Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Kennewick

For the period January 1, 2024 through December 31, 2024

Published August 7, 2025

Report No. 1037836

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Office of the Washington State Auditor
Pat McCarthy

August 7, 2025

Board of Commissioners
Port of Kennewick
Kennewick, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Port of Kennewick
January 1, 2024 through December 31, 2024

Board of Commissioners
Port of Kennewick
Kennewick, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Port of Kennewick, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated July 29, 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 July 29, 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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

July 29, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Port of Kennewick
January 1, 2024 through December 31, 2024

Board of Commissioners
Port of Kennewick
Kennewick, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Port of Kennewick, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Port of Kennewick, as of December 31, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2024, the Port adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 101, Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 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.

Pat McCarthy, State Auditor

Olympia, WA

July 29, 2025

FINANCIAL SECTION

Port of Kennewick
January 1, 2024 through December 31, 2024

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Port of Kennewick

MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2024

INTRODUCTION

The following is the Port of Kennewick (Port) Management's Discussion and Analysis (MD&A) of financial activities and the performance for the calendar year ended December 31, 2024, with selected comparative information for the year ended 2023. The design of the discussion and analysis is to assist the reader in focusing on the significant financial activities of the Port, to identify any significant changes in financial position, and to serve as an introduction to the Port's financial statements.

This report also presents certain required supplementary information regarding Other post-employment benefits (OPEB) and the Port's proportionate share of net pension liability and contributions. Information contained in the MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and the notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

FINANCIAL REPORT

Financial Highlights

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

- The Port's assets and deferred outflows exceeded its liabilities and deferred inflows at close of calendar year 2024 by just over $65 million.
- The Port has approximately $3.3 million outstanding debt.
- Port's overall operating revenues in 2024 decreased by approximately $147 thousand or 12% from 2023. $117 thousand decrease was due to GASB Statement No. 87 non-cash accounting treatment that requires governments to adjust lease revenue to interest income. The rest of the decrease is primarily the loss of tenants from the Oak Street Building D fire.
- The Port's overall operating expenses increased by approximately $949 thousand or 16% from 2023. $320 thousand of the increase is depreciation expense primarily due to adding 1135 Clover Island Shoreline improvements. The rest of the increase is primarily due to a non-cash transaction for a change in the Port's VEBA policy.
- The Port's non-operating revenues over non-operating expenses were approximately $4.2 million. Port's 2024 non-operating revenues increased by $743 thousand from 2023 due to receiving insurance proceeds for the Oak Street Building D fire and the TIP fair value calculation. Non-operating expenses increased by $99 thousand due to an increase in real estate activities from Vista Field land sales.
- There are no known significant liabilities or contingencies that will negatively impact the Port's future financial position.

Financial Position Summary

The Statement of Net Position presents the financial position of the Port. This statement includes all the Port's assets, deferred outflows, liabilities, and deferred inflows. As described earlier, the net position serves as an indicator of the Port's financial position. A condensed comparison of the Port's assets, liabilities, deferred inflows and outflows of resources, and net position at December 31, 2024 and 2023 follows:

PORT OF KENNEWICK'S Net Position

	2024	2023
Current assets	$ 14,073,000	$ 13,365,000
Other assets	8,466,000	7,166,000
Capital assets	56,609,000	56,262,000
Total assets	**79,148,000**	**76,793,000**
Deferred Outflows of Resources	556,000	412,000
Current liabilities	2,199,000	1,400,000
Noncurrent liabilities	3,940,000	4,296,000
Total liabilities	**6,139,000**	**5,696,000**
Deferred Inflows of Resources	8,306,000	7,256,000
Net Position:		
Investment in capital assets, net of related debt	52,859,000	52,561,000
Restricted for net pension asset	711,000	578,000
Unrestricted	11,690,000	11,114,000
Total net position	$ 65,260,000	$ 64,253,000

Note: Rounded to nearest thousand

Capital Assets: The Port's investment in capital assets (land, buildings, improvements, machinery and equipment, and construction in progress), net of related debt is $53 million (net of accumulated depreciation). As described in the notes to the financials, the major capital asset events during 2024 included Vista Field redevelopment projects, Vista Field Development Facility Building A, and a stage for Clover Island.

Current and Noncurrent Liabilities: The Port's noncurrent liabilities consist of two accounting treatments required by Governmental Accounting Standards Board for reporting the Port's share of Pension liabilities and Other Postemployment Benefits (OPEB). The pension and OPEB liabilities are non-cash transactions and are not legal liabilities owed by the Port to any third party. The Port's current and noncurrent liabilities include the remaining $3.3 million of a $5 million bond issued in 2020. The Port's non-current liabilities decreased by $356 thousand primarily due bond payments.

The Port's current liabilities consist of warrants and retainage payable, employee accrued paid time off (compensated absences), benefits payable, lease securities payable, prepaid rents (unearned revenue), and the current portion of long-term debt and OPEB. Current liabilities increased by $799 thousand primarily due to a non-cash transaction for a change in the Port's VEBA policy and increase in warrants payable.

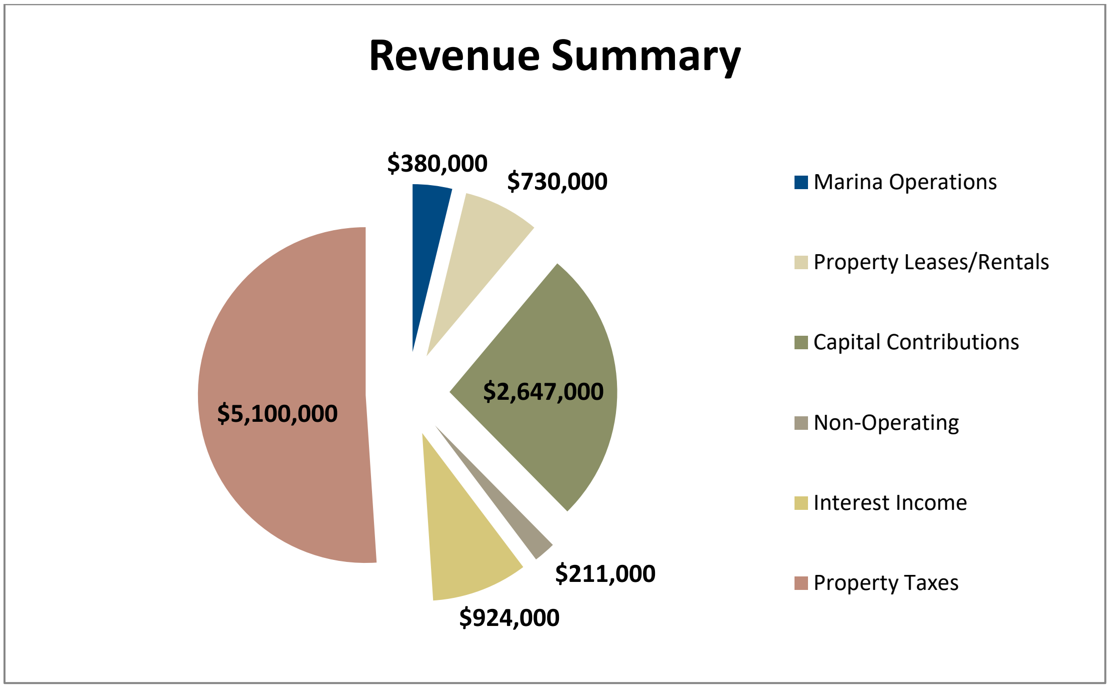
Financial Operating Highlights Summary
The following condensed financial information summarizes the Port's revenues, expenses, and changes in net position:

Statement of Revenues, Expenses, and Changes in Net Postion

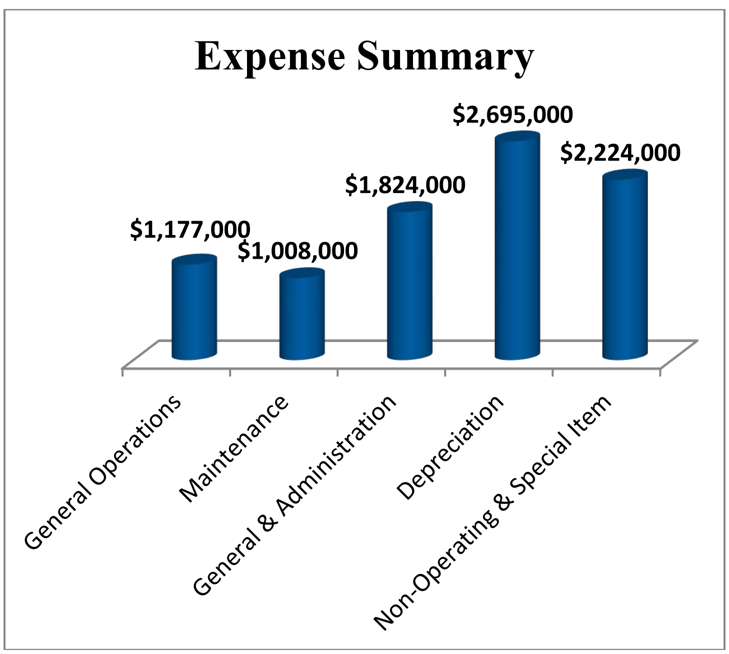
	2024	2023
Operating revenues	$ 1,110,000	$ 1,257,000
Non-operating revenues	6,235,000	5,492,000
Total revenues	7,345,000	6,749,000
Operating expenses	6,705,000	5,755,000
Non-operating expenses	2,017,000	1,918,000
Total expenses	8,722,000	7,673,000
Increase (Decrease) in net position, before capital contrib	**(1,377,000)**	**(924,000)**
Capital contributions	2,647,000	1,095,000
Special item(s)	(207,000)	-
Increase (Decrease) in net position	**1,063,000**	**171,000**
Net position at beginning of year	64,253,000	64,757,000
Changes in accounting treatment	(56,000)	(675,000)
Net position at end of year	**$65,260,000**	**$64,253,000**

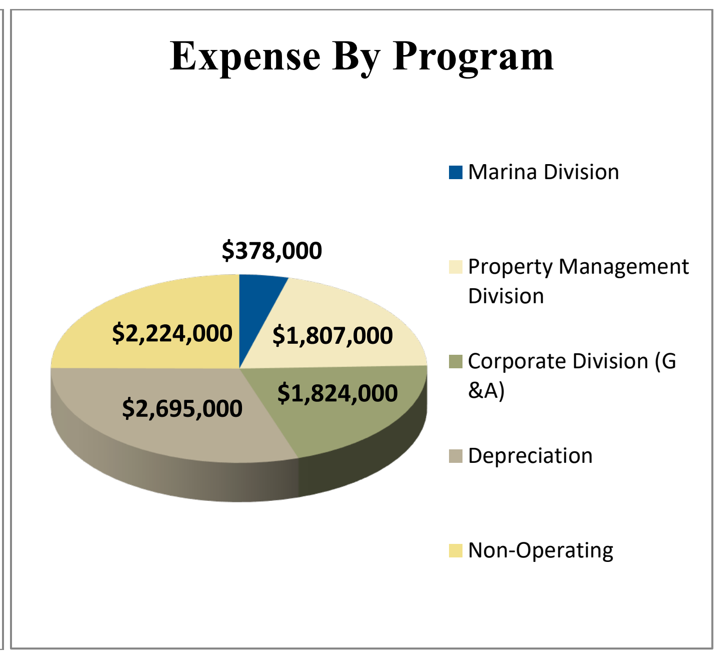
Note: Rounded to nearest thousand

Revenues: In 2024 the Port has nearly $10 million in total revenues and capital contributions. Operating and non-operating revenues amounted to approximately $1.1 million and $6.2 million. In addition, the Port had $2.6 million in capital contributions.



Expenses: The Port in 2024 has just under $9 million in total expenses. 2024 operating and non-operating expenses amounted to just over $6.7 million and approximately $2.2 million.





PORT OUTLOOK AND ECONOMIC FACTORS

As the fifth-oldest port in Washington State, and the first one established in eastern Washington (1915), the year 2025 will mark Port of Kennewick's 110th Anniversary.

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

Port of Kennewick is engaging in transparent urban planning; working to revitalize Kennewick's Historic Waterfront District; fostering industry; partnering with municipalities for public benefits; and constructing a regional town-center in place of a former airfield.

In 2024 Port staff worked to ensure compliance with evolving federal, state, and local resolutions and regulations, and conducted internal audits regarding lease revenue, utilities, payroll, maintenance equipment, and insurance. Staff provided oversight and administration of the biennial budget, invoices, 36 leases and 79 contracts (small works, major works, A&E, non-A&E, maintenance/operations, and technology); and provided financial presentations to commissioners including the Port's 2024 Tax Levy capacity/certification; and a spring budget presentation in May 2024.

The Port continues to be managed as a highly productive, successful, fiscally-sound organization—ensuring transparent public engagement via in-person and virtual meetings. In 2024, the Port received its *29th consecutive clean audit opinion* from the Washington State Auditor's Office for the 2023 financial statements and accountability/compliance audits.

At **Vista Field**, the Port is creating a pedestrian-focused regional town center featuring mixed-use neighborhoods and urban lifestyle amenities. The first phase of infrastructure, which included utilities, streets, lighting, landscaping, a pond, fountains, plaza, and a streamside esplanade, was completed in summer of 2022. Port staff have since been working to sell parcels of land and bring private sector investment to the first twenty acres at Vista Field. Lots are being marketed for mixed-use commercial, retail, and residential development, and those proceeds will help fund future phases of infrastructure until the entire 103-acre site plan is complete.

In 2024, Port Commissioners sold one parcel (lot 15) to Kuki Izakaya for a Japanese restaurant. They also accepted four *Letters of Interest* from developers: a destination bridal retail center for Blueberry Bridal (lot 18); an $8 million proposal , from the Akula Group for a five-story mixed-use retail apartment and condominium building (lot 25); from Cantley Vision for a 7,000-square-foot medical office and optical shop with 1,500-square-feet for retail tenant space (lot 31); and from BlueChart Homes to build 300 single-family homes sitewide. Several other significant development proposals are advancing through the collaborative design process before they will be formally considered by the Commission in 2025.

During strategic planning for Vista Field, the community expressed a strong desire for gathering places. In 2024, the Port began the Southern Gateway Transformation Project to renovate two former hangar buildings into pavilions with a band stage and courtyard space to host expanded community events. When completed as planned, in spring 2025, the Southern Gateway project will provide multiple areas to use individually or with the adjacent commercial plaza. And it will attract and support adjacent private sector business investment. That project is funded with a $3.4 million grant from Benton County's Rural County Capital Fund (RCCF).

Once the Southern Gateway Project is finished, the Port will then undertake its Azure Drive Parking Lot & Utility Improvements Project to support use of those pavilions and adjacent businesses. The nearly $2 million Azure Drive project is being supported with RCCF ($1m) and Hanford Area Economic Investment Fund ($325k) grants and is expected to be completed in winter 2025.

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

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

In 2024, the Port continued enhancing the sustainability and economic vitality of Clover Island by following its waterfront master plan (adopted by the Port's Board of Commissioners in 2021). That plan emphasizes maintaining focus on Clover Island as a tourism destination with expanded business and recreational opportunities on a waterfront zoned as commercial marine.

At the Port's **Columbia Gardens Wine & Artisan Village** development site, the Port attended a spring 2024 ribbon-cutting event to celebrate the grand opening of Swampy's BBQ Kitchen. The Port had sold a shovel-ready parcel to Ron Swanby, a small-business entrepreneur so he could expand to a bricks and mortar building after thriving as the Food Truck Plaza's initial, anchor business. Currently, Columbia Gardens host a variety of food truck vendors and four wineries, including Bartholomew, Monarcha, Gordon Estate and Muret-Gaston.

Challenges & Opportunities: The Port made staffing adjustments to help ensure long-term success. In early 2024 the Port completed a succession planning process, helping CEO Tim Arntzen and Deputy CEO Nick Kooiker address retirements and plan for future staffing needs. In late 2024, after 15 years, Jennifer Roach retired from service, and the Port hired Philline Go as Senior Accountant to fill her position.

There were also several significant challenges this past year, including an insurance settlement for a fire that had taken place at one of the buildings within the Port's Oak Street Industrial site. Port staff worked to remove the damaged portion of the structure and begin demolition of the rest of the building in 2024.

Additionally, the Port removed the former Vista Field FBO (Fixed Base Operator) building from Vista Field—a tired, cinder block building identified by our insurance carrier as an attractive nuisance and unsafe. That lot, situated at Vista Field's Roosevelt Street entryway, is now cleared and ready for future private sector development. And the Port bid and began renovations to the exterior of its Vista Field Development Facility Buildings on South Roosevelt Street.

The Port removed invasive trees and coordinated a land exchange at The Willows between Port of Kennewick and KIE to ensure future waterfront access/connectivity.

In addition, this past year, the Port's properties experienced increased incidents of graffiti, property damage, and equipment theft; the Port added security cameras to Clover Island and Columbia Gardens, and to its Oak Street and Vista Field maintenance shops to help deter unwanted activity at those sites.

The Port's marina had one tenant whose boat sank within their leased slip during a hard winter freeze—requiring Department of Ecology involvement to mitigate for potential oil and fuel leaks.

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

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

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

Tax Levy. Over the years, the Port of Kennewick has worked to minimize the Port's property tax levy. We strive to keep the Port levy low. Our goal is to be able to offset operational costs and future economic development opportunities with revenue from tenants or developers while keeping tax revenue well below our taxing authority. With those goals in mind, the Port's levy rate has decreased from $0.44 in 2001 to $0.20 in 2024 which is a 54% decrease. A $400 thousand house paid $176 in Port property taxes in 2001; and just $82 in 2024.

REQUEST FOR INFORMATION

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

Port of Kennewick

STATEMENT OF NET POSITION*
December 31, 2024

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

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 11,626,000
Other receivables (net)	4,000
Lease receivable	294,000
Taxes receivable	95,000
Prepaid expenses	348,000
Investment pool valuation account	519,000
Due from other governments	1,187,000
Total current assets	14,073,000
Noncurrent Assets:	
Lease receivable	8,098,000
Net pension asset	368,000
Capital assets	
Capital assets not being depreciated:	
Land	8,503,000
Construction in progress	4,146,000
Capital assets being depreciated:	
Improvements to land	30,354,000
Buildings	37,130,000
Equipment	1,732,000
Subscription assets	-
Less: accumulated depreciation and amortization	(25,256,000)
Total capital assets (net)	56,609,000
Total noncurrent assets	65,075,000
TOTAL ASSETS	$ 79,148,000
Deferred Outflows of Resources:	
Other post-employment benefits	11,000
State pension	545,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 556,000

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

Port of Kennewick

STATEMENT OF NET POSITION*
December 31, 2024

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

LIABILITIES		
Current Liabilities:		
Warrants payable	$	583,000
Retainage payable under construction contracts		9,000
Compensated absences		549,000
Accrued benefits		581,000
Current portion of long-term debt		337,000
Current portion of other post-employment benefits		23,000
Unearned revenue		29,000
Lease securities payable		88,000
Total current liabilities		2,199,000
Noncurrent Liabilities:		
Long-term debt		2,985,000
Subsricption liability		-
Total other post-employment benefits liability		800,000
Net pension liability		155,000
Total noncurrent liabilities		3,940,000
TOTAL LIABILITIES		6,139,000
Deferred Inflows of Resources:		
Lease		8,104,000
State pension		202,000
TOTAL DEFERRED INFLOWS OF RESOURCES		8,306,000
NET POSITION		
Net investment in capital assets		52,859,000
Restricted for net pension asset		711,000
Unrestricted		11,690,000
TOTAL NET POSITION	$	65,260,000

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

Port of Kennewick

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION*
For the Year Ended December 31, 2024

Business-Type Activities - *Rounded to nearest thousand*

OPERATING REVENUES	
Property lease/rental operations	$ 730,000
Marina operations	380,000
Total operating revenues	1,110,000
OPERATING EXPENSES	
General operations	1,177,000
Maintenance	1,009,000
General and administration	1,824,000
Depreciation and amortization	2,695,000
Total operating expenses	6,705,000
Operating loss	(5,595,000)
NONOPERATING REVENUES (EXPENSES)	
Taxes levied for general purposes	5,100,000
Interest income	380,000
Interest income from lease activity	180,000
Change in fair value of investments	364,000
Gain or (Loss) on disposition of assets	(307,000)
Other nonoperating revenues	518,000
Interest expense	(123,000)
Real estate division expenses	(414,000)
Economic development division expenses	(209,000)
Public, election, and governmental relations expenses	(1,271,000)
Total nonoperating revenues (expenses)	4,218,000
Gain (loss) before capital contributions	(1,377,000)
Capital contributions	2,647,000
Special item(s)	(207,000)
Increase in net position	1,063,000
Net position - beginning of year	64,253,000
Changes in accounting treatment	(56,000)
Net position - end of year	$65,260,000

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

Port of Kennewick

STATEMENT OF CASH FLOWS*
For the Year Ended December 31, 2024

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

CASH FLOWS from OPERATING ACTIVITIES		
Receipts from customers	$	1,220,000
Payments to suppliers		(1,733,000)
Payments to employees		(2,050,000)
Net cash used by operating activities		(2,563,000)
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES		
Non-capital property taxes received		1,327,000
Non-operating receipts		518,000
Non-operating expenses		(1,894,000)
Special item expenses		(207,000)
Net cash provided by noncapital financing activities		(256,000)
CASH FLOWS from CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital property taxes received		3,761,000
Proceeds from sale of capital assets		90,000
Principal paid on capital debt		(326,000)
Interest paid on capital debt		(123,000)
Purchases of capital assets		(3,772,000)
Capital contributions		2,097,000
Net cash used by capital and related financing activities		1,727,000
CASH FLOWS from INVESTING ACTIVITIES		
Interest and dividends on investments		380,000
Net cash provided by investing activities		380,000
Net Increase (decrease) in cash and cash equivalents		(712,000)
Balance - beginning of the year		12,338,000
Balance - end of the year	$	11,626,000

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

Port of Kennewick

STATEMENT OF CASH FLOWS CONTINUED*
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities*
For the Year Ended December 31, 2024

Business-Type Activities - *Rounded to nearest thousand*

Operating loss	$ (5,594,000)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	2,695,000
Other post-employment benefits	8,000
State pension	(154,000)
Changes in assets and liabilities	
Accounts receivable (net)	3,000
Lease revenue	117,000
Software subscription	9,000
Prepayments	(58,000)
Customer deposits payable	(1,000)
Warrants payable	32,000
Compensated absences	33,000
Accrued benefits	356,000
Unearned revenue	(9,000)
Net cash used by operating activities	$ (2,563,000)

Non-Cash Activities for Investing and Financing Activities

The noncash portion of these transactions are as follows:

Change in investment pool valuation account	$364 thousand

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

Port of Kennewick

NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Accounting and Reporting

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

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

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

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

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

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

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

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

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

All assets and all liabilities (whether current or noncurrent) with the associated activity to these accounts are included in the statement of net position (or balance sheet). The reported fund net position is segregated into net investment in capital assets, restricted, and unrestricted components of net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. The Port discloses changes in cash flows by a separate statement that presents the operating, noncapital financing, capital and related financing, and investing activities. Capital asset purchases are capitalized and long-term liabilities are accounted for in the statement of net position (or balance sheet).

C. Pension

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For purposes of calculating the restricted net position related to the net pension asset, the Port includes the net pension asset and the related deferred outflows and deferred inflows.

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

a. Change in Accounting Principle

GASB Statement No. 101, *Compensated Absences* requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The Port's past accounting principles for compensated absences are in line with GASB Statement No. 101. The Port's recognizes a liability for leave that has not been used. However, GASB Statement No. 101 requires recognition of Medicare and Social Security payroll taxes, which was not previously recorded as a liability by the Port. A change in accounting principles requires restatement of the prior periods per GASB Statement No. 100, unless restatement is not practicable to do so. Furthermore, GASB Statement 100 states "The provisions of this Statement need not be applied to immaterial items". The change in accounting principles for compensated absences amounted to $39 thousand and is not deemed material to the Port's financial statements, thus no restatement of the prior period was carried out.

b. Accounting Changes and Error Corrections

According to GASB Statement No. 100, *Accounting Changes and Error Corrections* an amendment of GASB Statement No. 62, the Port is required to account for the correction of an error in a previously issued financial statement (error correction). The Port worked with the Army Corp of Engineers on the 1135 Shoreline improvements where the Port capitalizes the Army Corp of Engineers cost on our balance sheet as a capital asset. In 2024, the Port discovered an error in previously reported Army Corp of Engineers expenditures to date that occurred due to an oversight of the facts at the time the prior year financial statements were issued, where it could not be reasonably expected that the facts provided were not correct. When the Port obtained new facts on the Army Corp of Engineers expenditures to date, the Port corrected the error correction through a prior period adjustment by approximately $313,177. In addition, the Port received Rural County Capital Funds, where the 2023 expenditure was not eligible for reimbursement until the contract was signed in 2024. Thus the 2023 expenditures were corrected reflecting in prior period adjustment of $256,908. The Port's comparable financials in the MD&A prior year balances were corrected. Furthermore, Note 2, Capital Asset and Depreciation, Construction In Progress beginning balance was corrected.

The effect of that error is shown in below.

Increase in net position	1,063,000
Net position -beginning of year, as previously reported	64,253,000
Changes in accounting treatment	(56,000)
Beginning of year, as restated	65,260,000
Net position – end of year	65,260,000

E. Assets, Liabilities, and Net Position

a. Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2024, the Benton County Treasurer held just over $11.6 million in short-term residual investments of surplus cash as discussed in Note 5, *Deposits and Investments* held in Washington State approved depository. These amounts are classified on the Statement of Net Position as cash and cash equivalents. Interest on deposits and investments are accounted for on the Statement of Revenues, Expenses, and Changes in Net Position as non-operating revenues.

For purposes of the Statement of Cash Flows, the Port considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

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

c. Receivables and Unearned Revenues
Taxes receivable consist of property taxes and related interest and penalties. (See Note 12, *Property Tax*).

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

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

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

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

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

Prepaid expenses are payments to vendors that reflects costs applicable to future accounting periods and are recorded as prepaid items when the payment is made.

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

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

g. Compensated Absences and Accrued Benefits
In accordance with GASB Statement No. 101, *Compensated Absences,* the Port accrues a liability for compensated absences (e.g., paid time off). All paid time off is accrued when earned.

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

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

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

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

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

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

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

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

Agreement Terms				
Lease	Start Date	End Date	Tax Status	IBR Rate
1	1/1/2022	10/31/2027	Tax-Exempt	0.893%
2	1/1/2022	4/30/2025	Tax-Exempt	0.476%
3	1/1/2022	7/31/2087	Tax-Exempt	1.851%
4	1/1/2022	4/30/2024	Tax-Exempt	0.380%
5	5/1/2024	4/30/2027	Tax-Exempt	2.975%
6	10/1/2023	9/30/2026	Tax-Exempt	3.764%
7	7/1/2024	6/30/2027	Tax-Exempt	3.220%
8	2/1/2023	1/31/2026	Tax-Exempt	2.796%
9	1/1/2022	12/31/2026	Tax-Exempt	0.736%
10	1/1/2022	12/31/2024	Tax-Exempt	0.476%
11	5/15/2022	5/31/2025	Tax-Exempt	2.145%
12	6/1/2022	5/31/2025	Tax-Exempt	2.145%
13	1/1/2023	12/31/2025	Tax-Exempt	2.796%
14	1/1/2022	10/31/2032	Tax-Exempt	1.347%
15	7/1/2022	12/31/2024	Tax-Exempt	2.354%
16	1/1/2024	12/31/2025	Tax-Exempt	2.680%
17	1/1/2022	12/31/2059	Tax-Exempt	1.851%
18	4/9/2024	4/8/2074	Tax-Exempt	4.119%
19	4/9/2024	4/8/2034	Tax-Exempt	2.900%
20	1/1/2022	12/31/2034	Tax-Exempt	1.412%
21	1/1/2022	4/30/2045	Tax-Exempt	1.757%
22	1/1/2024	12/31/2026	Tax-Exempt	2.533%

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

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

SBITA:

The Port implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangement (SBITA) in 2023. The Port has noncancellable SBITAs for the right to use information technology hardware and software. The Port recognizes a subscription liability and an intangible right-to-use subscription asset (capital asset), respectively, on the Statement of Net Position. The subscription liability is initially measured at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the amount of the subscription liability, plus any subscription payments made at or before the subscription commencement date.

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

For capitalization purposes, SBITAs with total payments that equal or exceed $7500 and have a maximum possible term more than one year will be capitalized and recorded as a liability on the Port's financials. Any SBITA that does not meet this threshold, or which has a maximum term of less than one year, is not reported in the Port's financials. As of December 31, 2024, no SBITAs met the capitalization threshold, thus no SBITA was reported in the Port's Financials for 2024.

j. Net Position Classification

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted. The Port's Statement of Net Position reports $711 thousand of restricted net position for pension asset as per Note 7, Pension. None of the restricted net position is restricted by enabling legislation.

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, parking lots, sidewalks, and similar items), are reported in the Statement of Net Position. The Port's policy is to capitalize all assets with an initial, individual cost of $1,000 or more and an estimated life of more than one year. Effective January 1, 2024, the Port increased the capitalization threshold to $7,500. Change in capitalization threshold policy per GASB Statement No. 100 is deemed a change in accounting estimate (policy), therefore there are no prior period adjustments and the change is applied prospectively as of the adoption date. Such assets are recorded at historical cost (or estimated historical cost, where historical cost is not known) if purchased or constructed. Donated capital assets are recorded at acquisition value (or estimated market value) at the date of donation. Donations by developers (and customers) are recorded at the contract price or acquisition value.

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

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

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

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

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

The Port did not have any impaired capital assets in 2024. Capital asset activity for the year ending December 31, 2024 was as follows:

	Beginning Balance January 1	Deletions	Additions	Ending Balance December 31
Capital assets, not depreciated:				
Land	$ 8,531,000	$ 28,000	-	$ 8,503,000
Construction in progress	7,421,000	7,424,000	4,149,000	4,146,000
Total capital assets, not depreciated	15,952,000	7,452,000	4,149,000	12,649,000
Capital assets, depreciated:				
Software subscriptions	24,000	24,000		-
Buildings	37,522,000	392,000	-	37,130,000
Improvements other than buildings	23,786,000	403,000	6,971,000	30,354,000
Machinery and equipment	1,746,000	14,000	-	1,732,000
Total capital assets, depreciated	63,078,000	833,000	6,971,000	69,216,000
Less accumulated depreciation for:				
Software subscriptions	9,000	9,000		-
Buildings	12,649,000	336,000	852,000	13,165,000
Improvements other than buildings	9,309,000	89,000	1,733,000	10,953,000
Machinery and equipment	1,043,000	15,000	110,000	1,138,000
Total accumulated depreciation	23,010,000	449,000	2,695,000	25,256,000
Total capital assets, being depreciated (net)	40,068,000	384,000	4,276,000	43,960,000
Total capital assets (net)	**$ 56,020,000**	**$ 7,836,000**	**$ 8,425,000**	**$ 56,609,000**

*Note: Construction in progress was restated due to change in accounting treatment of $623 thousand described in Note 1(D)(b).

NOTE 3 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2024, The Port had two active planning and construction projects; Vista Field Redevelopment and Vista Field Development Building A Improvements. At year-end, the Port's commitments on contract were as follows:

Project	Spent to Date	Remaining Commitment
Vista Field Redevelopment (Pavillions, Infrastructure, Parking)	$ 646,323	$ 464,078
Vista Field Development Building A	$ 547,067	$ 148,732
Total	***$ 1,193,390***	***$ 612,810***

Of the committed balance of $613 thousand, the Port has sufficient funding available to cover all costs as disclosed in Note 5, *Deposits and Investments*.

NOTE 4 – CONTINGENCIES, LITIGATION, STEWARDSHIP, AND ACCOUNTABILITY

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

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

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

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

The Port participates in several federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenses disallowed under the terms of the grants. Management is not aware of any disallowances; however, if any, these would be immaterial.

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

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

NOTE 5 – DEPOSITS AND INVESTMENTS

Deposits

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

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

Deposits are classified on the Statement of Net Position as cash and cash equivalents. Investments with maturities of more than three months are classified on the Statement of Net Position as investments. The TIP combines deposits and investments together which average maturity of more than three months as of December 31, 2024. All the Port's deposits are either within the Benton County TIP or held in the County's cash account that can be cashed out in their entirety daily or with ten (10) day notice if over $10 million as per the Investment Service Agreement. GASB 72 require the Port to report external investment pools at their fair value. Port of Kennewick had a $364 thousand fair value adjustment of the Port's portion of the deposits held in the Benton County TIP. The County's policy is to hold investments until maturity, thus there will be no realized loss or gain recognized.

The Port's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Interest Rate Risk: Interest rate risk is the risk the Port may face should interest rate variances affect the fair value of investments.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Benton County Treasurer's policy dictates that all deposits and investment instruments other than non-negotiable certificates of deposit and monies placed with the Washington State Local Government Investment Pool are transacted on the delivery versus payment basis. This means that payment is made simultaneously with the receipt of the security. Securities are held in safekeeping in the county's name by an institution (custodian) under contract with the county Treasurer. Currently, safekeeping is with Bank of New York Mellon.

Port of Kennewick deposits by type at December 31, 2024 are as follows:

Deposit	Maturity	Carrying Cost	Fair Value Adjustment
Benton County (External Investment Pool)	Daily	$11,611,000	$364,000
Gesa petty cash	Daily	15,000	0
Total		$11,626,000	$364,000

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

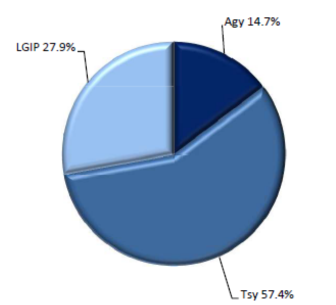
<u>External Investment Pool</u>. The Benton County TIP is not registered with the Securities and Exchange Commission (SEC) as an investment company and does not have a credit rating. Oversight is provided by the Benton County Finance Committee. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. In 2012, the Benton County Board of Commissioners, Finance Committee, and County Treasurer authorized the expansion of the TIP and with that expansion, an alternative investment vehicle is available

not only to the county but allows for participation by other legally separate entities such as special districts and public agencies, for which the county is *ex officio* treasurer. Participation in the pool by districts and agencies is voluntary, with a signed Investment Service Agreement submitted to the county treasurer. The county and districts can take advantage of higher yielding investment opportunities by combining purchasing power while maintaining objectives of safety, liquidity, and yield. The Port share of the TIP is 3.10% and the County's entire portfolio summary for the TIP is as follows:

Portfolio Summary

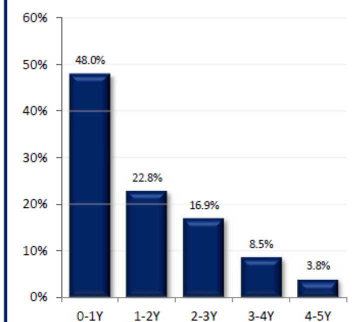
Benton County, WA-TIP — **12/31/2024**

SECTOR ALLOCATION



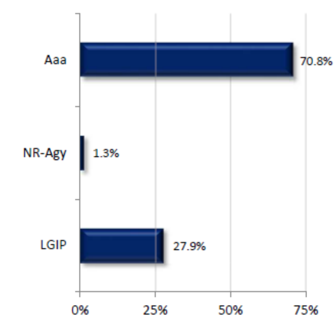
Per Book Value

MATURITY DISTRIBUTION



Per Book Value

CREDIT QUALITY (MOODY'S)



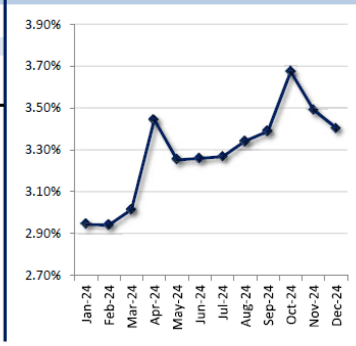
NR: Not Rated

ACCOUNT SUMMARY

	12/31/24	9/30/24
Market Value	$391,792,357	$408,736,393
Book Value	$395,910,226	$410,338,561
Variance	-$4,117,869	-$1,602,168
Par Value	$398,434,687	$413,441,590
Net Asset Value	$98.960	$99.610
Purchase Yield	3.40%	3.39%
Years to Maturity	1.37	1.44
Effective Duration	1.27	1.30

*Book Value is held at cost

MONTH-END PORTFOLIO BOOK YIELD



TOP ISSUERS

Issuer	% Portfolio
U.S. Treasury	57.4%
Local Gov't Investment Pool	27.9%
Federal Home Loan Bank	5.7%
Federal Farm Credit Bank	3.9%
Federal National Mtg Assn	2.5%
Federal Home Loan Mtg Corp	1.3%
Federal Agricultural Mtg Corp	1.3%

Per Book Value

NOTE 6 – LEASES

GASB Statement No. 87, Leases established a single model for lease accounting based on the principle that leases are financing a right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Leases subject to GASB Statement No. 87 have a noncancelable fixed term that exceeds one year.0. As a lessor, the Port leases land and buildings under a variety of long-term, non-cancelable lease agreements. These lease agreements vary in rent payment amounts, lease terms, and options to extend the lease. 9 Port leases include options to extend the lease term. The Port deemed 8 leases with options to extend the lease term were reasonably certain to extend and are calculated in the Port's lease activity schedule. The only exception is the option on the stage lease with (add lessee name), which has not been deemed reasonably certain to extend due to the equipment life span. Only fixed receipts and components of variable receipts that are fixed in substance are included in the measurement of the lease receivable and deferred inflows based on the present value of the expected receipts over the term of the respective leases. The Port had no noncancelable leases over twelve months with variable receipts.

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

BUSINESS-TYPE ACTIVITIES:	Extenstion Options	IBR	2024 Monthly Payments	Lease Term Left In Months	Lease Receivable: Balance as of January 1st 2024	Additions	Reductions	Balance as of December 31st 2024	Short-Term as of December 31st 2024
Activity (Rollforward Schedule)									
Buildings									
Columbia Gardens Wine Village Building B	One for 60 months	0.89%	$ 3,012	46	$ 138,172	$ -	$ 34,246	$ 103,926	$ 35,521
Oak Street Development Building C	N/A	0.48%	1,357	106	21,573	-	16,146	5,426	5,426
Clover Island Yacht Club/Professional Building	Two for 180 months	1.85%	4,225	763	1,893,825	-	15,773	1,878,052	16,067
Clover Island Yacht Club/Professional Building	N/A	0.38%	3,949	0	16,204	-	16,204	-	-
Clover Island Yacht Club/Professional Building	N/A	2.98%	4,174	28	-	148,192	31,089	117,103	48,251
Vista Field Development Building B	N/A	3.76%	2,346	0	73,583	-	73,583	-	-
Vista Field Development Building B	N/A	3.22%	3,461	30	-	122,392	19,252	103,140	39,398
Columbia Gardens Way Wine Tasting Building	N/A	2.80%	1,365	24	33,508	-	15,613	17,894	16,496
Clover Island Port Office Building	N/A	0.74%	2,994	36	108,643	-	35,227	73,417	36,207
Clover Island Yacht Club/Professional Building	N/A	0.48%	1,882	12	22,520	-	22,520	-	-
Vista Field Development Building A	One for 12 months	2.15%	3,024	12	50,145	-	35,108	15,037	15,037
Columbia Gardens Way Wine Tasting Building	N/A	2.15%	1,412	12	23,445	-	16,420	7,025	7,025
Oak Street Development Building D	N/A	2.80%	1,517	24	58,497	-	58,497	-	-
Columbia Gardens Wine Village Building B	One for 60 months	1.35%	4,837	106	523,118	-	50,013	473,105	52,251
Oak Street Development Building C	N/A	2.35%	5,539	24	72,455	-	72,455	-	-
Oak Street Development Building C	N/A	2.68%	1,341	12	-	31,707	15,502	16,204	16,204
Total Building Lease Receivable Activity					**$3,035,688**	**$ 302,291**	**$ 527,648**	**$2,810,329**	**$ 287,883**
Land									
Clover Island Land Lease	One for 120 months	1.85%	2,516	432	$2,300,212	$ -	$ 490,598	$1,809,614	$ (1,627)
Clover Island Land Lease	Three for 120 months	4.12%	5,980	747	-	2,689,704	(23,811)	2,713,514	(39,134)
Clover Island Land Lease	Two for 60 months	2.90%	300	111	-	31,238	1,832	29,406	2,784
Clover Island Land Lease	Two for 60 months	1.41%	5,806	0	847,292	-	847,292	-	-
East Cochran Road Land Lease	Four for 60 months	1.76%	5,000	256	1,066,829	-	41,590	1,025,239	42,326
East 3rd Avenue Land Lease	N/A	2.53%	1,915		-	5,937	1,915	4,021	1,869
Total Land Lease Receivable Activity					**$4,214,333**	**$2,726,879**	**$ 1,359,416**	**$5,581,794**	**$ 6,218**
Total Port Lease Receivable Activity					**$7,250,021**	**$3,029,170**	**$ 1,887,064**	**$8,392,123**	**$ 294,101**

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

BUSINESS-TYPE ACTIVITIES: Activity (Rollforward Schedule)	*Deferred Inflow of Resources* Balance as of January 1st 2024	Additions	Reductions	Balance as of December 31st 2024
Buildings				
Columbia Gardens Wine Village Building B	$ 133,528	$ -	$ 34,833	$ 98,694
Oak Street Development Building C	21,180	-	15,885	5,295
Clover Island Yacht Club/Professional Building	1,868,698	-	29,390	1,839,308
Clover Island Yacht Club/Professional Building	15,829	-	15,829	-
Clover Island Yacht Club/Professional Building	-	148,192	32,932	115,260
Vista Field Development Building B	73,275	-	73,275	-
Vista Field Development Building B	-	122,392	20,399	101,994
Columbia Gardens Way Wine Tasting Building	32,770	-	15,729	17,040
Clover Island Port Office Building	105,808	-	35,269	70,539
Clover Island Yacht Club/Professional Building	21,785	-	21,785	-
Vista Field Development Building A	47,740	-	33,699	14,041
Columbia Gardens Way Wine Tasting Building	22,655	-	15,992	6,663
Oak Street Development Building D	57,150	-	57,150	-
Columbia Gardens Wine Village Building B	502,482	-	56,885	445,597
Oak Street Development Building C	70,130	-	70,130	-
Oak Street Development Building C	-	31,707	15,853	15,853
Total Building Deferred Inflow of Resources	***$ 2,973,030***	***$ 302,291***	***$ 545,035***	***$ 2,730,284***
Land				
Clover Island Land Lease	$ 2,188,457	$ -	$ 499,824	$ 1,688,634
Clover Island Land Lease	-	2,689,704	39,150	2,650,554
Clover Island Land Lease	-	31,238	2,273	28,964
Clover Island Land Lease	812,429	-	812,429	-
East Cochran Road Land Lease	1,050,999	-	49,266	1,001,733
East 3rd Avenue Land Lease	-	5,937	1,979	3,958
Total Land Deferred Inflow of Resources	***$ 4,051,885***	***$ 2,726,879***	***$ 1,404,921***	***$ 5,373,843***
Total Port Deferred Inflow of Resources	***$ 7,024,915***	***$ 3,029,170***	***$ 1,949,956***	***$ 8,104,127***

Principal and Interest Expected to Maturity

Fiscal Year	Business-Type Activities Principal Payments	Interest Payments	Total Payments
2025	$ 294,103	$ 212,722	$ 506,825
2026	249,167	208,425	457,592
2027	155,375	205,057	360,432
2028	90,651	204,150	294,801
2029	97,222	203,562	300,785
2030 - 2034	434,520	1,006,252	1,440,771
2035 - 2039	372,867	991,481	1,364,348
2040 - 2044	557,998	960,557	1,518,555
2045 - 2049	506,431	912,905	1,419,336
2050 - 2054	756,697	844,703	1,601,400
2055 - 2059	1,100,438	730,775	1,831,213
2060 - 2064	758,923	590,742	1,349,665
2065 - 2069	1,104,240	420,020	1,524,260
2070 - 2074	1,344,824	172,107	1,516,931
2075 - 2079	210,257	43,213	253,470
2080 - 2084	230,629	22,841	253,470
2085 - 2087	$ 127,782	$ 3,178	$ 130,960
Total	$8,392,124	$7,732,690	$16,124,814

For GASB Statement No. 87 lease activity calculations, the Port recognized $630 thousand in lease receipts in 2024 ($450 thousand principal and $180 thousand in interest)/

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

A. Long-Term Debt

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

As of December 31, 2024, approximately $3.3 million principal was outstanding. There are no assets pledged as collateral for this debt since the bond constitutes general indebtedness payable from Port tax revenues. The following are terms specified in the debt agreement:

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

Debt service requirements on long-term debt as of December 31, 2024, are as follows:

	Bond	
Year Ending December 31,	Principal	Interest
2025	$ 337,361	111,719
2026	349,100	99,980
2027	361,248	87,832
2028	373,819	75,261
2029	386,827	62,253
2030-2033	1,513,493	109,640
Total	$ 3,321,848	$ 546,685

B. Changes in Long-Term Liabilities

During the year ended December 31, 2024, the following changes occurred in long-term liabilities:

Type	ID No.	Description	Date of Original Issue	Date of Maturity	Beginning Balance January 1	*	Additions	Deletions	Ending Oustanding Balance December 31	Due Within One Year
GO	259.12	Compensated Absences	N/A	N/A	$ 516,000	*	$ 33,000	$ -	$ 549,000	$ 334,029
GO	263.99	Accrued Benefits	N/A	N/A	225,000	*	356,000	-	581,000	-
GO	264.30	PERS/Pension Related	Jan-15	N/A	176,000		(21,000)	-	155,000	-
GO	263.40	OPEB/Pension Related	Jan-13	N/A	813,000		10,000	-	823,000	-
GO	263.57	(SBITAs) Subscription Based IT Arrangements	Jan-23	N/A	6,000			6,000	-	
GO	251.41	Non-Voted General Obligation Bond for Construction	May-20	Jun-28	3,648,000		-	326,000	3,322,000	337,361
Total Liabilities					$5,384,000		$ 378,000	$ 332,000	$ 5,430,000	$ 671,390

*The change in the compensated absences and accrued benefits liability is presented as a net change.

Compensated absences accounts for accrued employee paid time off (PTO), which includes vacation and sick pay. Accrued benefits account for HRA Veba contributions for employees who have at least five years of service. To encourage longevity at the Port, employees will receive a lump sum payment based on a multiplier and years of service upon separation into their HRA Veba account.

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

NOTE 8 – OTHER DISCLOSURES

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

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

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

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

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

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

	2024
OPEB Liabilities	$822,609
Deferred Outflows of Resources	11,417
OPEB Expense	$29,367

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

General Information about the OPEB Plan

<u>Plan Description</u>

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

Benefits Provided

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

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

Employees Covered by Benefit Terms

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

Active Employees	18
Inactive Employees or beneficiaries currently receiving benefits	4
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	*
Total	22

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

Funding Policy

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

Contributions.

The OPEB relationship between PEBB employers and their employees and retirees are not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communication between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

Total OPEB Liability

The Port's total OPEB liability was measured as of June 30, 2024, and was determined using the alternative measurement method as of that date, which is permitted under GASB Statement No. 75. The data (e.g., age range) is compiled into the Office of State Actuary GASB No. 75 reporting tool for all active and inactive members to determine the total OPEB Liability and OPEB Expense. The Office of the State Actuary report involves calculations that require assumptions about future economic and demographic events.

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

Methodology	
Actuarial Valuation Date	6/30/2024
Actuarial Measurement Date	6/30/2024
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	N/A (No Assets)
Assumptions	
Discount Rate[1]	
Beginning of Measurement Year	3.65%
End of Measurement Year	3.93%
Projected Salary Changes	3.25% + Service-Based Increases
Healthcare Trend Rates[2]	Initial rate ranges from about 2-16%, reaching an ultimate rate of approximately 3.8% in 2075.
Mortality Rates	
Base Mortality Table	PubG.H-2010 (General)
Age Setback	0 years
Mortality Improvements	MP-2017 Long-Term Rates
Projection Period	Generational
Inflation Rate	2.35%
Post-Retirement Participation Percentage	60%
Percentage with Spouse Coverage	45%

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

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

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

Changes in the Total OPEB Liability

Schedule of Changes in Total OPEB Liability and Related Ratios *Measurement Date of June 30, 2024*	
Total OPEB Liability (TOL)	
Service Cost	$21,534
Interest Cost	$30,110
Changes in Experience Data and Assumptions	($22,277)
Changes in Benefit Terms	$0
Benefit Payments	($20,133)
Other	$0
Net Change in Total OPEB Liability	**$9,234**
Total OPEB Liability - Beginning	$813,375
Total OPEB Liability - Ending	**$822,609**
Covered Employee Payroll	$1,833,681
TOL as a Percentage of Covered Payroll	**44.86%**

Sensitivity of the Total OPEB Liability

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

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

Sensitivity Analysis			
Total OPEB Liability	1% Decrease	Current	1% Increase
Discount Rate	$954,052	**$822,609**	$715,143
Healthcare Trend	$706,244	**$822,609**	$967,010

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

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

OPEB Expense for Fiscal Year Ending June 30, 2024	
Service Cost	$21,534
Interest Cost	$30,110
Changes in Experience Data and Assumptions	($22,277)
Changes in Benefit Terms	$0
Other Changes in Fiduciary Net Position	$0
Total OPEB Expense	**$29,367**

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

	Deferred Outflows of Resources
Payments subsequent to the measurement date	$11,417

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

NOTE 10 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2024:

Aggregate Pension Amounts - All Plans	
Pension liabilities	(155,082)
Pension assets	368,359
Deferred outflows of resources	544,728
Deferred inflows of resources	(201,892)
Pension expense/expenditures	9,140

State Sponsored Pension Plans

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

Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employee's Retirement System (PERS)

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

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

PERS Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6%. The PERS 1 employer and PERS 2/3 employer and employee contribution rates are developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The **PERS Plan 2/3** employer rate includes a component to address PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

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

The PERS Plans defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2024 were as follows:

Employer Contribution Rates				
[1] Timeframe	Contribution Rate	PERS 1 UAAL	Admin Fee	Total Employer
January - June	6.36%	2.97%	0.20%	9.53%
July - August	6.36%	2.47%	0.20%	9.03%
September - December	6.36%	2.55%	0.20%	9.11%

Plan	Employee Contribution Rate
PERS 1	6.00%
PERS 2	6.36%
PERS 3	Varies: 5% - 15%

[1] Fiscal year end of 12/31

Port of Kennewick's actual PERS plan contributions were $49 thousand to PERS Plan 1 and $114 thousand to PERS plan 2/3 for the year ending December 31, 2024.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2024 with a valuation date of June 30, 2023. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2023 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2023 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2024. Plan liabilities were rolled forward from June 30, 2023, to June 30, 2024, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation

- **Salary increases**: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
- **Investment rate of return:** 7.00%

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

Assumptions did not change from the prior contribution rate setting June 30, 2022 Actuarial Valuation Report (AVR). PSA 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%.

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024. The inflation component used to create the table is 2.5% 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 the Net Pension Liability or (Asset)

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

Your Allocation %	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
PERS 1	2,613,684,000	1,776,838,000	1,042,904,000
0.008728%	228,122	155,082	91,025
PERS 2/3	5,942,702,000	(3,296,573,000)	(10,884,597,000)
0.011174%	664,038	(368,359)	(1,216,245)

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

On June 30, the Port reported a total pension liability for its proportionate share of the net pension assets/(liabilities) as follows:

Account Balance	PERS 1	PERS 2/3
Ending Net Pension Asset (Liability)	(155,082)	368,359

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

	Proportionate Share 6/30/23	Proportionate Share 6/30/24	Change in Proportion
PERS 1	0.0077%	0.0087%	0.0010%
PERS 2/3	0.0099%	0.0112%	0.0012%

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

Pension Expense

For the year ended December 31, 2024, the Port recognized pension expense as follows:

Account Balance	PERS 1	PERS 2/3	TOTAL PLANS
Total pension expense	22,737	(13,596)	9,140

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2024, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	0	0
Net difference between projected and actual investment earnings on pension plan investments	0	(12,409)
Changes of assumptions	0	0
Changes in proportion and differences between contributions and proportionate share of contributions	0	0
Contributions subsequent to the measurement date	22,853	
TOTAL	22,853	(12,409)

PERS 2/3	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	209,309	(853)
Net difference between projected and actual investment earnings on pension plan investments	0	(105,561)
Changes of assumptions	203,409	(23,339)
Changes in proportion and differences between contributions and proportionate share of contributions	51,568	(59,730)
Contributions subsequent to the measurement date	57,589	
TOTAL	521,875	(189,483)

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

Year	PERS 1	PERS 2/3
2025	(20,536)	(78,792)
2026	10,551	160,609
2027	(1,117)	69,642
2028	(1,306)	68,183
2029	-	33,970
Thereafter	-	21,192
Total (DI) / DO	**(12,409)**	**274,804**

NOTE 11 – PLEDGES OF FUTURE REVENUES

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

NOTE 12 – PROPERTY TAX

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

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

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

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

The Port's regular tax levy for 2024 was $0.20 per $1,000 on an assessed valuation of approximately $25 billion for a total regular tax levy of just under $5.1 million.

NOTE 13 – RISK MANAGEMENT AND PAID FAMILY MEDICAL LEAVE ACT

Cities Insurance Association of Washington: Port of Kennewick is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Government Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2024, there are 194 members in the program.

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

The program acquires reinsurance through their Administrator, Clear Risk Solutions. Liability coverage is purchased to an aggregate limit of $50 million with a self-insured retention (SIR) of $750 thousand. Members are responsible for $1 thousand to $50 thousand deductible for each claim (can vary by member), while the program is responsible for the $750 thousand SIR. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of $750 thousand of the SIR, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of $8.3 million, that is fully funded in its annual budget.

Property insurance is subject to a per-occurrence SIR of $750 thousand. Members are responsible for a $1 thousand deductible for each claim (some member deductibles vary). The program bears the $750 thousand SIR, in addition to the deductible.

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

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

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

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

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 31, 2024, were just over $3.3 million. The Port of Kennewick had no material claims for 2024. The Port has not had any settlements exceeding insurance coverage in the past three years.

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

Unemployment: Port of Kennewick has chosen to be self-insured for unemployment insurance purposes. The Port had no claims during 2024, and no unemployment claims are outstanding as of December 31, 2024. The Port has sufficient unrestricted cash as disclosed in Note 5, *Deposits and Investments* to pay any future claims if incurred, and reserve policy in place (Resolution 2018-27).

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

Employment Security Department on a quarterly basis. The Port paid $0 in claims during 2024 and held $0 of employee premiums at fiscal year-end.

NOTE 14 – EXTRAORDINARY AND/OR SPECIAL ITEMS

In 2013, the Port conducted a Planning, Environmental and Economic Analysis with a public-input process on the future of the Vista Field airport and it was determined in 2013 by the Port Commission the highest and best use for the Port and community as a whole was to close the Vista Field airport and redevelop the approximate 103-acre property. The Vista Field airport was estimated to average an annual loss of $390,144 per year, with very little economic benefit to the area and just over 4,000 annual operations (approximately 11 flights, counting both landing and take-off as a separate operation, each day). On December 31, 2013, the Port closed Vista Field airport for the purpose of enhancing the area for a long-term redevelopment project that will benefit the community as a whole, while cutting Port losses, and potentially increasing revenues through future land sales and/or property rental operations. As a result of this closure, the Port recognizes ongoing decommissioning cost of Vista Field airport as required by Governmental Accounting Standards Statement No. 69. The Port's ongoing decommissioning cost included demolition of the Port's old Fixed Based Operators Building (FBO). In addition, the Port had a fire that had taken place at one of the buildings within the Port's Oak Street Industrial site. Port staff worked to remove the damaged portion of the structure and begin demolition of the remaining building in 2024. The Port spent $207 thousand on the ongoing decommissioning and demolition activities in 2024.

Port of Kennewick

MCAG No. 1699

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

As of June 30, 2024

	2018	2019	2020	2021	2022	2023	2024
Total OPEB liability - beginning	$886,449	$ 898,057	$ 813,180	$1,068,784	$861,352	$891,161	$813,375
Service cost	36,525	31,986	31,101	48,026	30,967	24,310	21,534
Interest	32,933	35,681	29,422	24,620	19,196	32,046	30,110
Changes in benefit terms	0	0	0	0	0	0	0
Differences between expected and actual experience	0	0	0	0	0	0	0
Changes of assumptions	(51,687)	(136,279)	202,421	(274,505)	(13,123)	(113,540)	(22,277)
Benefit payments	(6,163)	(16,265)	(7,340)	(5,573)	(7,231)	(20,602)	(20,133)
Other changes	0	0	0	0	0	0	0
Total OPEB liability - ending	898,057	813,180	1,068,784	861,352	891,161	813,375	822,609
Covered-employee payroll	$1,170,103	$1,223,389	$1,295,883	$1,178,318	$1,277,262	$1,537,550	$1,833,681
Total OPEB liability as a % of covered payroll	76.75%	66.47%	82.48%	73.10%	69.77%	52.90%	44.86%

Note to Schedule

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

2018	3.58% to 3.87%	2021	2.21% to 2.16%	2024	3.65% to 3.93%
2019	3.87% to 3.50%	2022	2.16% to 3.54%		
2020	3.50% to 2.21%	2023	3.54% to 3.65%		

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

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

Port of Kennewick

MCAG No. 1699

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

As of June 30, 2024

PERS 1

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions	$ 39,197	$ 46,063	$ 49,899	$ 55,712	$ 59,097	$ 59,874	$ 57,207	$ 52,648	$ 56,205	$ 49,117
Contributions in relation to the statutorily or contractually required contributions	(39,197)	(46,063)	(49,899)	(55,712)	(59,097)	(59,874)	(57,207)	(52,648)	(56,205)	(49,117)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered payroll	$892,400	$965,689	$1,018,370	$1,100,187	$1,194,396	$1,248,356	$1,332,605	$1,401,402	$1,663,035	$1,789,820
Contributions as a percentage of covered payroll	4.39%	4.77%	4.90%	5.06%	4.95%	4.80%	4.29%	3.76%	3.38%	2.74%

PERS 2 & 3

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required	$ 51,950	$60,162	$69,853	$82,516	$ 90,047	$ 98,870	$ 95,200	$ 89,129	$ 105,769	$ 113,833
Contributions in relation to the statutorily or contractually required	(51,950)	(60,162)	(69,853)	(82,516)	(90,047)	(98,870)	(95,200)	(89,129)	(105,769)	(113,833)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered payroll	$892,400	$965,689	$1,018,370	$1,100,187	$1,194,396	$1,248,356	$1,332,605	$1,401,402	$1,663,035	$1,789,820
Contributions as a percentage of covered payroll	5.82%	6.23%	6.86%	7.50%	7.54%	7.92%	7.14%	6.36%	6.36%	6.36%

Port of Kennewick

MCAG No. 1699

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PORT'S CONTRIBUTIONS

As of December 31, 2024

PERS 1

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions	$ 39,197	$ 46,063	$ 49,899	$ 55,712	$ 59,097	$ 59,874	$ 57,207	$ 52,648	$ 56,205	$ 49,117
Contributions in relation to the statutorily or contractually required contributions	(39,197)	(46,063)	(49,899)	(55,712)	(59,097)	(59,874)	(57,207)	(52,648)	(56,205)	(49,117)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered payroll	$892,400	$965,689	$1,018,370	$1,100,187	$1,194,396	$1,248,356	$1,332,605	$1,401,402	$1,663,035	$1,789,820
Contributions as a percentage of covered payroll	4.39%	4.77%	4.90%	5.06%	4.95%	4.80%	4.29%	3.76%	3.38%	2.74%

PERS 2 & 3

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required	$ 51,950	$60,162	$69,853	$82,516	$ 90,047	$ 98,870	$ 95,200	$ 89,129	$ 105,769	$ 113,833
Contributions in relation to the statutorily or contractually required	(51,950)	(60,162)	(69,853)	(82,516)	(90,047)	(98,870)	(95,200)	(89,129)	(105,769)	(113,833)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered payroll	$892,400	$965,689	$1,018,370	$1,100,187	$1,194,396	$1,248,356	$1,332,605	$1,401,402	$1,663,035	$1,789,820
Contributions as a percentage of covered payroll	5.82%	6.23%	6.86%	7.50%	7.54%	7.92%	7.14%	6.36%	6.36%	6.36%

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.

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