



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Olympia

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

Published April 3, 2025

Report No. 1036949



Scan to see another great way
we're helping advance
#GoodGovernment



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

April 3, 2025

Board of Commissioners
Port of Olympia
Olympia, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Independent Auditor's Report on the Financial Statements	6
Financial Section	9
About the State Auditor's Office	53

INDEPENDENT AUDITOR'S REPORT

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

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

Board of Commissioners
Port of Olympia
Olympia, 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 Olympia, 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 March 28, 2025.

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.

We noted certain other matters that we have reported to the management of the Port in a separate letter dated March 28, 2025.

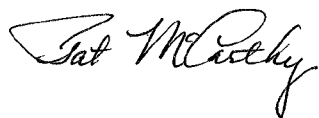
REPORT ON COMPLIANCE AND OTHER MATTERS

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.

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

Pat McCarthy, State Auditor

Olympia, WA

March 28, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Board of Commissioners
Port of Olympia
Olympia, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

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 March 28, 2025 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.

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

Pat McCarthy, State Auditor

Olympia, WA

March 28, 2025

FINANCIAL SECTION

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

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2023

Statement of Revenues, Expenses and Changes in Net Position – 2023

Statement of Cash Flows – 2023

Notes to Financial Statements – 2023

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 and PERS 2/3 – 2023

Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2023

Schedule of Changes in Total OPEB Liability and Related Ratios – Health Insurance Benefit – 2023

Schedule of Changes in Total OPEB Liability and Related Ratios – Medical Savings Account/VEBA Plan - 2022

Port of Olympia

Management's Discussion and Analysis for the Year Ended December 31, 2023

Overview of the Financial Statements

This discussion and analysis introduces the Port's basic financial statements. It has been prepared by Port management and should be considered in conjunction with the financial statements and the notes. The Port is not required to reflect both a government-wide perspective financial report and a fund perspective financial report since the Port maintains a single enterprise fund which uses the same measurement focus (economic resources) and accounting basis (full accrual) as is reflected in the government-wide financial statements.

The following is a brief discussion of the various statements contained within the basic financial statements.

- Statement of Net Position – reflects the financial position of the Port at the end of the calendar year. The statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Port. Net position, the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, is an indicator of the current fiscal health of the organization and the enterprise's financial position over time. A summarized comparison of the Port's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at December 31, 2023 follows.
- Statement of Revenues, Expenses and Changes in Fund Net Position – reflects the change in the Port's financial position (net position) during the current year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and unpaid liabilities owed to vendors). This statement presents net income or loss from operations as well as non-operating revenues and expenses, capital contributions and extraordinary items.
- Statement of Cash Flows – reflects the net increases or decreases in cash from four activities: 1) Operating Activities, with a reconciliation of cash flows from operating activities to net income or loss from operations; 2) Noncapital financing activities; 3) Capital and related activities; 4) Investing activities.

The financial statement footnotes provide additional information that is essential to a full understanding of the data provided in the financial statements and are an integral part of the basic financial statements.

Financial Highlights

- Total Net Position increased during 2023 by \$5.831 million. Roughly 25% came from better than budgeted income across all business lines with 75% due to expenses coming in under budget.
- Unrestricted net position for the year end increased to \$16.410 million. Current Assets increased due to an increase in cash and cash equivalents.

Statement of Net Position as of December 31, 2023 and 2022

(In thousands)

	2023	2022
ASSETS		
Total Current and Other Assets	\$ 74,453	\$ 68,620
Total Net Capital Assets	111,206	114,788
Total Assets	185,659	183,408
Total Deferred Outflows of Resources	1,646	1,872
LIABILITIES and NET POSITION		
Total Current Liabilities	9,105	8,594
Total Non-current Liabilities	30,630	34,542
Total Liabilities	39,735	43,136
Total Deferred Inflows of Resources	48,480	48,886
NET POSITION		
Net Investment in Capital Assets	80,025	80,205
Restricted	2,654	1,973
Unrestricted	16,410	11,080
Total Net Position	\$ 99,089	\$ 93,258

Analysis of Financial Position and Results of Operations for the Year Ended December 31, 2023:

Revenues: Operating revenues decreased by \$1.903 million from last years \$19.020 million. Loading and unloading fees decreased by \$1.810 million due to the international shipping container situation / imbalance resolving itself and a general reduction in break bulk ships.

Non-Operating: Non-Operating income (net of expense) of \$4.554 million increased by \$1.324 million compared to 2022 primarily due to increases in Ad Valorem Taxes of \$.475 million, Grant revenue of \$.639 million, and an increase in Investment value of \$.390 million; offset by a reduction of Tax Sharing (\$.063 million) and a large Environmental Cost increase of \$2.000 million due to mitigation efforts.

Increase in Net Position: The Port increased its net position by \$5.831 million during 2023.

Statement of Revenues, Expenses and Changes in Net Position
(In thousands)

	2023	2022
Revenues		
Operating Revenues		
Charge for Services	\$ 17,117	\$ 19,020
Non-operating Revenues		
Interest Earned	412	(678)
Other Revenues	9,050	7,568
Gain (Loss) on disposal of assets	652	0
TOTAL REVENUES	27,231	25,910
Expenses		
Operating Expenses	15,839	16,810
Non Operating Expenses	5,561	3,660
TOTAL EXPENSES	21,400	20,470
Excess or Deficiency before Contributions	5,831	5,440
Capital Contributions	0	55
Change in Net Position	5,831	5,495
Net Position, Beginning of Year	93,258	88,004
Prior Year Adjustments	0	(241)
Net Position, End of Year	\$ 99,089	\$ 93,258

Capital Assets and Debt

Capital Assets: The Port's capital assets, net of depreciation, as of December 31, 2023, amounted to \$111 million. Capital assets includes land, buildings, improvements, machinery and equipment, infrastructures, and construction in process.

Major capital asset events during 2023 included the following:

- The Port invested approximately \$.045 million for Marine Terminal Water Truck.
- The Port invested approximately \$.241 million for load equipment.
- The Port invested in IT equipment that cost \$.166 million.

Additional information on the Port's capital assets can be found in Note 5 of the financial statements.

Port of Olympia's Capital Assets, net of accumulated depreciation
(In thousands)

	2023	2022
Land and Land Rights	\$ 29,369	\$ 29,850
Buildings, Structure and Improvements	39,581	41,309
Machinery and Equipment	12,881	12,690
Infrastructure	28,340	29,532
Right to Use Asset	113	371
Construction in Progress	922	1,036
Total, Net of Depreciation	\$ 111,206	\$ 114,788

Bond Debt

The Port had general obligation bond debt outstanding of \$29.955 million and \$33.265 million at December 31, 2023 and December 31, 2022 respectively. During 2023, the Port decreased its general obligation bond debt by \$3.310 million.

The Port requests bond ratings prior to issuing debt. In 2018, Moody's rating of the Port's debt maintains Aa2, as follows:

Description	Moody's
General Obligation (Sr. Lien)	Aa2
The Port has not had revenue bonds outstanding during the last five years.	

Additional information on the Port's bond debt obligation is present in Note 8 to the financial statements.

Statement of Net Position
December 31, 2023

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 19,137,270
Taxes Receivable	231,518
Accounts Receivable, Net	1,398,650
Interest Receivable	71,660
Contracts & Notes Receivable	99,005
Grants Receivable	340,418
Inventory	71,343
Prepaid Expenses	639,846
Lease Receivable	1,197,318
Restricted Cash and Cash Equivalents	1,516,250
Total Current Assets	24,703,278
NON-CURRENT ASSETS	
Net Pension Assets	1,137,426
Lease Receivable	48,612,244
Capital Assets Not Being Depreciated:	
Land	29,368,816
Construction In Progress	921,559
Capital Assets Being Depreciated:	
Improvements to Land	47,916,132
Building	31,163,544
Equipment	24,199,604
Other	57,958,910
Right to Use Asset	628,101
Less: Accumulated Depreciation	(80,950,153)
Total Non-Current Assets	160,956,183
TOTAL ASSETS	185,659,461
DEFERRED OUTFLOWS of RESOURCES	
OPEB GASB 75	3,734
Amounts Related to Deferred Amounts on Refunding	346,906
Pension	974,261
Asset Retirement Obligation	320,887
TOTAL DEFERRED OUTFLOWS of RESOURCES	1,645,788
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	1,560,649
Accrued Employee Benefits	509,813
Other Accrued Liabilities	2,029,821
Bond Interest Payable	102,614
Retainage Payable	53,996
Current Portion - Equipment Debt	57,871
Current Portion - Bonds, Net of Premium	3,593,368
Other Current Liabilities	1,197,370
Total Current Liabilities	9,105,502
NONCURRENT LIABILITIES	
Equipment Debt	91,537
Lease Liability	6,739
GO Bonds Payable, Net of Premium	27,311,515
Total OPEB Liability	1,880,581
Net Pension Liability	491,101
ARO Liability	571,333
Unearned Revenues	277,075
Total Noncurrent Liabilities	30,629,881
TOTAL LIABILITIES	39,735,383
DEFERRED INFLOWS of RESOURCES	
OPEB	6,703
Leases	47,790,888
Amounts Related to Pension	682,636
TOTAL DEFERRED INFLOWS of RESOURCES	48,480,227
NET POSITION	
Net Investment in Capital Assets	80,025,297
Restricted	2,653,676
Unrestricted	16,410,666
TOTAL NET POSITION	\$ 99,089,639

The accompanying notes are an integral part of this statement.

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended December 31, 2023

OPERATING REVENUES:	
Olympia Regional Airport	\$ 4,047,250
Swantown Marina	4,557,523
Marine Terminal	6,552,756
Properties	1,960,155
Total Operating Revenues	<u>17,117,684</u>
OPERATING EXPENSES:	
General Operating Expenses	(7,367,059)
Maintenance Expenses	(1,994,777)
General and Administrative	(2,107,314)
Depreciation	(4,370,298)
Total Operating Expenses	<u>(15,839,448)</u>
OPERATING INCOME (LOSS)	1,278,236
Non-Operating Revenue (Expense)	
Ad Valorem Taxes	7,587,578
Interest Income (Loss)	411,871
Tax Sharing	157,172
Grants	869,601
Other Miscellaneous Revenue	1,088,251
Non-Operating Expenses	(100,083)
Interest Expense	(1,155,583)
Environmental Expenses	(3,337,046)
Election Expense	(297,883)
Commission Expenses	(538,604)
Public Amenities	(59,054)
Commission Projects	(72,674)
Total Non-Operating Revenue (Expense)	<u>4,553,546</u>
Income (Loss) before capital contributions	5,831,782
Capital Contributions	-
Increase in Net Position	<u>5,831,782</u>
Net Position - Beginning of Year	93,257,857
Prior Period Adjustments	-
Net Position - End of Year	<u>\$ 99,089,639</u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Year ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 15,506,141
Payments to suppliers	(5,450,459)
Payments for salaries, wages, and benefits	(6,229,014)
Other receipts (payments)	(28,701)

-

Net cash provided (used) by operating activities

3,797,967

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Ad valorem tax levy receipts	7,470,454
Cash receipts tax sharing	157,172
Cash receipts from grants and other receipts	934,397
Cash received (paid) for non-operating	(4,436,304)

-

Net cash provided (used) by non-capital financing activities

4,125,719

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from sale of property, plant and equipment	-
Proceeds from Equipment Financing	652,083
Proceeds from issue of bonds	(33,821)
Principal payments GO bonds and commercial paper	(3,651,239)
Interest payments GO bonds and commercial paper	(1,155,583)
Acquisition and construction of capital assets	(664,561)

-

Net cash provided by (used) capital and related financing activities

(4,853,121)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on investments	801,774
----------------------------------	---------

Net cash used in investing activities

801,774

Net increase (decrease) in cash and cash equivalents

3,872,339

CASH AND CASH EQUIVALENTS

Beginning of year	16,781,181
End of year	\$ 20,653,520

Reconciliation of Operating Income to Net Cash Flow from Operating Activities

Operating income (loss)	1,278,236
Adj to reconcile operating income to net cash provided by operating activities:	
Depreciation	4,370,298
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(242,623)
(Increase) decrease in inventories	4,296
(Increase) decrease in note receivable	1,699
(Increase) decrease in grants receivable	(28,701)
(Increase) decrease in prepayments	(118,950)
Increase (decrease) in accounts payable	335,605
Increase (decrease) in accrued employee benefits	45,636
Increase (decrease) in other accrued liabilities	(514,781)
Increase (decrease) in other current liabilities	169,939
Increase (decrease) in deferred revenues	(1,370,619)
Increase (decrease) in OPEB & pension	(132,068)

Total adjustments and changes

2,519,731

Net cash provided by operating activities

\$ 3,797,967

SCHEDULE OF NON-CASH Activities

Increase (decrease) in fair value of investments	\$ (389,904)
Right to use Assets finance by lease liability	280,959
TOTAL NON-CASH ACTIVITIES	\$ (108,945)

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

NOTE 1 – Significant Accounting Policies

The Port of Olympia (Port) is a municipal corporation incorporated in 1922 by the voters of Thurston County and operates under the laws of Washington State applicable to a Port District. The financial statements of the Port have been prepared in conformity with the Generally Accepted Accounting Principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

Reporting Entity

The Port is a special purpose government, supported primarily through user charges. The Port operates a marina, boat repair facility, airport, marine terminal, and leased property associated with industrial development activities.

The Port is independent from Thurston County government and is administered by a three-member Board of Commissioners elected by Thurston County voters. The Commission delegates administrative authority to an Executive Director and administrative staff to conduct operations at the Port. The County levies and collects taxes on behalf of the Port. Thurston County provides no funding to the Port. Additionally, Thurston County does not hold title to any of the Port's assets, nor does it have any right to the Port's surpluses.

The financial statements represent the Port of Olympia (Primary Government) and the component unit of the Port of Olympia Economic Development Corporation. The component unit is included in the district's reporting entity because of the significance of their operational and financial relationships with the district.

Component Unit – Port of Olympia Economic Development Corporation (EDC)

During 1981, pursuant to CH. 39.84 RCW, the Port established the Port of Olympia Economic Development Corporation, (EDC), a public corporation for the purpose of facilitating local economic development opportunities. The public corporation, with the approval of the Port Commission, has issued tax-exempt non-recourse revenue bonds to finance industrial development within the boundaries of the Port district. These bonds are not a liability, a contingent liability, or a lien on any of the Port of Olympia property or revenues.

The EDC board consists the three elected Port Commissioners and two Thurston County citizens appointed by the Board. This results in a Board of Directors considered under GASB Statement No. 14 to be deemed "substantively the same" as the Port Commission. Therefore, the financial position of the EDC and the results of its operations and cash flows are reflected in these financial statements using the "blending" method in accordance with GASB Statement No. 14.

Basis of Presentation

Funds are accounted for on a cost of services or an economic resources measurement focus. This means that all assets, deferred outflows of resources, and all liabilities, and deferred inflows of resources (whether current or non-current) associated with their activity are included on the statement of net position. The reported fund equity (total net position) is segregated into net investment in capital assets, restricted and unrestricted net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in the net position. The Port discloses changes in cash flows by a separate statement that presents operating, non-capital financing, capital and related financing and investing activities. The accounting records for the Port are maintained in accordance with the methods prescribed by the Washington State Auditor under authority of Chapter 43.09, revised Code of Washington. The Port uses the *Budgeting, Accounting and Reporting System (BARS) for Special Purpose Districts (GAAP base) manual* in the Washington State Auditor's Office.

Measurement Focus, Basis of Accounting

Proprietary Funds

The Port's 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 reports unearned revenue on its balance sheet. Unearned revenue arises when potential revenue does not meet the recognition criteria in the current period. Unearned revenues also arise when the Port receives resources before it has a legal claim to them. In subsequent periods when the revenue recognition criteria is met, or when the Port has a legal claim to the resources, the liability for the unearned revenue is removed from the balance sheet and the revenue is recognized. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Port are land rentals, marine terminal services and marina revenues. Operating expenses for the district include the cost of services, administrative expenses, and maintenance expenses on plant, property and equipment and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates

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

Significant Risks and Uncertainties

The Port is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, collective bargaining disputes, federal, state and local government regulations, and changes in law.

Assets, Liabilities, Net Position

Cash and Cash Equivalents

The Port's policy is to invest all temporary cash surpluses. The Thurston County Treasurer acts as the Port's cash custodian. For the purposes of the statement of cash flows, the Port considers investments with maturity of three months or less, to be cash equivalents.

Investments

Investments, unrestricted and restricted, are stated at fair value, based on quoted market prices. Interest income on investments is recognized in non-operating revenues as earned. Changes in the fair market value of investments are recognized in the statements of revenues, expenses and changes in net position. The Port plans to hold all investments (including restricted assets, if any) to maturity.

Taxes Receivable

Taxes receivable consists of property taxes and related interest and penalties. See Note 4 – Property Taxes. Because property taxes and special assessments are considered liens on property, no estimates for uncollectable amounts are established.

Accounts Receivable, Net of Allowance

Customer accounts receivable consists of amounts owed from private individuals or organizations for the normal operating charges for goods and services, including amounts owed for which billings have not been prepared. Receivables have been recorded as net of estimated uncollectable amounts. Estimated uncollectable amounts for receivables are \$230,934 for the year ending December 31, 2023. Account receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Notes or contracts receivable based on operating activities are subject to interest application.

Due To/ From Other Governments

These accounts include amounts due to and from other governments for grants and entitlements. Amounts are considered 100% collectable and therefore, no estimate for the uncollectable amount has been established. Receivables from other governments related to normal operations (charges for goods and services) are included in accounts receivable.

Prepayments and Other Current Assets

Other current assets consist of prepaid expenses and inventory. Inventory is valued on moving weighted average cost.

Restricted Assets and Restricted Net Position

These accounts contain resources for construction and debt services.

Restricted assets are composed of the following:

Restricted Assets	12/31/2023
Cash and Cash Equivalents - Construction	\$ 522,119
Cash and Cash Equivalents - Debt Services	994,131
Net Pension Asset	1,137,426
Total Restricted Cash and Assets	\$ 2,653,676

Capital Assets and Depreciation

All capital assets, including the cost of infrastructure, are valued at historical cost. Donations of capital assets from developers and customers are recorded at acquisition values at the date of donation. Certain capital assets have been acquired through bankruptcy proceedings from former tenants in satisfaction with the amounts owed by the Port. These assets are recorded at the lesser of the amount owed by the tenant to the Port or the estimated fair market value of the capital asset received.

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

Expenditures for capital assets, including major repairs that extend the useful life of an existing asset, are capitalized. The Port has established its capitalization threshold at \$5,000 or more. Maintenance, repairs, and minor renewals are accounted as expenses when incurred. 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 3 to 99 years.

Category	Useful life	Category	Useful life
Hangar	20	Network	5-15
Warehouse	3-40	IT Miscellaneous	5-30
Buildings	5-40	Stormwater system	30-40
Structures	10-30	Sweepers	5-30
Warehouse	40	Tractor	5-20
Modular Unit	10	Fencing	15
Kiosk	05	Signage	15
Mini Storage Units	07	Parking Lot	5-21
Treatment Plant	20-40	Roads and Streets	5-40
Improvements to Land	20-40	Lighting	13
Improvements to Infrastructure	5-40	Runway	10-99
Improvements to Buildings	20	Taxiway	4-60
Railcar	40-45	Landscape	10
Trucks	5-25	Railroad	40
Boats	0-30	Marina	20
Machinery	5-45	Dike	05
Equipment	3-40	Trails and Causeway	15-25
Cars	05	Sidewalk	15
Software	5-25	Stormwater	30
Hardware	5-15	Other Miscellaneous	5-30
Systems	05	Trackage	6-60

Organizational Costs

Organizational costs, the cost of long-lived organizational master plans, are expensed.

Deferred Outflows/Inflows of Resources

A Deferred Outflows of Resources is a consumption of net position that are applicable to future periods. Deferred Inflow of Resources are acquisitions of net position in one period that are applicable to future periods. These are distinguished from assets and liabilities in the Statement of Net Position. The Port presents deferred inflows and outflows related to pensions, OPEB, leases, and ARO deferred amounts on refunded debt. See Note 6 (Pension Plans) and Note 10 (ARO) Note 11 (OPEB) and Note 15 (Leases).

Accrued Compensated Absences

Accrued compensated absences are amounts owed to employees for vacation and sick leave. The Port records unpaid leave for compensated absences as an expense and liability when incurred and vested.

Vacation pay, which may be accumulated up to 320 hours, fully vests with employees when earned and is payable upon resignation, retirement or death. Unpaid vacation leave totaled \$355,711 on December 31, 2023.

Sick leave accumulates during employment. In 1991, the Port adopted a retirement benefit policy, which allows all employees with five years of continuous service to cash in unused sick leave upon retirement or death at the rate of 25 percent of the employee's current hourly rate (30 percent if fifteen years of continuous service).

Other Accrued Expenses and Current Liabilities

These accounts consist primarily of accrued wages, payroll taxes, employee benefits, leasehold taxes, other taxes, and other liabilities. Other accrued expenses totaled \$2,029,821 on December 31, 2023. Other current liabilities represent security deposits and the current portion of other long-term liabilities. Customer security deposits amounted to \$981,628, lease liability amounted to \$6,739, Equipment Reserve of \$64,755 and OPEB amounted to \$30,800 at December 31, 2023.

Unearned Revenues

Unearned revenues represent amounts paid for rents or services but is classified as not earned because the recognition of revenue criteria have not been met. The Port's deferred revenue information is disclosed in Note 9.

Retainage Payable

The Port enters into construction contracts that may include retainage provisions. A certain percentage of the contract amount is held for payment until completion of the contract and acceptance by the Port. The Port pays the retainage due after both completion and acceptance have occurred per RCW 60.28.011.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense. Information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they 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 position asset, the Port includes the net pension asset only. For additional information, see Note 6.

Net Position

Net position is reported in accordance with three classifications.

Net Investment in Capital Assets - Represents the historical cost of the capital assets reduced for accumulated depreciation less outstanding balances of debt attributable to the acquisition, construction or improvement of those assets and restricted investments for the purpose of capital assets.

Restricted – Represents net assets that have been externally restricted by creditors, grantors, contributors, laws/regulations of other governments, or imposed through constitutional provisions of enabling legislation. Port's restricted assets on December 31, 2023 in the amount of \$2,653,676.

Unrestricted – Represents net assets not included in either of the other two categories.

Leases

Leases receivables consist of amounts recorded in compliance with GASB 87, *Leases*. The Port has recorded the Lease Receivable and Deferred Inflow of Resources.

At the commencement of a lease, the Port initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

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

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

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

Lease Liability consists of amounts recorded in compliance with GASB 87, *Leases*. The Port has recorded the Lease Liability and associated Intangible, right to use, asset.

At the commencement of a lease, the Port initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over the same useful lives as the asset category of the underlying assets. If the assets life is equivalent to the lease term, the Port's right to use asset is amortized over the life of the lease from implementation through lease term end.

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

- The Port uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Port generally uses the market rate + 200 basis points as the discount rate for leases.
- The lease term includes the non-cancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Port is reasonably certain to exercise.

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

See Note 14 for more information.

Environmental Expenditures

Environmental expenditures that relate to current or future revenues are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future revenue generation, are expensed. Expenditures that relate to an existing condition caused by past operations are capitalized only when they provide future economic benefits or service potential. Liabilities are recorded when environmental assessments or cleanup expenses are probable, and the costs can be reasonably estimated.

NOTE 2 – Deposits

The Port's policy is to invest all temporary cash surpluses. On December 31, 2023, the Port was holding \$20,653,520 in short-term residual investments of surplus and restricted cash. \$19,137,270 is classified on the statement of net position as cash and cash equivalents for the year ended December 31, 2023. Of this amount, cash on hand amounted to \$1,641 for the year ended December 31, 2023, total deposits with the Thurston County Treasurer's Local Government Investment Pool, amounted to \$20,651,879. Interest receivable on invested funds was \$71,660 for the year ending December 31, 2023.

The Port's deposits at year-end were entirely covered by Federal Depository Insurance (FDIC) or collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The FDIC covers the state's insured deposits. The PDPC provides collateral protection. The PDPC (established under Chapter 39.58 of the Revised Code of Washington) constitutes a multiple financial institution collateral pool. Pledged securities under the PDPC collateral pool are held by the PDPC agent in the name of the collateral pool.

NOTE 3 – Investments

The Port is a voluntary participant in the Thurston County Investment Pool (TCIP), an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. Investments in the TCIP are reported at fair value which, as of 12/31/2023, reported an unrealized loss of 2.7799%. The County Treasurer follows policy to invest public funds in a manner which will provide maximum security with the highest investment return, meet daily cash flow demands, and adhere to all state and local statutes governing the investment of public funds.

The TCIP does not have a credit rating and had a weighted average maturity of 1.209 years as of December 31, 2023. The pool does not impose any restrictions on participant withdrawals.

In accordance with State law, the district's governing body has entered into a formal agreement with the district's *ex officio* treasurer, Thurston County, to have all its funds not required for immediate expenditure to be invested in the TCIP.

At December 31, 2023 the District held \$20,651,879 in the TCIP reported at fair value.

NOTE 4 – Property Taxes

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed by the 10th day of the month following collection to the Port by the county treasurer. A revaluation of all property is required every four years.

Property Tax Calendar	
January 1 st	Taxes levied and become an enforceable lien against properties.
February 14 th	Tax bills mailed.
April 30 th	First of two installment payments are due.
May 31 st	Assessed property value is established by the County Assessor for the next year's taxes.
October 31 st	Second installment payments are due.

Property taxes are recorded as receivable and revenues when levied. No allowance for uncollectable taxes is established because delinquent taxes are considered fully collectable. State law allows for the sale of property for failure to pay taxes. 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 the general governmental services. Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. The Port may also levy taxes at a lower rate.

The amount of taxes levied may be reduced for any of the following reasons:

- A. Washington State law in RCW 84.55 limits the growth of regular property taxes to one percent per year, after adjustments for new construction. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.
- B. The Port may voluntarily levy taxes below the legal limit.

For taxes levied and to be collected in 2023, the Port's regular levy was \$0.1268 per \$1,000 on a total assessed valuation of approximately \$59,889,577,889 for a total regular tax levy of \$7,587,578.

NOTE 5 – Capital Assets and Depreciation

Capital asset activity for the year ended December 31, 2023, follows:

	As of 1/1/2023	Additions & Transfers	Retirements & Transfers	As of 12/31/2023
Non Depreciable Capital Assets				
Land	\$29,849,961	\$0	\$481,145	29,368,816
Construction In Progress	1,035,614	795,007	909,063	921,558
Total Non Depreciable Capital Assets	30,885,575	795,007	1,390,208	30,290,374
Depreciable Capital Assets				
Buildings	30,682,133	481,411		31,163,544
Improvements - Other Than Buildings	47,751,089	330,086	165,043	47,916,132
Machinery and Equipment	23,628,465	932,674	361,533	24,199,604
Infrastructure	57,876,442	82,468	-	57,958,910
Right to Use Assets	628,101	-	-	628,101
Total Depreciable Capital Assets	160,566,230	1,826,639	526,576	161,866,291
Less Accumulated Depreciation For:				
Buildings	14,367,013	1,053,010	-	15,420,022
Improvements (Other Than Buildings)	22,757,058	1,321,123	-	24,078,181
Machinery and Equipment	10,938,553	379,666	-	11,318,219
Infrastructure	28,344,017	1,274,738	-	29,618,755
Right to Use Assets	257,246	257,728		514,974
Total Accumulated Depreciation	76,663,887	4,286,265	-	80,950,153
Total Net Depreciable Capital Assets	83,902,343	(2,459,626)	526,576	80,916,138
Total Net Capital Assets	114,787,917	(1,664,619)	\$1,916,784	111,206,466

Construction Commitments

Construction in progress represents expenditures to date on authorized projects. Projects included purchase of heavy equipment, property development, airport pavement improvements, marine terminal improvements and marina improvements. On December 31, 2023, the Port's commitments with contractors were as follows:

Project	Spent to Date	Remaining Commitment
Marina Electrical Dock B/C	\$206,849	\$46,151
Commerce Business Center Roof Replacement Building 2	\$8,180	\$349,520
Electric Truck Purchase	0	59,052
Total	\$215,029	\$419,213

NOTE 6 – Pension - DRS Plan

The following table represents the aggregate pension amounts for the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2023:

Aggregate Pension Amounts - All Plans	2023
Pension liabilities	\$491,107
Pension assets	1,137,426
Deferred outflows of resources	974,261
Deferred inflows of resources	682,636
Pension expense/expenditures	(\$201,418)

State Sponsored Pension Plans

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

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

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

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

Public Employees’ Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component. 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 two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1		
Actual Contribution Rates January – June 2023:	Employer	Employee*
PERS Plan 1	6.36%	6.00%
Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.00%
Actual Contribution Rates July – August 2023	Employer	Employee*
PERS Plan 1	6.36%	6.00%
Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	9.39%	6.00%
Actual Contribution Rates September – December 2023:	Employer	Employee*
PERS Plan 1	6.36%	6.00%
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 two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent and September 1, 2023 increased to 0.20. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 2/3		
Actual Contribution Rates January – June 2023:	Employer 2/3	Employee 2*
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		
Total	10.39%	6.36%
Actual Contribution Rates July – August 2023	Employer 2/3	Employee 2*
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		
Total	9.39%	6.36%
Actual Contribution Rates September – December 2023:	Employer 2/3	Employee 2*
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Employee PERS Plan 3		Varies
Total	9.53%	6.36%

The Port of Olympia's actual contributions to the plan were \$147,383 to PERS Plan 1 and \$244,934 to PERS Plan 2/3 for the year ended 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 2021 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 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 promotions and longevity.
- **Investment rate of return:** 7.0%

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

Assumptions did not change from the prior contribution rate setting June 30, 2022 Actuarial Valuation Report (AVR). OSA adjusted their methods for calculating UAAL contribution rates in PERS 1 to reflect the delay between the measurement date of calculated Plan 1 rates and when the rates are collected. OSA made an adjustment to their model to reflect past inflation experience when modeling future COLAs for current annuitants in all plans except PERS1.

Discount Rate

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

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 percent was used to determine the total liability.

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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, 2023, are summarized in the table below. The inflation component used to create the table is 2.5 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	19%	2.1%
Tangible Assets	8%	4.5%
Real Estate	18%	4.8%
Global Equity	30%	5.6%
Private Equity	25%	8.6%
	100%	

Sensitivity of Net Pension Liability/(Asset)

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
PERS 1	\$686,112	\$491,106	\$320,911
PERS 2/3	1,237,070	(1,137,410)	(3,088,195)
Totals	\$1,923,182	(\$646,304)	(\$2,767,284)

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, 2023, the Port of Olympia reported its proportionate share of net pension liability (assets) as follows:

	Liability (or Asset)
PERS 1	\$491,107
PERS 2/3	(\$1,137,419)

At June 30, 2023 the Port of Olympia's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/2022	Proportionate Share 6/30/2023	Change in Proportion
PERS 1	0.02238%	0.02151%	0.00087%
PERS 2/3	0.02919%	0.02775%	0.00144%

Employer contribution transmitters 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 Employers and Non-employer Allocations*.

Pension Expense

For the year ended December 31, 2023, the Port recognized pension expense as follows:

Pension Expense	2023
PERS 1	(\$32,206)
PERS 2/3	(169,212)
Total	(\$201,418)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, the Port of Olympia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	(55,399)
Contributions subsequent to the measurement date	63,382	-
TOTAL	\$63,382	(\$55,399)

PERS Plan 2 /3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$231,697	(\$12,709)
Net difference between projected and actual investment earnings	-	(428,645)
Changes of assumptions	477,517	(104,081)
Changes in proportion share	64,161	(81,803)
Contributions subsequent to the measurement date	137,504	-
TOTAL	\$910,879	(\$627,238)

Deferred outflows of resources related to pensions resulting from the Port of Olympia's contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31, 2023	PERS Plan 1	PERS Plan 2/3
2024	(\$37,691)	(\$298,464)
2025	(47,401)	(366,501)
2026	29,227	235,901
2027	466	420
Total	(\$55,399)	(\$428,645)

NOTE 7 – Risk Management

Port of Olympia is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987, pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2023, there were 519 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claim made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases, the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability.

The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage		Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Liability:					
Comprehensive Liability	General	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability		Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability		Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability ⁽²⁾		Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Practices Liability		Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible

(1) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.

(2) Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

Property ⁽²⁾:

Buildings and Contents		Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment		Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾		Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) ⁽⁴⁾		Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ⁽⁵⁾:					
Flood		Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake		Per Occurrence	5% of indemnity, subject to \$250,000 minimum	\$10 million	\$1,000 - \$250,000

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
			(shared by Pool members)	
Terrorism Primary	Per Occurrence	\$250,000	\$100 million per occurrence	\$1,000 - \$250,000
	Pool Aggregate		\$200 million aggregate	
Terrorism Excess	Per Occurrence	\$500,000	\$600 million/	\$0
	APIP Per Occurrence		Pool aggregate	
	APIP Aggregate		\$1.1 billion/	
			per occurrence	
			APIP program	
			\$1.4 billion/ APIP program aggregate	
Automobile Damage⁽⁶⁾	Physical	\$25,000;		
	Per Occurrence	\$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >\$750,000	\$1 billion	\$250 - \$1,000
Crime Blanket⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber⁽⁹⁾	Each Claim	\$100,000	\$2 million	20% Copay
	APIP Aggregate		\$40 million	
Identity Fraud Expense Reimbursement⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (1) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (2) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (3) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (4) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (5) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
- (6) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$2 million.
- (7) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (8) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (9) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

NOTE 8 – Long-Term Liabilities

During the year ending December 31, 2023, the following changes occurred in long-term liabilities:

Changes in Long Term Liabilities	Beginning Balance			Ending Balance	Due Within
Description and Date of Issue	1/1/2023	Additions	Reductions	12/31/2023	One Year
General Obligation Bonds:					
2013 Series A Bonds - 9/4/13	\$1,535,000	\$0	(\$1,355,000)	\$180,000	\$180,000
2013 Series B Bonds - 9/4/13	7,120,000	-	(215,000)	6,905,000	1,455,000
2015 Refunding Bonds - 12/23/15	4,680,000	-	(1,475,000)	3,205,000	1,515,000
2016 Series A Bonds – 12/15/16	6,040,000	-	(55,000)	5,985,000	60,000
2016 Series B Bonds – 12/15/16	5,535,000	-	(210,000)	5,325,000	220,000
2018 LTGO A Bonds - 4/24/18	6,745,000	-	-	6,745,000	-
2018 LTGO B Bonds - 4/24/18	1,610,000	-	-	1,610,000	-
Total Long-term general obligations	\$33,265,000	\$0	(\$3,310,000)	\$29,955,000	\$3,430,000
Key Bank Equipment Debt – Scheduled	204,878	-	(55,470)	149,408	57,870
Lease Liability	392,532		(265,606)	126,926	116,464
Total OPEB liability	1,948,865	-	(37,484)	1,911,381	30,800
Net Pension Liability	623,169	-	(132,068)	491,101	-
ARO Liability	552,802	18,531		571,333	-
Total Long Term Liabilities	\$36,987,246	\$18,531	(\$3,800,628)	\$33,205,149	\$3,635,134

General Obligation Bonds

The Port issues general obligation bonds to provide funds for the acquisition and construction of major governmental capital facilities. The Port had \$29,955,000 in general obligation bonds outstanding on December 31, 2023.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds are either created by 2/3 majority vote of the people and, therefore, financed by a special tax levy; or created by ordinance, adopted by the Port Commission, and financed from general tax revenues.

The 2013, 2015, 2016 and 2018 Limited General Obligation Bonds are public offerings with no assets pledged as collateral.

Gain or Loss on General Obligation Bond Refunding

The gain or loss attributable to the difference between the carrying amount of defeasance or refunded debt and its reacquisition price is deferred and amortized over the life of the new debt or the refunded debt, whichever is shorter. The unamortized portion of this gain or loss is reported as a Deferred Outflow of Resources on the Statement of Net Position.

General obligation bonds currently outstanding are as follows:

Debt Issued	Private or Direct Placement	Assets Pledged for Collateral	Consequences of Default	Consequences of Early Termination	Subjective Acceleration Clauses	Interest Rates	2023
2013 Series A Bonds	Direct Public Placement	None		N/A	None	4.00% - - 5.00%	\$ 180,000
2013 Series B Bonds	Direct Public Placement	None		N/A	None	4.00% - - 4.75%	6,905,000
2015 Refunding Bonds	Direct Public Placement	None		N/A	None	2.50%	3,205,000
2016 Series A Bonds	Direct Public Placement	None		N/A	None	2.28%	5,985,000
2016 Series B Bonds	Direct Public Placement	None		N/A	None	3.48%	5,325,000
2018 LTGO A Bonds	Direct Public Placement	None		N/A	None	4.00% - - 5.00%	6,745,000
2018 LTGO B Bonds	Direct Public Placement	None		N/A	None	5.00%	1,610,000
Total General Obligation Debt							\$29,955,000
Less Current Portion							3,430,000
Total Long-Term Portion of General Obligation Debt							\$26,525,000

The General Obligation Bonds were issued to facilitate making infrastructure improvements at the Port's industrial and leasing properties in the City of Olympia, its marine terminal, marina and boatworks facilities. The principal and interest of the bonds are payable from ad valorem taxes levied upon all properties within the Port district. The Port did not issue bonds or incur new debt during 2023.

The annual debt service requirements for the general obligation bonds, as of December 31, 2023, are as follows:

Years Ending December 31, 2023	Principal	Interest	Total Bond Debt Service
2024	3,430,000	1,123,131	4,553,131
2025	3,570,000	999,919	4,569,919
2026	8,340,000	871,981	9,211,981
2027	3,580,000	578,932	4,158,932
2028	2,680,000	447,154	3,127,154
2029 to 2033	2,425,000	1,702,100	6,430,104
2034 to 2038	3,000,000	1,133,950	4,134,350
2039 to 2043	2,930,000	375,000	4,128,750
Total Debt Service Requirement	\$29,955,000	\$7,232,167	\$37,187,167

Equipment Financing

The annual debt service requirements for the equipment debt, as of December 31, 2023, are as follows:

Years Ending December 31, 2023	Principal	Interest	Total Equipment Debt Service
2024	\$57,870	\$5,448	\$63,318
2025	60,376	2,944	63,320
2026	31,161	499	31,660
Total Debt Service Requirement	\$149,407	\$8,891	\$158,298

NOTE 9 – Unearned Revenue

In accordance with generally accepted accounting principles for regulated businesses, the Port recognized unearned receipts of \$452,000 in 2001 that are being recognized as earned over a 75-year period. These receipts resulted from a 75-year long land lease prepayment for a 1992 lease to an unrelated governmental entity. In exchange for the land lease, the Port received title to another piece of land and certain infrastructure improvement payments with a value of \$452,000. In 2001, the Port sold the parcel of land that was received during the 1992 lease exchange and realized a gain on the land sale.

The outstanding balances at December 31, 2023 as follows:

Unearned Revenue	2023
Prepaid Rent – Tumwater School District	\$260,654
Prepaid Rent – Tumwater Storm Water	\$16,421
TOTAL	\$277,075

NOTE 10 – Asset Retirement Obligation

Asset retirement obligation

The asset retirement obligations (ARO) and deferred outflows of resources related is the liability associated with the retirement of Port owned capital assets that have a substantial cost to the Port. The obligation will be paid from operating income; no assets have been set aside to fund this obligation.

ASSET RETIREMENT OBLIGATION

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

The Port owns, operates, and maintains two fuel tanks with an average useful life remaining of 15.5 years. Currently, the Port does not foresee decommissioning in the near future. However, in the unlikely event that the Port were to decommission these tanks there are specific decommissioning requirements from the Environment Protection Agency.

The Port obtained engineer estimates to support these potential decommissioning costs and presents a liability on December 31, 2023, of \$571,333 and a Deferred Outflow of \$320,887. There is \$23,672 of annual amortization expense.

NOTE 11 – Defined Benefit Other Post-Employment Benefit (OPEB) Plans

In addition to providing pension benefits, the Port has elected to administer defined benefit OPEB plans under two single employer defined benefits plans to the retirees of the port; one for retirees purchasing insurance after retirement and the second for retirees who have retired after 15 years or more of employment. There are no stand-alone financial reports produced for the OPEB plans.

The Port funds the implicit and explicit subsidies on a pay-as-you-go basis, meaning that Port pays these costs as they occur or become due. Therefore, there are no assets accumulating in a qualifying trust.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2023:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$1,880,581
OPEB Assets	\$0
Deferred outflows of resources	\$3,734
Deferred Inflows of resources	\$6,703
OPEB expenses	\$159,410

Medical Savings Account/VEBA Plan Description

The VEBA plan at the Port of Olympia is set up to provide contributions to commissioners and employees who leave the Port after 15 continuous years of service / employment. Individuals with 15 to 29 years of service receive a one-time contribution of \$15,000 and individuals with 30 or more years of service receive a one-time contribution of \$20,000. On December 31, 2023, the membership in the plan consisted of 49 active employees. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Assumptions and Other Input

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about length of employment (retirement), turnover rates, disability rates and mortality. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The district's total OPEB liability of \$146,889 was measured and valued as of December 31, 2023. There are no assets in this plan, therefore, no asset valuation method was used.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified on December 31, 2023:

Discount Rate	
Beginning of Measurement Year	2.16%
End of Measurement Year	3.54%
Projected Salary Changes	3.5% + Service/Merit Based Increases
Inflation Rate	2.75%
Post-Retirement Participation Percentage	100%

- Mortality rates were based on the Pub. G.H-2010 General Employee, sex distinct, projected fully generationally with scale MP-2017.
- Turnover rates were based on valuation of benefits under Washington PERS.
- Disability rates as developed for the valuation of benefits under Washington PERS.
- Retirement rates based on Washington PERS plans 2 and 3 years of service trends.

Sensitivity Rate

GASB 75 requires an analysis of the impact of changing the Discount rate assumptions by 100 basis points. The following tables present the total VEBA OPEB liability of the Port on December 31, 2023, adjusted for that assumption change. This OPEB is not associated or influenced by healthcare trends.

	1% Decrease (2.25%)	Current Discount Rate (3.25%)	1% Increase (4.25%)
Total OPEB Liability	\$151,620	\$146,889	\$142,233

Changes in the Total OPEB Liability

The Total OPEB liability of \$146,889 and presented as \$116,089 noncurrent liability and \$30,800 of current portion of liability in the Statement of Net Position. At the measurement date December 31, 2023, the changes in the total OPEB liability are as follows:

Total OPEB Liability at 1/1/2023	\$127,644
Service Cost	9,938
Interest	5,159
Differences between expected and actual experience	1,754
Other	2,394
Total OPEB Liability at 12/31/2023	\$146,889

The Port reported \$14,673 as OPEB expense for the calendar year 2023.

Health Insurance Benefit

The Port of Olympia administers a Post-Retirement Health Care Program under a single employer defined benefit Other Post Employment Benefit (OPEB) plan. This plan is administered by the Health Care Authority (HCA) per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the HCA, is authorized to design benefits, and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability. Benefits are offered to retirees at a subsidized rate.

The benefits are provided in accordance with a substantive plan, in which the plan terms are understood by the employers and plan member, but not formalized in a contract or plan document. The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong.

In 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	N/A
Active employees	49
Total	49

Assumptions and Other Inputs

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality, and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The Port's total OPEB liability of \$4,374,195 was measured as of June 30, 2023, with a valuation date of June 30, 2023. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The Entry Age actuarial cost method and the recognized immediately amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified on June 30, 2023:

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

The source of the discount rate is the Bond Buyer General Obligation 20- Bond Municipal Index. Mortality rates were based on the Pub. H-2010 healthy and disabled tables. The Society of Actuaries publishes this document. The Washington State Actuary applied offsets to the base table and recognized future improvements in mortality by projections using RPEC MP-2017 long-term rates. No age offset was applied. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

It was assumed that two thirds of members will select a Uniform Medical Plan (UMP) and one third will select a Kaiser Permanente (KP) plan. The specific assumptions are as follows:

Assumptions:

- UMP pre- and post-Medicare costs and premiums are equal to the UMP.
- The KP pre-Medicare costs and premiums are a 50/50 blend of KP Classic and KP Value.
- The KP post-Medicare costs and premiums are equal to KP Medicare.

The estimated retirement service for each active cohort was based on the average entry age of 35, with a maximum service of 1 year. For example, an age 47 member is assumed to have 12 years of service. Service is a component of benefit eligibility. Assumptions for retirement, disability, termination, and mortality are based on the 2023 PEBB OPEB Actuarial Valuation Report (AVR). For simplicity, Plan 2 decrement rates were assumed. Additionally, all employees were assumed to be retirement eligible at age 55 and all employees retire at age 70. Based on an average expected retirement age of 65, an active mortality rate for ages less than 65 and retiree mortality rate for ages 65+ was applied. Each cohort is assumed to be a 50/50 male/female split. It was further assumed that eligible spouses are the same age as the primary member.

Dental benefits are not included when including the Total OPEB Liability, as dental benefits represent less than 2 percent of the accrued benefit obligations under the 2023 PEBB OPEB AVR.

Sensitivity Rates

GASB 75 requires an analysis of the impact of changing the Healthcare Trend and Discount rate assumptions by 100 basis points. The following tables present the total OPEB liability of the Port on December 31, 2023, adjusted for that assumption change.

	1% Decrease (3.3%)	Current Healthcare Cost Trend Rate (4.3%)	1% Increase (5.3%)
Total OPEB Liability	\$3,675,654	\$4,374,195	\$5,273,284

The following presents the total OPEB liability of the Port calculated using a discount rate of 3.65%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.65 percent) or 1% higher (4.65 percent) than the current rate. Below table shows sensitivity analysis.

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB Liability	\$5,118,104	\$4,374,195	\$3,775,801

Changes in the Total OPEB Liability

The Total OPEB liability of \$4,374,195 and presented as \$1,764,492 noncurrent liability and \$30,800 of current portion of liability in the Statement of Net Position. At the measurement date June 30, 2023, the changes in the total OPEB liability are as follows:

Total OPEB Liability at 1/1/2023	\$4,248,263
Service Cost	153,241.00
Interest	153,932.00
Change in Experience Data and Asset	(469,144.00)
Changes in Benefit Terms	-
Benefit Payments	(107,219.00)
Other	-
Total OPEB Liability at 12/31/2023	\$4,374,195

The Port reported (\$159,410) as OPEB expense for the calendar year 2023.

On December 31, 2023, the Port reported deferred outflows of resources only for deferred outflows after the measurement date in the amount of \$30,800. This will be recognized as a reduction of the OPEB liability in the period ending December 31, 2024.

NOTE 12 – Environmental Remediation Obligations

Southwest Cargo Yard Site:

The Southwest Cargo Yard Site is located on Port-owned property on the peninsula immediately southwest of the Cascade Pole (CPC) Site. The Site was identified by Washington State Department of Ecology as a site separate from the CPC Site. Hazardous substances were discovered by the Port within the Cargo Yard Site and are suspected to be related to former bulk oil storage facilities that operated on and near the Site. Ecology notified the Port of Olympia that it is a potentially liable party for cleanup of the Site. Other potentially liable parties associated with former oil handling facilities may also be identified. Investigation of the nature and extent of contamination has not yet commenced. An estimate of environmental liability for this Site is currently premature.

Note 13 – GASB Statement No. 87 Leases

GASB Statement No. 87, Leases. The Port implemented GASB 87 on January 1, 2022. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of implementing this GASB, the Port has recorded the Lease Receivable and Deferred Inflows of Resources, on January 1, 2023, in the amount of \$47,662,530; on December 31, 2023, values were \$48,527,951 and \$47,790,887, respectively. The Port has also recorded \$2,980,437 of Interest Earnings from the leases, reflected within the Statement of Revenues, Expenses, and Changes in Net Position.

Additionally at January 1, 2023, the Port has recorded Leases Payable and Right to Use Assets in the amount of \$628,101; at December 31, 2023, the amounts were \$392,532 and \$113,127 (net of accumulated amortization), respectively. The Port has recorded \$8,704 in interest expense and \$257,728 in amortization expense from the lessee agreements, reflected within the Statement of Revenues, Expenses, and Changes in Net Position.

Leases

As of December 31, 2023, the Port participated as a lessor in the following lease agreements:

Lease Type	Space	Land and Space	Land and Land Improvements
Number of leases	25	7	53
Original Term	12 months - 50 years	5 years - 30.9 years	9 months - 55 years
Average Term	8.7 years	15.7 years	26.5 years
Extensions Available	0 years - 30 years; All available extensions are assumed to be	0 years - 30 years; All available extensions are assumed to be	0 years - 45 years; All available extensions are assumed to be
Range of Monthly Payments over the life of leases	\$288 - \$84,561	\$522 - \$7,577	\$1,613 - 20,356

The Port uses a discount rate of 6% for all its lessor agreements. The Port received \$1,197,318 in principal payments from lessees for the year ending December 31, 2023.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	1,217,167	2,810,039	4,027,206
2025	1,216,040	2,736,138	3,952,178
2026	1,119,491	2,666,883	3,786,374
2027	1,198,983	2,599,021	3,798,004
2028-2032	5,664,027	11,946,181	17,610,208
2033-2037	3,510,634	10,505,954	14,016,588
2038-2042	2,612,924	9,618,297	12,231,221
2043-2047	2,933,257	8,780,168	11,713,426
2048-2052	3,797,557	7,807,687	11,605,245
2053-2057	4,565,112	6,502,904	11,068,016
2058-2062	3,586,422	5,265,354	8,851,776
2063-2067	4,044,014	4,158,489	8,202,503
2068-2072	3,841,339	2,982,077	6,823,416
2073-2077	3,943,249	1,801,476	5,744,725
2078-2082	1,963,713	795,035	2,758,749
2083-2087	327,659	564,016	891,674
2088-2092	519,341	438,876	958,217
2093-2097	777,892	246,869	1,024,760
2098-2099	402,800	25,736	428,536
	<u>\$ 47,241,625</u>	<u>\$ 82,251,200</u>	<u>\$ 129,492,825</u>

As of December 31, 2023, the Port participated as a lessee in the following lease agreements:

Lease Type	Equipment	Space
Number of leases	3	2
Original Term	60 months	12 months - 5 years 3 months 1 year - 1 1/2 years;
Extensions Available	none	All available extensions are assumed to be taken
Range of Monthly Payments over the life of leases	\$161 - \$335	\$3,768 - \$18,969

The Port uses a discount rate for the equipment lessee agreement that ranges from 3-5% and the space lessee agreements range from 2-3%.

The Port has recorded Leases Payable and Right to Use Assets, at December 31, 2023, in the amount of \$213,191 and \$628,101, respectively. The Port has recorded \$8,704 in interest expense and \$257,728 in amortization expense from the lessee agreements, reflected within the Statement of Revenues, Expenses, and Changes in Net Position. The Port made total principal payments of \$267,537 for the year ending December 31, 2023.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	116,464	1,482	6,738
2025	3,401	248	3,338
2026	2,076	124	1,262
2027	1,262	22	-
	<u>\$ 123,202</u>	<u>\$ 1,876</u>	<u>\$ 11,338</u>

Required Supplementary Information

Port of Olympia													
Schedule of Proportionate Share of the Net Pension Liability													
PERS 1													
As of June 30, 2023													
Last 10 Fiscal Years													
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014			
Employer's proportion of the net pension liability (asset)	%	0.021514%	0.022381%	0.022740%	0.021632%	0.021098%	0.026343%	0.02807%	0.30349%	0.03044%	0.20415%		
Employer's proportionate share of the net pension liability	\$	491,107	623,169	277,709	763,726	811,293	1,176,487	1,332,038	1,629,884	1,592,138	1,532,170		
Covered payroll	\$	3,851,160	3,647,503	3,506,755	3,299,259	3,085,830	3,364,171	3,532,563	3,541,711	3,382,938	3,373,438		
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	12.75%	17.08%	7.92%	23.15%	26.29%	34.97%	37.71%	46.02%	47.06%	45.42%		
Plan fiduciary net position as a percentage of the total pension liability	%	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%		

Port of Olympia												
Schedule of Employer Contributions												
PERS 1												
For the year ended December 31, 2023												
Last 10 Fiscal Years												
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014		
Statutorily or contractually required contributions	\$ 147,383	140,106	155,803	162,874	158,577	157,764	172,982	177,758	157,222	140,555		
Contributions in relation to the statutorily or contractually required contributions***	\$ (147,383)	(140,106)	(155,803)	(162,874)	(158,577)	(157,764)	(172,982)	(177,758)	(157,222)	(140,555)		
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-		
Covered payroll	\$ 4,049,762	3,727,634	3,639,097	3,395,342	3,216,274	3,107,271	3,531,986	3,489,193	3,478,060	3,378,396		
Contributions as a percentage of covered payroll	% 3.63%	3.76%	4.28%	4.80%	4.93%	5.08%	4.90%	5.09%	4.52%	4.16%		

Port of Olympia												
Schedule of Employer Contributions												
PERS 2 & 3												
For the year ended December 31, 2023												
Last 10 Fiscal Years												
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014		
Statutorily or contractually required contributions	\$ 244,934	237,078	259,410	268,912	247,744	237,370	241,886	207,116	197,586	170,595		
Contributions in relation to the statutorily or contractually required contributions	\$ (244,934)	(237,078)	(259,410)	(268,912)	(247,744)	(237,370)	-241,886	-207,116	-197,586	-170,595		
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-		
Covered payroll	\$ 4,049,762	3,727,634	3,639,097	3,395,342	3,216,274	3,107,271	3,531,986	3,447,202	3,393,936	3,296,523		
Contributions as a percentage of covered payroll	% 6.04%	6.36%	7.13%	7.92%	7.70%	7.64%	6.85%	6.01%	5.82%	5.17%		

PORT OF OLYMPIA
REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS
HEALTH INSURANCE BENEFIT

SCHEDULE OF CHANGES IN TOTAL LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2023
LAST SIX CALENDAR YEARS

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost						
Interest	\$ 153,241	\$ 124,432	\$ 113,212	\$ 69,892	\$ 166,007	\$ 109,261
Changes in experience data and assumptions	153,932	52,878	53,061	48,134	119,154	106,722
Differences between expected and actual experience	(74,022)	(658,079)	(93,058)	687,499	(1,694,095)	(159,665)
Net change in total OPEB liability	(107,219)	(43,078)	(31,591)	(4,861)	(2,351)	(27,888)
Total OPEB liability beginning	125,932	(523,847)	41,624	800,664	(1,411,285)	28,430
Total OPEB liability ending	4,248,263	2,345,068	2,303,444	1,502,780	2,914,065	2,885,635
	<u>\$ 4,374,195</u>	<u>\$ 1,821,221</u>	<u>\$ 2,345,068</u>	<u>\$ 2,303,444</u>	<u>\$ 1,502,780</u>	<u>\$ 2,914,065</u>
Covered employee payroll	\$ 4,049,762	\$ 3,861,769	\$ 3,752,221	\$ 3,395,342	\$ 3,216,274	\$ 3,107,271
Total OPEB liability as a percentage of covered employee payroll	42.10%	47.16%	62.50%	67.84%	41.97%	42.83%

Notes to schedule:

1. Changes of assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rates each period.

The following are the discount rates used in each period:

2023	3.65%
2022	3.54%
2021	2.16%
2020	2.21%
2019	3.50%
2018	3.87%

2. The District implemented GASB 75 in 2018, therefore no data is presented before then. Eventually, ten years of data will be presented.

3. There are no assets accumulated in a trust that meets the criteria of GASB 75, to pay related benefits.

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

PORT OF OLYMPIA
REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS
MEDICAL SAVINGS ACCOUNT/VEBA PLAN
SCHEDULE OF CHANGES IN TOTAL LIABILITY AND RELATED RATIOS
LAST TEN CALENDAR YEAR

	2023	2022	2021
Total OPEB Liability			
Service Cost	\$ 9,938	\$ 12,033	\$ 11,683
Interest	5,159	3,185	3,552
Differences between expected and actual experience	1,754	-	-
Changes in experience data and assumptions	2,394	(8,379)	-
Benefit payments	-	(52,825)	(15,000)
Net change in total OPEB liability	19,245	(45,986)	235
Total OPEB liability beginning	127,644	173,630	173,395
Total IPEB liability ending	<u>\$ 146,889</u>	<u>\$ 127,644</u>	<u>\$ 173,630</u>

Covered employee payroll \$ 5,937,304 \$ 3,699,259 \$ 3,591,514

Total OPEB liability as a percentage of covered employee payroll 2.47% 3.45% 4.83%

Notes to schedule

1. Changes of assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount reate each period.
The following are the discount rates used in each period:

2023	3.25%
2022	3.75%
2021	2.00%

2. The District implemented GASB 75 in 2018. Therefore no data is presented before then. Eventually, ten years of data will be presented.

3. There are no assets accumulated in the trust that meets the criteria of GASB 75, to pay related benefits

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.

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS Manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov