage of the total pension liability (asset)	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Port will present information for only those years for which information is available.

Port of Kennewick

MCAG No. 1699

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PORT'S CONTRIBUTIONS

As of December 31, 2022

PERS 1

PERS 1	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily or contractually required contributions	$ 39,197	$ 46,063	$ 49,899	$ 55,712	$ 59,097	$ 59,874	$ 57,207	$ 52,648
Contributions in relation to the statutorily or contractually required contributions	(39,197)	(46,063)	(49,899)	(55,712)	(59,097)	(59,874)	(57,207)	(52,648)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0
Covered payroll	$ 892,400	$ 965,689	$ 1,018,370	$ 1,100,187	$ 1,194,396	$ 1,248,356	$ 1,332,605	$ 1,401,402
Contributions as a percentage of covered payroll	4.39%	4.77%	4.90%	5.06%	4.95%	4.80%	4.29%	3.76%

PERS 2 & 3

PERS 2 & 3	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily or contractually required	$ 51,950	$60,162	$69,853	$82,516	$ 90,047	$ 98,870	$ 95,200	$ 89,129
Contributions in relation to the statutorily or contractually required contributions	(51,950)	(60,162)	(69,853)	(82,516)	(90,047)	(98,870)	(95,200)	(89,129)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0
Covered payroll	$ 892,400	$ 965,689	$ 1,018,370	$ 1,100,187	$ 1,194,396	$ 1,248,356	$ 1,332,605	$ 1,401,402
Contributions as a percentage of covered payroll	5.82%	6.23%	6.86%	7.50%	7.54%	7.92%	7.14%	6.36%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the Port will present information for only those years for which information is available.

Port of Kennewick

MCAG No. 1699

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PORT'S CONTRIBUTIONS

As of December 31, 2021

PERS 1

PERS 1	2015	2016	2017	2018	2019	2020	2021
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Contributions as a percentage of covered payroll	4.39%	4.77%	4.90%	5.06%	4.95%	4.80%	4.29%

PERS 2 & 3

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Contribution deficiency (excess)	0	0	0	0	0	0	0
Covered payroll	$ 892,400	$ 965,689	$ 1,018,370	$ 1,100,187	$ 1,194,396	$ 1,248,356	$ 1,332,605
Contributions as a percentage of covered payroll	5.82%	6.23%	6.86%	7.50%	7.54%	7.92%	7.14%

Information is required to be presented for 10 years. However, until a full 10 year trend is compiled, the Port will present information for only those years for which information is available.

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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