Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Kennewick

For the period January 1, 2023 through December 31, 2023

Published November 12, 2024

Report No. 1035911

Office of the Washington State Auditor
Pat McCarthy

November 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, 2023 through December 31, 2023

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 year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated November 4, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy, State Auditor

Olympia, WA

November 4, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Port of Kennewick
January 1, 2023 through December 31, 2023

Board of Commissioners
Port of Kennewick
Kennewick, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Port of Kennewick, as of and for the year ended December 31, 2023, 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, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Matters of Emphasis

As discussed in Note 14 to the financial statements, in 2023, the Port adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 96, Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

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

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 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

Pat McCarthy, State Auditor

Olympia, WA

November 4, 2024

FINANCIAL SECTION

Port of Kennewick
January 1, 2023 through December 31, 2023

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Port of Kennewick

MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2023

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, 2023, with selected comparative information for the year ended 2022. 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 2023 by nearly $64 million.
- The Port has approximately $3.6 million outstanding debt.
- The Port's overall operating revenues in 2023 decreased by approximately $240 thousand or 16% from 2022. This decrease was primarily due to a tenant vacancy.
- The Port's overall operating expenses increased by approximately $339 thousand or 6% due to increases in maintenance costs primarily due to more cost incurred to maintain Port properties for Vista Field and Columbia Gardens
- The Port's non-operating revenues over non-operating expenses were approximately $3.6 million. The Port's 2023 non-operating revenues increased by $424 thousand from 2022 due to slight increase in property tax revenue while 2023 non-operating expenses decreased by $1.7 million due to $1.7 million interlocal agreement payments to City of Kennewick and Richland in 2022.
- The Port's net position increased by $171 thousand.
- 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, 2023 and 2022 follows:

PORT OF KENNEWICK'S Net Position

	2023	2022
Current assets	$ 13,365,000	$ 12,839,000
Other assets	7,166,000	7,527,000
Capital assets	56,262,000	57,309,000
Total assets	**76,793,000**	**77,675,000**
Deferred Outflows of Resources	412,000	453,000
Current liabilities	1,400,000	1,354,000
Noncurrent liabilities	4,296,000	4,793,000
Total liabilities	**5,696,000**	**6,147,000**
Deferred Inflows of Resources	7,256,000	7,900,000
Net Position:		
Investment in capital assets, net of related debt	52,561,000	53,217,000
Restricted for net pension asset	578,000	1,467,000
Unrestricted	11,114,000	9,398,000
Total net position	$ 64,253,000	$ 64,082,000

Note: 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 $53 million (net of accumulated depreciation). As described in the notes to the financials, the major capital asset events during 2023 included Columbia Gardens and Vista Field redevelopment projects.

Current and Noncurrent Liabilities: The Port's noncurrent liabilities consist of three accounting treatments required by Governmental Accounting Standards Board for reporting the Port's share of Pension liabilities, Other Postemployment Benefits (OPEB), and Subscription Liabilities. The pension and OPEB liabilities are non-cash transactions and are not legal liabilities owed by the Port to any third party. The Port's noncurrent liabilities also includes the remaining $3.6 million of a $5 million bond issued in 2020. The Port's non-current liabilities decreased by $497 thousand primarily due to bond payments made and the Pension and OPEB liabilities decrease.

The Port's current liabilities consist of warrants and retainage payable, employee accrued paid time off (compensated absences), benefits payable, lease securities payable, prepaid rents (unearned revenue), and the current portion of long-term debt and OPEB. Current liabilities increased by $46 thousand primarily due to the increase in compensated absences.

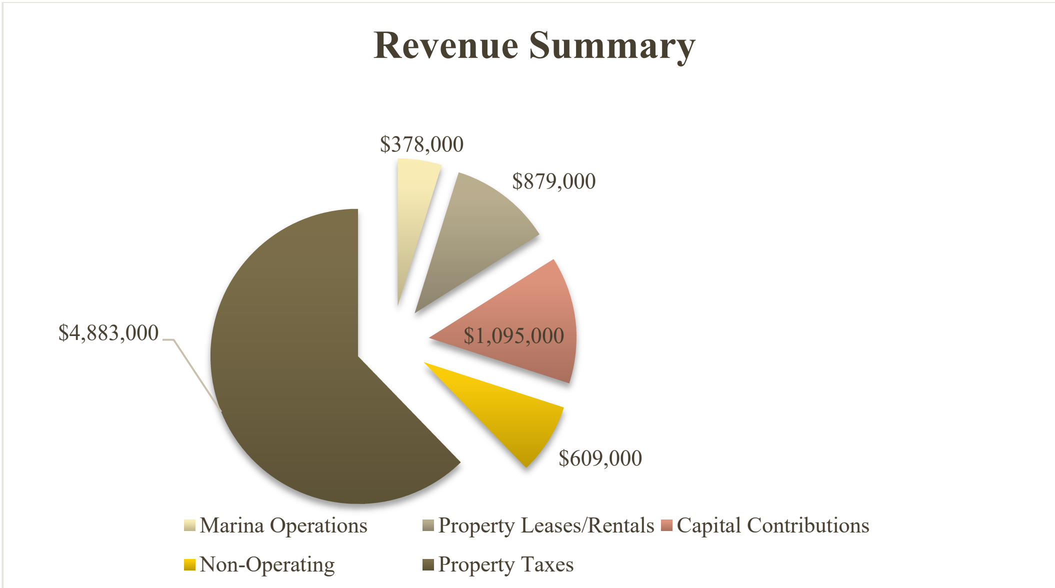
Financial Operating Highlights Summary
The following condensed financial information summarizes the Port's revenues, expenses, and changes in net position:

Statement of Revenues, Expenses, and Changes in Net Postion

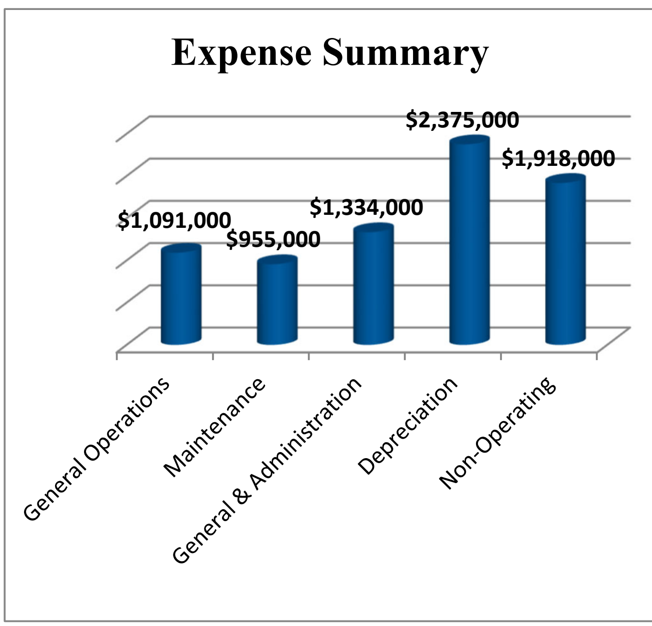
	2023	**2022**
Operating revenues	1,257,000	1,497,000
Non-operating revenues	5,492,000	5,068,000
Total revenues	6,749,000	6,565,000
Operating expenses	5,755,000	5,416,000
Non-operating expenses	1,918,000	3,589,000
Total expenses	7,673,000	9,005,000
Increase (Decrease) in net position, before capital contributions	**(924,000)**	**(2,440,000)**
Capital contributions	1,095,000	508,000
Increase (Decrease) in net position	**171,000**	**(1,932,000)**
Net position at beginning of year	64,081,000	66,013,000
Net position at end of year	**64,253,000**	**64,081,000**

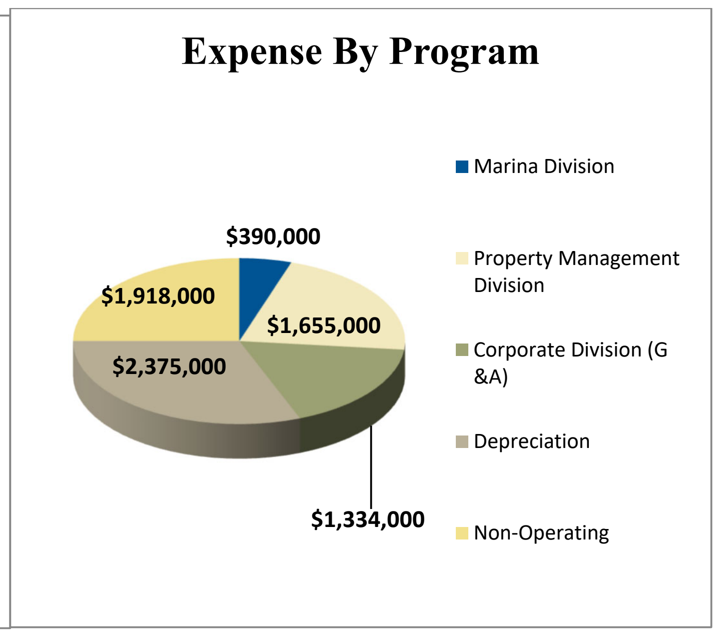
****Note: Rounded to nearest thousand***

Operating Revenues: 2023 operating revenues amounted to approximately $1.3 million.



Operating Expenses: 2023 operating expenses amounted to just under $5.8 million.





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, safety, and transportation 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, is complete. 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. To date, port commissioners have accepted letters of intent for a destination bridal retail center from Blueberry Bridal, and another for an $8 million dollar, five-story mixed-use retail apartment and condominium building from the Akula Group. Other development proposals are currently advancing through the collaborative design process before they are formally considered by the commission.

In addition, this spring the port will begin construction to renovate two former hangar buildings into pavilions with a band stage and courtyard space to host expanded community events. The project, which is funded with a $3.4 million grant from Benton County's Rural County Capital Fund, will enhance Vista Field's Southern Gateway at Deschutes and Crosswind Boulevard.

During strategic planning for Vista Field, the community expressed a strong desire for gathering places. When complete, the southern gateway project will provide multiple areas to use individually or with the adjacent commercial plaza. That investment follows the community-driven master plan for support facilities and is designed to attract additional private-sector investment.

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 2023, the port continued enhancing the sustainability and economic vitality of Clover Island by following its waterfront master plan (adopted by the port's Board of Commissioners in 2021). That plan emphasizes maintaining focus on Clover Island as a tourism destination with expanded business and recreational opportunities on a waterfront zoned as commercial marine.

This past year, the port, city, county, state, Confederated Tribes of the Umatilla Indian Reservation, and U.S. Army Corps of Engineers (USACE) concluded work to restore Clover Island's north shoreline. That project was the final phase of a 15-year effort which created a vibrant habitat, stabilized the shoreline, added viewpoints, and created the Clover Island Riverwalk path. Four development parcels were also readied for private-sector development.

A ribbon cutting ceremony was attended by more than 150 people, including members of four tribes (CTUIR, Walla Walla, Yakama, Nez Perce), and the Principal Deputy Assistant Secretary of the Army for Civil Works from Washington DC.

The port's effort to restore and revitalize Clover Island was honored with a Washington Public Ports Association's *2023 Creative Partnership Award*; and by Washington state's Governor Inslee with his *2023 Smart Communities/Smart Partnerships Award*.

At the port's **Columbia Gardens Wine & Artisan Village** development site, the port held a spring 2023 groundbreaking event to celebrate the sale of a parcel to the private sector for a bricks and mortar restaurant. Swampy's BBQ Kitchen will open in spring 2024--this small business entrepreneur chose to expand to a bricks and mortar building after thriving as the Food Truck Plaza's initial, anchor business. Swampy's high-visibility restaurant location within the wine village will enable them to also operate a commissary kitchen and serve guests with expanded hours. The construction of Swampy's building has inspired other developers to inquire about available parcels.

At Columbia Gardens, the port also added new wayfinding signage, a public restroom, and a demonstration vineyard. And we welcomed Frieda's Mexican Grill, Botanas Culichi and Culture Shock Bistro's renowned chef, Frank Magana, to the wine and artisan village. Currently, six food truck vendors and four wineries, including Bartholomew, Monarcha, Gordon Estate and Muret-Gaston, offer various award-winning wines and popular cuisines.

The port is now working to sell, or ground-lease, the five remaining, shovel-ready parcels to provide opportunities for complementary private-sector development. And in 2024, the port will add a custom art wrap to the exterior of the public restroom as the site's seventh art installation.

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 2023 the port invested $400,000 in the **City of Richland's** Center Parkway Extension project. That project was designed to provide better connectivity between Kennewick's Gage Boulevard and Richland's Tapteal Drive, and to help attract additional private-sector commercial, retail and employment opportunities to that important transportation corridor. That project was completed and a ribbon cutting held in fall 2023.

The port also supported the **City of Kennewick** with funding of transportation improvements at the Deschutes Avenue/Columbia Center Boulevard intersection; and the **City of Benton City** with $40,000 for planning, zoning, parks and the development of recruiting materials to help increase business opportunities within that portion of the port's district.

Challenges & Opportunities: The port made staffing adjustments to help ensure long-term success. In early 2023, the port added a new staff member, David Phongsa, to focus on vibrancy marketing, project management, and implementing activities at both Columbia Gardens and Vista Field. And, as part of an ongoing succession planning process, CEO Tim Arntzen promoted CFO Nick Kooiker to Deputy CEO.

There were also a number of significant challenges this past year, including a fire at one of the buildings within the port's Oak Street Industrial site. While no one was injured and the cause unknown, two tenants were displaced and subsequently accommodated at other port properties. Negotiations are ongoing with the port's insurance company to rebuild/replace that industrial development space.

The port also removed, under an emergency bid, the Metz Plaza trellis that had been structurally damaged and posed a threat to public safety. In addition, this past year, the port's properties experienced increased incidents of graffiti, property damage, and equipment theft; and the port's marina had one tenant whose boat sank within their leased slip; requiring Department of Ecology involvement to mitigate for potential oil and fuel leaks.

Conclusion: While the community has prioritized the port's 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.

The port must also continue to market, promote, and maintain its facilities to ensure highest benefit to the taxpayers; ensure staff are focused on land sales as a priority; that port assets are well-maintained; and the port's public facilities are available in a safe, welcoming, and inviting manner.

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 that resources and developments are economically sustainable with a positive return to the citizens and taxpayers of our port district.

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 $0.24 in 2023 which is a 45% decrease. A $400 thousand house paid $176 in Port property taxes in 2001; and just $96 in 2023.

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, 2023

Business-Type Activities - ***Rounded to nearest thousand***

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 12,338,000
Other receivables (net)	7,000
Lease receivable	491,000
Taxes receivable	83,000
Prepaid expenses	290,000
Investment pool valuation account	156,000
Total current assets	$ 13,365,000
Noncurrent Assets:	
Lease receivable	6,759,000
Net pension asset	407,000
Capital assets	
Capital assets not being depreciated:	
Land	8,531,000
Construction in progress	7,663,000
Capital assets being depreciated:	
Improvements to land	23,786,000
Buildings	37,522,000
Equipment	1,746,000
Subscription asset	24,000
Less: accumulated depreciation and amortization	(23,010,000)
Total capital assets (net)	56,262,000
Total noncurrent assets	$ 63,428,000
TOTAL ASSETS	$ 76,793,000
Deferred Outflows of Resources:	
Other post-employment benefits	10,000
State pension	402,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 412,000

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

Port of Kennewick

STATEMENT OF NET POSITION*
December 31, 2023

Business-Type Activities - ***Rounded to nearest thousand***

LIABILITIES	
Current Liabilities:	
Warrants payable	$ 173,000
Retainage payable under construction contracts	12,000
Compensated absences	516,000
Accrued benefits	225,000
Current portion of long-term debt	326,000
Current portion of other post-employment benefits	21,000
Unearned revenue	38,000
Lease securities payable	89,000
Total current liabilities	1,400,000
Noncurrent Liabilities:	
Long-term debt	3,322,000
Subscription liability	6,000
Total other post-employment benefits liability	792,000
Net pension liability	176,000
Total noncurrent liabilities	4,296,000
TOTAL LIABILITIES	5,696,000
Deferred Inflows of Resources:	
Lease	7,025,000
State pension	231,000
TOTAL DEFERRED INFLOWS OF RESOURCES	7,256,000
NET POSITION	
Net investment in capital assets	52,561,000
Restricted for net pension asset	578,000
Unrestricted	11,114,000
TOTAL NET POSITION	$ 64,253,000

***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, 2023

Business-Type Activities - ***Rounded to nearest thousand***

OPERATING REVENUES	
Property lease/rental operations	$ 879,000
Marina operations	378,000
Total operating revenues	1,257,000
OPERATING EXPENSES	
General operations	1,091,000
Maintenance	955,000
General and administration	1,334,000
Depreciation and amortization	2,375,000
Total operating expenses	5,755,000
Operating loss	(4,498,000)
NONOPERATING REVENUES (EXPENSES)	
Taxes levied for general purposes	4,883,000
Interest income	321,000
Interest income from lease activity	127,000
Change in fair value of investments	156,000
Other nonoperating revenues	5,000
Interest expense	(123,000)
Real estate division expenses	(186,000)
Economic development division expenses	(261,000)
Public, election, and governmental relations expenses	(1,348,000)
Total nonoperating revenues (expenses)	3,574,000
Gain (loss) before capital contributions	(924,000)
Capital contributions	1,095,000
Increase in net position	171,000
Net position - beginning of year	64,757,000
Changes in accounting treatment	(675,000)
Net position - end of year	$ 64,253,000

***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, 2023

Business-Type Activities - ***Rounded to nearest thousand***

CASH FLOWS from OPERATING ACTIVITIES	
Receipts from customers	$ 1,318,000
Payments to suppliers	(1,632,000)
Payments to employees	(2,030,000)
Net cash used by operating activities	(2,344,000)
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES	
Non-capital property taxes received	3,518,000
Non-operating receipts	7,000
Non-operating expenses	(1,795,000)
Net cash provided by noncapital financing activities	1,730,000
CASH FLOWS from CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital property taxes received	1,371,000
Principal paid on capital debt	(327,000)
Interest paid on capital debt	(123,000)
Purchases of capital assets	(1,371,000)
Capital contributions	1,095,000
Net cash used by capital and related financing activities	645,000
CASH FLOWS from INVESTING ACTIVITIES	
Interest and dividends on investments	331,000
Net cash provided by investing activities	331,000
Net Increase (decrease) in cash and cash equivalents	362,000
Balance - beginning of the year	11,976,000
Balance - end of the year	$ 12,338,000

***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, 2023

Business-Type Activities - ***Rounded to nearest thousand***

Operating loss	$ (4,498,000)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	2,375,000
Other post-employment benefits	(83,000)
State pension	(238,000)
Changes in assets and liabilities	
Accounts receivable (net)	41,000
Lease revenue	17,000
Software subscription	(18,000)
Prepayments	(29,000)
Customer deposits payable	-
Warrants payable	15,000
Compensated absences	40,000
Accrued benefits	30,000
Unearned revenue	4,000
Net cash used by operating activities	$ (2,344,000)

Non-Cash Activities for Investing and Financing Activities

The noncash portion of these transactions are as follows:

Change in investment pool valuation account	$156,000

***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, 2023

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. 96, Subscription-Based Information Technology Arrangement (SBITA) in 2023. 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 right-to-use subscription arrangements, in an exchange or exchange-like transaction for a period exceeding 12 months. This required the Port to recognize a right-to-use intangible assets and accumulated amortization along with recognizing a liability on the future payment provisions of the subscription contract. This Statement also requires the Port to shift part of the subscription payment paid during the current year to an interest expense 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, 2023, the Benton County Treasurer held just over $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*).

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. Lessor Leases Activities and Subscription-Based Information Technology Arrangements (SBITAs) – *See Note 6, Leases and Note 14, Subscription-Based Information Technology Arrangements*

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 varies based on lease start date, term, and the market rates. The IBR is calculated as follows:

Agreement Terms									
Agreement #	Start Date	End Date	Tax Status	Scale Date	Term	Term in Months	AAA Rate	Tax-Exempt Credit Spread	Adjusted IBR Rate
1	1/1/2022	1/31/2023	Tax-Exempt	1/1/2022	1.00000	12.00000	0.218%	0.040%	0.258%
2	2/1/2023	1/31/2026	Tax-Exempt	1/1/2023	3.00000	36.00000	2.583%	0.213%	2.796%
3	1/1/2022	10/31/2032	Tax-Exempt	1/1/2022	11.00000	132.00000	1.117%	0.230%	1.347%
4	1/1/2022	12/31/2023	Tax-Exempt	1/1/2022	2.00000	24.00000	0.310%	0.070%	0.380%
5	1/1/2024	12/31/2026	Tax-Exempt	10/1/2023	3.00000	36.00000	3.591%	0.173%	3.764%
6	1/1/2022	12/31/2059	Tax-Exempt	1/1/2022	30.00000	360.00000	1.541%	0.310%	1.851%
7	1/1/2022	12/31/2034	Tax-Exempt	1/1/2022	13.00000	156.00000	1.162%	0.250%	1.412%
8	10/1/2023	9/30/2026	Tax-Exempt	10/1/2023	3.00000	36.00000	3.591%	0.173%	3.764%
9	5/15/2022	5/31/2025	Tax-Exempt	4/1/2022	3.00000	36.00000	1.868%	0.277%	2.145%
10	1/1/2022	12/31/2026	Tax-Exempt	1/1/2022	5.00000	60.00000	0.636%	0.100%	0.736%
11	6/1/2022	5/31/2025	Tax-Exempt	4/1/2022	3.00000	36.00000	1.868%	0.277%	2.145%
12	7/1/2022	12/31/2024	Tax-Exempt	7/1/2022	3.00000	36.00000	2.038%	0.317%	2.354%
13	1/1/2022	10/31/2027	Tax-Exempt	1/1/2022	6.00000	72.00000	0.769%	0.124%	0.893%
14	1/1/2022	4/30/2025	Tax-Exempt	1/1/2022	3.00000	36.00000	0.396%	0.080%	0.476%
15	1/1/2022	12/31/2023	Tax-Exempt	1/1/2022	2.00000	24.00000	0.310%	0.070%	0.380%
16	1/1/2022	4/30/2024	Tax-Exempt	1/1/2022	2.00000	24.00000	0.310%	0.070%	0.380%
17	1/1/2022	12/31/2024	Tax-Exempt	1/1/2022	3.00000	36.00000	0.396%	0.080%	0.476%
18	1/1/2023	12/31/2025	Tax-Exempt	1/1/2023	3.00000	36.00000	2.583%	0.213%	2.796%
19	1/1/2022	7/31/2087	Tax-Exempt	1/1/2022	30.00000	360.00000	1.541%	0.310%	1.851%
20	1/1/2022	4/30/2045	Tax-Exempt	1/1/2022	23.00000	276.00000	1.447%	0.310%	1.757%

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.

SBITA:
The Port has noncancellable SBITAs for the right to use information technology hardware and software. The Port recognizes a subscription liability and an intangible right-to-use subscription asset (capital asset), respectively, on the Statement of Net Position. The subscription liability is initially measured at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the amount of the subscription liability, plus any subscription payments made at or before the subscription commencement date.

The asset is amortized on a straight-line basis over the subscription term. The subscription term includes noncancellable periods of the SBITA, plus any additional periods which allow for an extension or termination with reasonable certainty to be exercised. Unilateral option to terminate by both parties are not included in the subscription term. SBITAs with maximum possible term of 12 months or less at commencement are expensed in the current year. For SBITAs with automatic renewal terms, the Port recognizes technology is ever changing and used a maximum of 36 months for subscription term.

The Port's uses IBR as in leases described above. IBR term varies based on subscription start date, term, and the market rates. The IBR is calculated as follows:

Agreement Terms								
Agreement #	Agreement	Agreement	Tax Status	Scale Date	Term	Tax-Exempt AAA Rate	Credit Spread	Adjusted Rate
1	5/16/2023	5/15/2026	Tax-Exempt	4/1/2023	3.00000	2.310%	0.193%	2.503%
2	6/28/2023	6/27/2026	Tax-Exempt	4/1/2023	3.00000	2.310%	0.193%	2.503%
3	12/1/2023	11/30/2026	Tax-Exempt	10/1/2023	3.00000	3.591%	0.173%	3.764%
4	8/21/2023	8/20/2026	Tax-Exempt	7/1/2023	3.00000	2.848%	0.193%	3.041%
5	1/1/2023	11/25/2025	Tax-Exempt	1/1/2023	3.00000	2.583%	0.213%	2.796%
6	7/16/2023	7/15/2026	Tax-Exempt	7/1/2023	3.00000	2.848%	0.193%	3.041%
7	3/7/2023	3/6/2026	Tax-Exempt	1/1/2023	3.00000	2.583%	0.213%	2.796%
8	5/31/2023	5/30/2026	Tax-Exempt	4/1/2023	3.00000	2.310%	0.193%	2.503%
9	3/27/2023	3/26/2026	Tax-Exempt	1/1/2023	3.00000	2.583%	0.213%	2.796%
10	4/1/2023	3/31/2026	Tax-Exempt	4/1/2023	3.00000	2.310%	0.193%	2.503%
11	3/5/2023	3/4/2026	Tax-Exempt	1/1/2023	3.00000	2.583%	0.213%	2.796%
12	1/1/2023	11/17/2025	Tax-Exempt	1/1/2023	3.00000	2.583%	0.213%	2.796%
13	4/1/2021	3/31/2024	Tax-Exempt	4/1/2021	3.00000	0.303%	0.183%	0.487%

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 $578 thousand of restricted net position for pension asset as per Note 7, Pension. None of the restricted net position is restricted by enabling legislation.

k. Accounting Changes and Error Corrections

According to GASB Statement No. 100, *Accounting Changes and Error Corrections* an amendment of GASB Statement No. 62, the Port is required to account for the correction of an error in a previously issued financial statement (error correction). The Port is working with the Army Corp of Engineers on the 1135 Shoreline improvements where the Port capitalizes the Army Corp of Engineers cost on our balance sheet as a capital asset. In 2023, the Port discovered an error in previously reported Army Corp of Engineers expenditures to date that occurred due to an oversight of the facts at the time the prior year financial statements were issued, where it could not be reasonably expected that the facts provided were not correct. When the Port obtained new facts on the Army Corp of Engineers expenditures to date, the Port corrected the error correction through a prior period adjustment to reduce the construction work in progress expense balance by approximately $675,000. The Port's comparable financials in the MD&A prior year balances were corrected. Furthermore, Note 2, Capital Asset and Depreciation, Construction In Progress beginning balance was corrected.

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 2023. Capital asset activity for the year ending December 31, 2023 was as follows:

	Beginning Balance January 1	Deletions	Additions	Ending Balance December 31
Capital assets, not depreciated:				
Land	$ 8,531,000	$ -	-	$ 8,531,000
Construction in progress	7,941,000	1,533,000	1,255,000	7,663,000
Total capital assets, not depreciated or amortized	16,472,000	1,533,000	1,255,000	16,194,000
Capital assets, depreciated or amortized:				
Right to use subscription software	-		24,000	24,000
Buildings	37,522,000	-	-	37,522,000
Improvements other than buildings	22,253,000	-	1,533,000	23,786,000
Machinery and equipment	1,757,000	62,000	51,000	1,746,000
Total capital assets, depreciated or amortized	61,532,000	62,000	1,608,000	63,078,000
Less accumulated depreciation or amortization for:				
Right to use subscription software	-	-	9,000	9,000
Buildings	11,802,000	-	847,000	12,649,000
Improvements other than buildings	7,942,000	-	1,367,000	9,309,000
Machinery and equipment	950,000	59,000	152,000	1,043,000
Total accumulated depreciation and amortizations	20,694,000	59,000	2,375,000	23,010,000
Total capital assets, being depreciated or amortized (net)	40,838,000	3,000	(767,000)	40,068,000
Total capital assets (net)	**$ 57,310,000**	**$ 1,536,000**	**$ 488,000**	**$ 56,262,000**

NOTE 3 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2023, The Port had three active planning and construction projects; Vista Field Redevelopment, Columbia Drive Redevelopment, and Vista Field Development Building A Improvements. At year-end, the Port's commitments on contract were as follows:

Project	Spent to Date	Remaining Commitment
Vista Field Redevelopment	$ 453,000	$ 285,000
Columbia Drive Redevelopment, Tasting Room	$ 20,000	$ 35,000
Vista Field Development Building A	$ 40,000	$ 8,000
Total	***$ 513,000***	***$ 328,000***

Of the committed balance of $328 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 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 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, 2023. 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 a $156 thousand fair value adjustment 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.

<u>Custodial Risk.</u> 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, 2023 are as follows:

Deposit	Maturity	Carrying Cost	Fair Value Adjustment
Benton County (External Investment Pool)	Daily	$12,323,000	$156,000
Gesa petty cash	Daily	15,000	0
Total		$12,338,000	$156,000

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 Benton County 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 3.1% and the County's entire portfolio summary for the TIP is as follows:

Be

TREASURER'S INVESTMENT POOL
Portfolio Management
Portfolio Summary
December 31, 2023

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM
Federal Agency Coupons	98,230,000.00	95,074,360.60	97,209,924.74	25.13	1,700	372	2.184
Treasury Coupon Securities	164,000,000.00	155,808,030.00	161,528,996.64	41.75	1,582	856	2.151
Federal Agency Callables	37,750,000.00	36,109,875.00	37,741,143.20	9.76	1,535	773	2.393
LGIP	90,406,731.79	90,406,731.79	90,406,731.79	23.37	1	1	5.429
Investments	**390,386,731.79**	**377,398,997.39**	**386,886,796.37**	**100.00%**	**1,238**	**526**	**2.949**

NOTE 6 – LEASES

GASB Statement No. 87, Leases established a single model for lease accounting based on the principle that leases are financing a 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 2023. The Port does have lessor activity for 2023. The Port leases land and buildings under a variety of long-term, non-cancelable lease agreements. These lease agreements vary in rent payments, expiration terms (including options to extend the lease). The Port had 7 leases with options to extend the lease term. The Port deemed all & leases with options to extend the lease term were reasonably certain to extend and are calculated in the Port's lease activity schedule. Only fixed receipts and components of variable receipts that are fixed in substance are included in the measurement of the lease receivable and deferred inflows based on the present value of the expected receipts over the term of the respective leases. The Port had no noncancelable leases over twelve months with variable receipts.

The Port had the following noncancelable lessor lease activity with a fixed term and fixed receipts exceeding one-year:

BUSINESS-TYPE ACTIVITIES:	Extension Options	IBR	2023 Monthly Payments	Lease Term Left In Months	*Deferred Inflow of Resources* Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Activity (Rollforward Schedule)								
Buildings								
Columbia Gardens Wine Village Building B	One for 60 months	0.89%	$ 2,932	58	$ 170,869	$ -	$ 37,341	$ 133,528
Columbia Gardens Wine Village Building B	One for 60 months	1.35%	4,579	118	559,367	-	56,885	502,482
Oak Street Development Building C	N/A	0.48%	1,298	24	37,065	-	15,885	21,180
Oak Street Development Building C	N/A	2.35%	5,988	18	140,261	-	70,130	70,131
Oak Street Development Building C	N/A	0.38%	1,312	12	15,545	-	15,545	-
Oak Street Development Building D	N/A	2.80%	2,423	36	-	85,726	28,575	57,151
Columbia Gardens Way Wine Tasting Building	N/A	0.26%	1,276	1	1,309	-	1,309	-
Columbia Gardens Way Wine Tasting Building	N/A	0.26%	1,292	1	1,288	-	1,288	-
Columbia Gardens Way Wine Tasting Building	N/A	2.80%	1,329	36	-	47,188	14,419	32,769
Columbia Gardens Way Wine Tasting Building	N/A	2.15%	1,375	24	38,647	-	15,992	22,655
Clover Island Yacht Club/Professional Building	Two for 180 months	1.85%	4,225	775	1,898,087	-	29,390	1,868,697
Clover Island Yacht Club/Professional Building	N/A	0.38%	3,949	16	63,315	-	47,486	15,829
Clover Island Yacht Club/Professional Building	N/A	0.48%	1,828	24	43,571	-	21,785	21,786
Vista Field Development Building A	One for 12 months	2.15%	2,936	24	81,438	-	33,699	47,739
Vista Field Development Building B	N/A	3.76%	2,278	36	-	79,936	6,661	73,275
Clover Island Port Office Building	N/A	0.74%	$ 2,934	48	141,077	-	35,269	105,808
Total Building Lease Activity					***$ 3,191,839***	***$ 212,850***	***$ 431,659***	***$ 2,973,030***
Land								
Clover Island Land Lease	One for 120 months	1.85%	$ 3,881	444	$ 2,249,247	$ -	$ 60,790	$ 2,188,457
Clover Island Land Lease	Two for 60 months	1.41%	5,806	144	886,286	-	73,857	812,429
East Cochran Road Land Lease	Four for 60 months	1.76%	5,000	268	1,100,265	-	49,266	1,050,999
East 3rd Avenue Land Lease	N/A	0.38%	$ 155	12	1,856	-	1,856	-
Total Land Activity					***$ 4,237,654***	***$ -***	***$ 185,769***	***$ 4,051,885***
Total Port Lease Activity					**$ 7,429,494**	**$ 212,850**	**$ 617,428**	**$ 7,024,915**

BUSINESS-TYPE ACTIVITIES:	*Lease Receivable* Balance as of January 1, 2023	Additions	Reductions	Balance as of December 31, 2023
Activity (Rollforward Schedule)				
Buildings	***Buildings***			
Columbia Gardens Wine Village Building B	$ 174,262	$ -	$ 36,090	$ 138,172
Columbia Gardens Wine Village Building B	570,925	-	47,807	523,118
Oak Street Development Building C	37,342	-	15,770	21,572
Oak Street Development Building C	141,717	-	69,262	72,455
Oak Street Development Building C	15,729	-	15,729	-
Oak Street Development Building D	-	85,726	27,228	58,498
Columbia Gardens Way Wine Tasting Building	1,313	-	1,313	-
Columbia Gardens Way Wine Tasting Building	1,292	-	1,292	-
Columbia Gardens Way Wine Tasting Building	-	47,188	13,681	33,507
Columbia Gardens Way Wine Tasting Building	39,076	-	15,631	23,445
Clover Island Yacht Club/Professional Building	1,909,309	-	15,484	1,893,825
Clover Island Yacht Club/Professional Building	64,274	-	48,070	16,204
Clover Island Yacht Club/Professional Building	44,296	-	21,776	22,520
Vista Field Development Building A	83,561	-	33,416	50,145
Vista Field Development Building B	-	79,936	6,353	73,583
Clover Island Port Office Building	142,910	-	34,267	108,643
Total Building Lease Activity	***$ 3,226,006***	***$ 212,850***	***$ 403,169***	***$ 3,035,687***
Land	**Land**			
Clover Island Land Lease	$ 2,304,162	$ -	$ 3,950	$ 2,300,212
Clover Island Land Lease	904,561	-	57,270	847,291
East Cochran Road Land Lease	1,107,695	-	40,866	1,066,829
East 3rd Avenue Land Lease	1,853	-	1,853	-
Total Land Activity	***$ 4,318,271***	***$ -***	***$ 103,939***	***$ 4,214,332***
Total Port Lease Activity	**$ 7,544,277**	**$ 212,850**	**$ 507,108**	**$ 7,250,021**

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			
	Business-Type Activities		
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	490,863	122,398	613,261
2025	354,038	114,898	468,936
2026	286,486	109,583	396,069
2027	229,895	105,797	335,692
2028	207,217	102,568	309,785
2029 - 2033	1,097,288	461,865	1,559,153
2034 - 2038	623,849	390,634	1,014,483
2039 - 2043	649,534	336,930	986,464
2044 - 2048	568,927	278,804	847,731
2049 - 2053	638,299	225,952	864,251
2054 - 2058	820,002	158,884	978,886
2059 - 2063	315,464	98,672	414,136
2064 - 2068	171,551	81,919	253,470
2069 - 2073	188,172	65,298	253,470
2074 - 2078	206,404	47,066	253,470
2079 - 2083	226,403	27,067	253,470
2084 - 2087	175,629	6,024	181,653
Total Principal Payments	7,250,021	2,734,359	9,984,380

For GASB Statement No. 87 lease activity calculations, the Port recognized $630 thousand in lease receipts in 2023 ($503 thousand principal and $127 thousand in interest).

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 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, 2023 approximately $3.6 million principal was 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, 2023 are as follows:

	Bond	
Year Ending December 31,	Principal	Interest
2024	326,017	123,064
2025	337,361	111,719
2026	349,100	99,980
2027	361,248	87,832
2028	373,819	75,261
2029-2033	1,900,320	171,894
Total	$ 3,647,865	$ 669,750

B. Changes in Long-Term Liabilities

As of December 31, 2023, 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	$ 476,000	$ 40,000	$ -	$ 516,000	$ -
GO	263.99	Accrued Benefits	N/A	N/A	195,000	30,000	-	225,000	-
GO	264.30	PERS/Pension Related	Jan-15	N/A	254,000		78,000	176,000	-
GO	263.40	OPEB	Jan-13	N/A	891,000		78,000	813,000	21,000
GO	263.57	(SBITAs) Subscription Based IT Arrangements	Jan-23	N/A	-	16,000	10,000	6,000	-
GO	251.41	Non-Voted General Obligation Bond for Construction	May-20	Jun-28	3,975,000	-	327,000	3,648,000	326,000
Total Liabilities					**$5,791,000**	**$ 86,000**	**$ 493,000**	**$ 5,384,000**	**$ 347,000**

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.

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, Litigation, Stewardship, and Accountability.*

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:

	2023
OPEB Liabilities	$813,375
Deferred Outflows of Resources	10,279
OPEB Expense	$57,184

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	18

Inactive Employees or beneficiaries currently receiving benefits	4
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	*
Total	22

**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, 2023, 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	6/30/2023
Actuarial Measurement Date	6/30/2023
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	N/A (No Assets)
Assumptions	
Discount Rate[1]	
Beginning of Measurement Year	3.54%
End of Measurement Year	3.65%
Projected Salary Changes	3.25% + Service-Based Increases
Healthcare Trend Rates[2]	Initial rate ranges from about 2-16%, reaching an ultimate rate of approximately 3.8% 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[3]	2.35%
Post-Retirement Participation Percentage	60%
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.*

[3] *Based on the Consumer Price Index (CPI): Urban Wage Earners & Clerical Workers, U.S. City Average, WA - All Items.*

Changes in the Total OPEB Liability

Schedule of Changes in Total OPEB Liability and Related Ratios *Measurement Date of June 30, 2023*	
Total OPEB Liability (TOL)	
Service Cost	$24,310
Interest Cost	$32,046
Changes in Experience Data and Assumptions	($113,540)
Changes in Benefit Terms	$0
Benefit Payments	($20,602)
Other	$0
Net Change in Total OPEB Liability	**($77,786)**
Total OPEB Liability - Beginning	$891,161
Total OPEB Liability - Ending	**$813,375**
Covered Employee Payroll	$1,537,550
TOL as a Percentage of Covered Payroll	**52.90%**

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	$947,865	**$813,375**	$703,838
Healthcare Trend	$693,997	**$813,375**	$962,385

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, 2023	
Service Cost	$24,310
Interest Cost	$32,046
Changes in Experience Data and Assumptions	($113,540)
Changes in Benefit Terms	$0
Other Changes in Fiduciary Net Position	$0
Total OPEB Expense	**($57,184)**

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	$10,279

Deferred outflows of resources will be recognized as an OPEB expense in 2024.

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 2023:

Aggregate Pension Amounts - All Plans	
Pension liabilities	(176,067)
Pension assets	407,286
Deferred outflows of resources	402,156
Deferred inflows of resources	(231,072)
Pension expense/expenditures	(75,973)

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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employee's Retirement System (PERS)

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% 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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). 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%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1		
[1] Actual Contribution Rates	Employer	Employee*
January – June		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**
July – August		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	**9.39%**	**6.00%**
September – December		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	**9.53%**	**6.00%**

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. 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 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. 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. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. 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 rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 2/3			
[1] Actual Contribution Rates	Employer 2/3	Employee 2*	Employee 3**
January – June			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	3.85%		
Administrative Fee	0.18%		
Total	**10.39%**	**6.36%**	
July – August			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.85%		
Administrative Fee	0.18%		
Total	**9.39%**	**6.36%**	
September – December			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.97%		
Administrative Fee	0.20%		
Total	**9.53%**	**6.36%**	

Port of Kennewick's actual PERS plan contributions were $56 thousand to PERS Plan 1 and $106 thousand to PERS plan 2/3 for the year ending December 31, 2023.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, 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 service-based salary increase.
- **Investment rate of return:** 7.00%
-

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

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

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

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

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.

Your Allocation %	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
PERS 1	3,189,149,000	2,282,732,000	1,491,643,000
0.007713%	245,979	176,067	115,050
PERS 2/3	4,457,809,000	(4,098,683,000)	(11,128,382,000)
0.009937%	442,972	(407,286)	(1,105,827)

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 assets/(liabilities) as follows:

Account Balance	PERS 1	PERS 2/3
Ending Net Pension Asset (Liability)	(176,067)	407,286

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

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.0091%	0.0077%	-0.0014%
PERS 2/3	0.0119%	0.0099%	-0.0019%

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, 2023, the Port recognized pension expense as follows:

Account Balance	PERS 1	PERS 2/3	TOTAL PLANS
Total pension expense	(42,041)	(33,932)	(75,973)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, 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	(19,861)
Changes of assumptions	0	0
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	24,908	
TOTAL	24,908	(19,861)

PERS 2/3	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	82,964	(4,551)
Net difference between projected and actual investment earnings on pension plan investments	0	(153,490)
Changes of assumptions	170,993	(37,270)
Changes in proportion and differences between contributions and proportionate share of contributions	69,221	(15,901)
Contributions subsequent to the measurement date	54,069	
TOTAL	377,247	(211,212)

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

Year	PERS 1	PERS 2/3
2024	(13,513)	(60,717)
2025	(16,994)	(78,019)
2026	10,478	134,544
2027	167	53,663
2028	-	52,300
Thereafter	-	10,197
Total (DI) / DO	**(19,862)**	**111,968**

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 2023 was $0.24 per $1,000 on an assessed valuation of approximately $20.4 billion for a total regular tax levy of just under $4.9 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, 2023, there are 196 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 $750 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 $750 thousand SIR. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of $750 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 $8.3 million, that is fully funded in its annual budget.

Property insurance is subject to a per-occurrence SIR of $750 thousand. Members are responsible for a $1 thousand deductible for each claim (some member deductibles vary). The program bears the $750 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, 2023, were just over $2.7 million. The Port of Kennewick had one material claims in 2023 for the Oak Street Development Building D fire in the amount of $478 thousand. The Port has not 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 2023 and no unemployment claims are outstanding as of December 31, 2023. 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 2023 and held $0 of employee premiums at fiscal year-end.

NOTE 14 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

For the year ended 12/31/2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

The Port has noncancellable subscription-based information technology arrangements (SBITAs) for the right to use information technology hardware and software. For SBITA's with automatic renewal with no mutual termination clause, the Port used a renewal term of 36 months based on technological advancements and changes which may cause the Port to cancel. Variable payments, other than those payments that depend on an index or rate or are fixed in substance, and other payments that are not known or certain to be exercised are excluded from the measurement of the subscription liabilities. The Port had one SBITA with variable monthly fees under $50 due to software use overages. These variable payments were not included in the measurement of the subscription liability. The Port had no deferred outflows of resources recognized during the reporting period for other payments, such as termination penalties. The Port had no commitments under SBITAs before the commencement of the subscription term nor any impairments.

The following is a summary of the Port's right-to-use subscription asset activity for the year ending December 31, 2023:

Subsciption Assets

Business-Type Activities	Beginning Balance	Additions	Deletions / Adjustments	Ending Balance
Subscription assets	$ -	$ 23,916		$23,916
Accumulated amortization	-	9,150	-	9,150
Net subscription assets	$ -	$ 14,766	$ -	$14,766

The following schedule presents future annual SBITA payments and interest requirements to maturity of the Port's right-to-use subscription activity for the year ending December 31, 2023:

Subscription Liabilities

Business-Type Activities	Principal	Interest
Subscription-Based IT Arrangements (SBITAs) Right-to-Use Agreements By Fiscal Year		
2024	$ 2,866	$ 154
2025	2,942	78
2026	-	-
2027	-	-
2028	-	-
Total	$ 5,808	$ 232

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.

The Port had the following noncancelable SBITA activity with a fixed term and fixed receipts exceeding one-year:

Activity (Rollforward Schedule)	BUSINESS-TYPE ACTIVITIES:					
BUSINESS-TYPE ACTIVITIES:	**IBR**	**Subscription Term Left In Months**	**Balance as of January 1, 2023**	**Additions**	**Reductions**	**Balance as of December 31, 2023**
Subscription Liability	Subscription Liability					
Software						
ASANA	2.5%	36	-	1,930	659	1,271
Adobe Creative Cloud	2.5%	36	-	2,986	1,020	1,966
DropBox - Bridgette	2.8%	36	-	567	185	382
Dropbox - Amber	3.0%	36	-	580	199	381
Dropbox - DAVID	3.0%	36	-	580	199	381
Dropbox - Larry's	2.8%	36	-	350	120	230
Dropbox - Tana	2.5%	36	-	351	120	231
GoToMeeting - Bridgette	2.8%	36	-	716	233	482
GoToMeeting - Tana	2.8%	36	-	736	252	484
Meraki MR Enterprise & MS 125 84F8	2.5%	36	-	3,319	3,319	-
Palo Alto Networks PA-415	3.8%	36	-	3,911	3,911	-
Palo Alto Networks PA-820	0.5%	15	-	-	-	-
Total Software Subscription Liability	Total Software Subscription Liability		-	16,026	10,217	5,809

BUSINESS-TYPE ACTIVITIES:

BUSINESS-TYPE ACTIVITIES:	Balance as of January 1, 2023	Additions	Balance as of December 31, 2023
Subscription Assets			
Software			
ASANA	-	1,930	1,930
Adobe Creative Cloud All Apps	-	2,986	2,986
DropBox	-	567	567
DropBox	-	580	580
DropBox	-	580	580
DropBox	-	350	350
DropBox	-	351	351
GoToMeeting	-	716	716
GoToMeeting	-	736	736
Meraki MR Enterprise & MS 125 84F8	-	3,319	3,319
Palo Alto Networks PA-415	-	3,911	3,911
Palo Alto Networks PA-820	-	7,892	7,892
Total Software Subscription Assets	-	23,916	23,916
Subscription Accumulated Amortization			
Software			
ASANA	-	327	327
Adobe Creative Cloud All Apps	-	622	622
DropBox	-	185	185
DropBox	-	70	70
DropBox	-	89	89
DropBox	-	95	95
DropBox	-	70	70
GoToMeeting	-	239	239
GoToMeeting	-	202	202
Meraki MR Enterprise & MS 125 84F8	-	830	830
Palo Alto Networks PA-415	-	109	109
Palo Alto Networks PA-820	-	6,313	6,313
Total Software Subscription Accumulated Amortization	-	9,150	9,150
Total Business-Type Subscription Assets, Net	-	14,766	14,766

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, 2023

	2018	2019	2020	2021	2022	2023
Total OPEB liability - beginning	$886,449	$ 898,057	$ 813,180	$1,068,784	$861,352	$891,161
Service cost	36,525	31,986	31,101	48,026	30,967	24,310
Interest	32,933	35,681	29,422	24,620	19,196	32,046
Changes in benefit terms	0	0	0	0	0	0
Differences between expected and actual experience	0	0	0	0	0	0
Changes of assumptions	(51,687)	(136,279)	202,421	(274,505)	(13,123)	(113,540)
Benefit payments	(6,163)	(16,265)	(7,340)	(5,573)	(7,231)	(20,602)
Other changes	0	0	0	0	0	0
Total OPEB liability - ending	898,057	813,180	1,068,784	861,352	891,161	813,375
Covered-employee payroll	$1,170,103	$1,223,389	$1,295,883	$1,178,318	$1,277,262	$1,537,550
Total OPEB liability as a % of covered payroll	76.75%	66.47%	82.48%	73.10%	69.77%	52.90%

<u>Note to Schedule</u>

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%	2021	2.21% to 2.16%
2019	3.87% to 3.50%	2022	2.16% to 3.54%
2020	3.50% to 2.21%	2023	3.54% to 3.65%

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
SCHEDULE OF THE PORT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

As of June 30, 2023

PERS 1

	2015	2016	2017	2018	2019	2020	2021	2022	2023
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%	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	$ 253,851	$ 176,067
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	$ 1,513,676
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%	11.63%
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%	80.16%

PERS 2 & 3

	2015	2016	2017	2018	2019	2020	2021	2022	2023
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%	0.010%
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)	$ (407,286)
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	$ 1,513,676
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%	-26.91%
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%	107.02%

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, 2023

PERS 1

PERS 1	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorily or contractually required contributions	$ 39,197	$ 46,063	$ 49,899	$ 55,712	$ 59,097	$ 59,874	$ 57,207	$ 52,648	$ 56,205
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)	(56,205)
Contribution deficiency (excess)	0	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	$1,663,035
Contributions as a percentage of covered payroll	4.39%	4.77%	4.90%	5.06%	4.95%	4.80%	4.29%	3.76%	3.38%

PERS 2 & 3

PERS 2 & 3	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorily or contractually required	$ 51,950	$60,162	$69,853	$82,516	$ 90,047	$ 98,870	$ 95,200	$ 89,129	$ 105,769
Contributions in relation to the statutorily or contractually required	(51,950)	(60,162)	(69,853)	(82,516)	(90,047)	(98,870)	(95,200)	(89,129)	(105,769)
Contribution deficiency (excess)	0	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	$1,663,035
Contributions as a percentage of covered payroll	5.82%	6.23%	6.86%	7.50%	7.54%	7.92%	7.14%	6.36%	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.

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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