Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Port of Pasco

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

Published August 15, 2024

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Office of the Washington State Auditor
Pat McCarthy

August 15, 2024

Board of Commissioners
Port of Pasco
Pasco, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Port of Pasco's financial statements and compliance with federal laws and regulations.

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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Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (564) 999-0950 • Pat.McCarthy@sao.wa.gov

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

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The results of our audit of the Port of Pasco are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Port.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Port's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

ALN	Program or Cluster Title
20.106	COVID-19 Airports Programs
20.106	Airport Improvement Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $750,000.

The Port qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

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None reported.

INDEPENDENT AUDITOR'S REPORT

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

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

Board of Commissioners
Port of Pasco
Pasco, 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 Pasco, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated August 9, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy, State Auditor

Olympia, WA

August 9, 2024

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

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

Board of Commissioners
Port of Pasco
Pasco, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Port of Pasco, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended December 31, 2023. The Port's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States*;* and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Port's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Port's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Port's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Port's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 Port's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Port's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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

August 9, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Board of Commissioners
Port of Pasco
Pasco, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Port of Pasco, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Port of Pasco, as of December 31, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2023, the Port adopted new accounting guidance, Governmental Accounting Standards Board Subscription-Based Information Technology Arrangements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

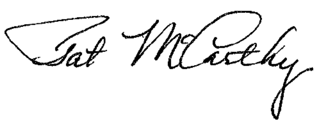
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2024 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

August 9, 2024

FINANCIAL SECTION

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

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Introduction

The following is the Port of Pasco's (the Port) Management Discussion and Analysis (MD&A) of financial activities and performance for the calendar year ended December 31, 2023, with selected comparative information for the year ended December 31, 2022. Information contained in this MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and the notes.

Background

The Port of Pasco is a local municipal corporation formed by the voters inhabiting approximately 80% of Franklin County in 1940. The Port Commission, the governing body, is made up of three local residents who are elected to a six-year term, with one of the nonpartisan positions up for election every two years. The Port's primary mission is economic development for the citizens of the district. In accordance with the laws of Washington, the Commissioners have appointed an Executive Director to manage Port operations and a Finance Director to manage the Port's finances.

Operating revenues are generated from three primary business areas: airport operations, marine terminal operations and property lease operations.

<u>Airport Operations</u>

The Tri-Cities Airport which serves the regions of southeastern Washington and northeastern Oregon with commercial air service as follows:

Daily Connections

Airline	Destinations
Alaska Airlines	Seattle
American Airlines	Phoenix
Delta Airlines	Minneapolis, Salt Lake City, & Seattle
United Airlines	Denver and San Francisxo

Less than daily connections

Airline	Destinations
Allegiant Air	Las-Vegas, Phoenix-Mesa

Seasonal connections

Airline	Destinations
Allegiant Air	Los Angeles & San Diego
Avelo Airlines	Burbank

Year-end 2023 statistics show passenger boardings increased by 46,198 passengers to 437,200, parking lot activity increased 16%, car rental activity increased 11% and restaurant concessions increased 23%.

Airport operations also include leased land and buildings within the airport's boundaries which consist of two industrial parks, farm ground, and general aviation leases. Total lease revenues increased 6% from 2022.

Marine Terminal Operations

The Port owns a barge terminal and a Wharf. The Port charges a fee for the usage of the terminal and the Wharf.

The Port only has two agreements to use the barge terminal. The first is for offloading woodchips being sent by a nearby paper mill. The second is for a regional propane distributor that serves as a distribution hub for all southeast Washington. The Port also has various short-term agreements to use the barge terminal.

Property Lease Operations

The Port rents its developed land to industrial and commercial users who then build or rent facilities on the land. Leased land and buildings are available at the Port's Big Pasco Industrial Center, Osprey Pointe, and "the Wharf" (Note: airport property is discussed under airport operations and is not included in this section). The occupancy rates of lease buildings range from 90% to 100% at each of these locations.

Land Development and Land Sales

Additionally, the Port acquires undeveloped land and adds infrastructure, such as roads and utilities, which facilitate industrial and commercial development of the land.

The Port is also actively developing its waterfront along the Columbia River in Pasco, a 110-acre parcel of ground known as Osprey Pointe. The Master Development Agreement for this project was executed in the fall of 2023 with a private developer. Flexibility will be a key feature of Osprey Pointe which will offer professional offices and corporate headquarters along the waterfront, and "flex space" buildings at the non-waterfront areas integrating offices, light manufacturing and assembly areas, research facilities and testing laboratories, storage and warehouse space, and multi-family and single-family residential complexes as part of a mixed-use development. Smaller flex/light industrial/service-oriented buildings are planned for the remaining areas of Osprey Pointe, and may include small businesses, professional services, restaurants, a public market, concert amphitheater, or other support services.

Along with the buildings, a high priority is placed on public access and enjoyment of the waterfront. Pedestrian trails, wildlife and nature-scape areas are all part of the amenities in Osprey Pointe. The first phase of construction was completed in March of 2011 and includes a 20,000 square foot building and infrastructure to support five additional building sites. The Port of Pasco borrowed an additional $4,415,000 in early 2010, for the building and infrastructure.

In 2019, the Port purchased 300 acres of land for the Reimann Industrial Center, intended to serve as a new industrial park specifically for major food processing companies or other large industries. A Community Economic Revitalization Board (CERB) funded the master plan for the industrial park was completed in 2021. The plan identifies the public infrastructure improvements necessary to develop the previously undeveloped land. Darigold, Inc., selected the Reimann Industrial Center for a major expansion project and broke ground on the project on Sept. 8, 2022. The dairy processing company will construct the largest milk processing facility in North America on 150 acres of the Reimann, having completed the purchase of Port ground in 2022.

In 2022 the Port started construction of a new water main and the reconstruction of Railroad Avenue to serve the Darigold project. Both will be completed in late spring 2024.

Future public infrastructure improvements will include municipal sanitary sewer and a port-owned rail spur that connects to the BNSF Class #1 main line. Construction of the public infrastructure will continue into 2025.

Darigold expects the Pasco facility to become operational at the end of the first quarter of 2025. The startup phase will continue through 2025, reaching full capacity in early 2026.

The Port passed a resolution declaring the Darigold portion of the Reimann Industrial Center a Tax Increment Financing (TIF) area. The Port issued private placement bonds against the TIF area property tax collections in 2023.

In 2021, the Port acquired 54 acres at the intersection of Foster Wells Road and Capitol Avenue. Pasco Industrial Center 395 is fully served by utilities and considered shovel ready. The land is zoned industrial and has been annexed into the Pasco City Limits.

The Port has executed two purchase and sale agreements in 2022, and a third in 2023. The three land sales consume 100% of the available land at PIC 395.

During 2023, the Port of Pasco initiated an assessment of the Tri-Cities Airport for a future aerospace manufacturing park. The Port conducted an engineering master plan project thanks to a $416,000 grant from the WA State Department of Commerce. The master planning process identified $200 million in public infrastructure needs in order to attract manufacturing to the 450 available acres at the airport. The port plans to conduct an industry market analysis in 2024 to determine the level of need for a new aerospace industrial park within Washington.

There are issues facing the Port that could result in material changes in its financial position in the long term. Among those issues are:

- Intensive investment in infrastructure is required to meet air safety initiatives at the Port's airport. While the federal government bears the majority of these costs, the Port will bear a share of the cost and will have to manage the disruptions in operation that they will cause.
- The Port is presently involved in a soil clean-up proceeding with the Department of Ecology along with other parties at the marine terminal. The Port's current liability is estimated at approximately $347,000. In the opinion of management, the Port's exposure may be covered in whole or in part in combination of PLP (potentially liable party) settlement dollars and government grants. The Port has booked this as a liability in the Statement of Net Position.
- The Port is using Tax Increment Financing (TIF) area property taxes to pay debt service for the Reimann Industrial Park phase 1 infrastructure. If the TIF revenues fall below the debt payments, the Port will be liable to cover the difference of the debt payment(s) from other sources.

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: 1) the Statement of Net Position; 2) the Statement of Revenues, Expenses, and Changes in Fund Net Position; 3) the Statement of Cash Flows.

The Statement of Net Position reflects the financial position of the Port at the end of the calendar year. The statement includes all assets, deferred outflows of resources, all liabilities, deferred inflows of resources, and net position. Net position, the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, is an indicator of the current fiscal health of the organization and the Port's financial position over time.

The Statement of Revenues, Expenses, and Changes in Fund Net Position reflects the change in the Port's financial position (net position) during the current year. Changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. This statement presents net income or loss from operations as well as nonoperating revenues and expenses, capital contributions and extraordinary items.

The Statement of Cash Flows reflects the net increases or decreases in cash from four activities: 1) Operating Activities, with a reconciliation of cash flows from operating activities to net income or loss from operations; 2) Noncapital financing activities; 3) Capital and related activities; 4) Investing activities.

Although the financial statements provide useful information in assessing the financial health of the Port, consideration of other factors not shown in the financial reports should be evaluated to assess the Port's true financial condition. Factors such as changes in the Port's tax base and the condition of the Port's asset base are also important when assessing the overall financial condition of the Port.

Government entities typically account for activities by utilizing "fund" accounting. A fund is a grouping of related accounts that is used to maintain control or to restrict the use of resources that have been segregated for specific activities or objectives. The Port uses only one fund, an enterprise fund, which is a type of proprietary fund. The enterprise fund reports all business-type activities of the Port.

The Port maintains a subsidiary corporation, called the Port of Pasco Economic Development Corporation established pursuant to State law for the purpose of issuing Industrial Revenue Bonds.

The Port of Pasco has one trust account for self-insuring some of the employee medical benefits called the Employee Medical Reimbursement Trust.

Financial Analysis of the Port

Statement of Net Position

A summarized comparison of the Port's Statement of Net Position on December 31, 2023, and December 31, 2022 (restated), follows:

	2023	2022
Current Assets	$53,374,501	$46,457,225
Noncurrent Assets	$41,409,984	$30,050,223
Net Capital Assets	$151,505,305	$136,513,785
Total Assets	$246,289,790	$213,021,233
Deferred Outflows of Resources	$972,098	$994,722
Current Liabilities	$9,612,897	$5,566,307
Noncurrent Liabilities	$25,592,248	$26,509,070
Total Liabilities	$35,205,145	$32,075,377

Deferred Inflows of Resources	$46,076,006	$35,456,239
Invested in Capital Assets, Net of Debt	$125,686,206	$109,872,173
Restricted Assets	$10,794,046	$8,296,251
Unrestricted	$29,500,485	$28,315,915
Total Net Position	$165,980,737	$146,484,339

The assets and deferred outflows of the Port exceeded its liabilities and deferred inflows on December 31, 2023, by $165,980,737. Of this amount, $125,686,206 was invested in capital assets, net of related debt, $10,794,046 was restricted, and $29,500,485 was unrestricted. As a comparison, net position totaled $146,484,339, restated, at the end of the calendar year 2022. Of this amount, $109,872,173 was invested in capital assets, net of related debt and $8,296,251 in restricted assets and $28,315,915 was unrestricted. For details, refer to the statement of net position and notes 1, 14, and 16 in the notes to the financial statements.

The Statement of Revenues, Expenses and Changes in Fund Net Position

A summarized comparison of the Statement of Revenues, Expenses and Changes in Fund Net Position for the years ended December 31, 2023, and December 31, 2022, follows:

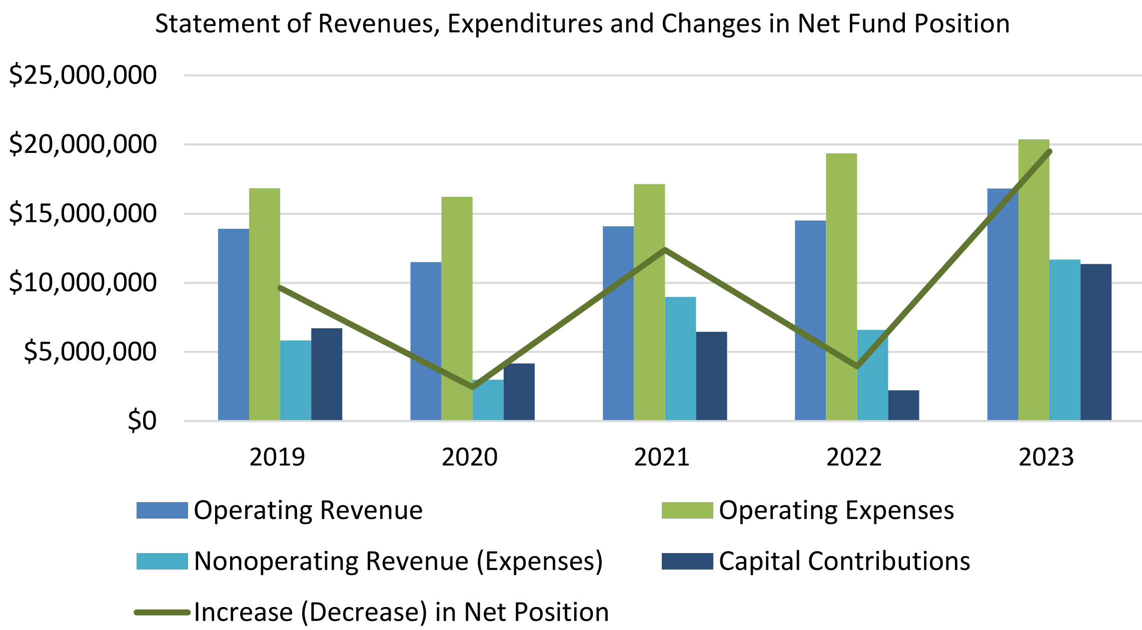
	2023	2022
Operating Revenues:		
Airport Operations	$12,258,671	$10,205,783
Marine Terminal Operations	$89,481	$82,138
Property Lease/Rental Operations	$4,462,131	$4,223,302
Total Operating Revenues	$16,810,283	$14,511,223
Operating Expenses:		
General Operations	$7,714,023	$7,145,503
General and Administration	$3,396,376	$3,355,519
Depreciation	$9,256,962	$8,868,348
Total Operating Expenses	$20,367,361	$19,369,370
Operating Income (Loss)	($3,557,078)	($4,858,147)
Nonoperating Revenues (Expenses):		
Tax Levied for General Purposes	$2,792,772	$2,626,983
Interest Income (Leases)	$1,866,564	$1,468,087
Interest Expense	($929,208)	($1,055,909)
Other, net	$7,954,056	$3,552,148
Total Nonoperating Revenues (Expenses)	$11,684,184	$6,591,309
Income Before Capital Contributions	$8,127,106	$1,733,162
Capital Contributions	$11,369,292	$2,215,741
Change in Net Position	$19,496,398	$3,948,903
Beginning Net Position	$146,489,222	$142,632,335
Prior Period Adjustments	($4,883)	($92,016)
Ending Net Position	$165,980,737	$146,489,222

In 2023, the Port's operating revenues increased by $2,299,060 from 2022. Of this amount, airport operations increased by $2,052,888 attributed to the increased number of passengers that resulted in increased revenues from the airlines, car rentals, and parking lot. Marine terminal operations increased by $7,343. Property lease operations increased by $238,829 due to increased rental rates and cpi increases.

In 2023, the Port's operating expenses increased by $997,991 or 5.2% from 2022. Of this amount, general operations increased by $568,520, general and administrative expenses increased by $40,857, and depreciation expense increased by $388,614.

In 2023, the Port's nonoperating revenues increased by $5,092,875 from 2022 due to an increase in grant revenue, interest income, sale of land and lease interest income. In 2023, the Port's capital contributions, which are grant revenues used for capital purchases or construction, were $11,369,292 compared to 2022 of $2,215,741.

The Port's total increase in net position was $19,496,398 in 2023 compared to a $3,948,903 increase in 2022.



Capital Assets and Debt Administration

Capital Assets

This table summarizes the year end balances in capital assets for 2023 and 2022 (restated) and the change in the year end balances for December 31, 2023. See note 6 in the notes to the financial statements.

	2023	2022
Capital Assets, Not Being Depreciated		
Land	$14,359,839	$14,825,976
Construction in Progress	$18,880,464	$4,191,819
Total Capital Assets, Not Being Depreciated	$33,240,303	$19,017,795

Capital Assets, Being Depreciated		
Property	$251,564,162	$241,704,599
Machinery and Equipment	$8,463,440	$8,319,233
Lease Asset	$2,429	$5,667
Less Accumulated Depreciation	($141,765,029)	($132,533,509)
Total Capital Assets Being Depreciated	$118,265,002	$117,495,990
Total Capital Assets, Net	$151,505,305	$136,513,785

The Port's total assets increased by $14,991,520 in 2023 from 2022 due to increase construction in 2023. The Port expenses include $9,256,962 per year in depreciation charges.

Major capital asset additions and improvements during 2023 included the following:

- Airfield taxiway G construction
- Airfield runway 12-30 shift design
- Business Park road and taxi lane extension
- Reimann Industrial Park water, road and rail improvements
- Terminal expansion phase 1 design

See notes 6 and 7 in the notes to the financial statements.

Debt

Long-term debt on December 31, 2023, was $25,819,099 of which $3,347,569 were general obligation bonds, $16,181,457 were revenue bonds, and $6,290,073 were debt from direct borrowing. The Port has outstanding direct placement loans available to draw on of $10,319,859. The Port had qualified expenditures for the outstanding loans of $6,846,460 in 2023 and will request the funds in 2024. See notes 8 and note 9 in the notes to the financial statements.

Budget

Each November the Port of Pasco Commissioners adopts a consolidated annual operating budget for the following year.

The Port has a capital plan calling for over $100M in capital projects over the next three years, with major improvements at the Airport, the Big Pasco Industrial Center, and the Reimann Industrial Center.

Major capital asset additions and improvements during 2024 include the following:

- Airfield East General Aviation Apron improvements
- Airfield runway 12-30 Shift
- Airport winter operations shop
- Big Pasco Industrial Park warehouse improvements
- Reimann Industrial Center Phase 1 infrastructure
- Terminal parking lot improvements

The east general aviation apron reconstruction will cost approximately $8.7M with the airport receiving approximately $6.5M in AIP grants. The runway 12-30 shift will cost approximately $18.7M with the airport receiving approximately $16.2M in AIP grants. The airport winter operations shop will cost approximately $18M with the Port receiving $12.6M million dollars in AIP grants. The Reimann Industrial Center phase 1 infrastructure continues into 2024 and the total cost will be approximately $21 million dollars with the Port receiving a state grant of $7.5 million dollars, CERB loan and grant funds of $575,000, Franklin County .09 funds of $2.3 million dollars, and bond funds for $10 million dollars.

Tax Levy:

The Port of Pasco is a municipal government and collects property tax revenues from the property owners within the Port district. The tax levy is used for debt service, capital expenditures, environmental clean-up, and capital investments.

The Port's tax levy rate has been declining from $0.44 per $1,000 of assessed value in 2004 to $0.1955 per $1,000 of assessed value in 2023. The tax levy rate for 2024 is projected to decrease to $0.16481 per $1,000 of assessed value and will yield $2,811,420.

The Port's salutatory maximum tax levy rate is $0.45 per $1,000 of assessed property value. For details, please refer to note 3 in the notes to the financial statements.

Contacting the Port's Financial Management

The Port of Pasco designed this financial report to provide our citizens, customers, investors, and creditors with an overview of the Port's finances. If you have questions or need additional information, please visit our website at www.portofpasco.org or contact the Port's Finance Director, Donna Watts, at 1110 Osprey Pointe Boulevard, Suite 201, Pasco, WA 99301. Telephone 509-547-3378. Email dwatts@portofpasco.org

Port of Pasco
Statement of Net Position
December 31, 2023

Assets	
Current Assets (Note 1)	
Cash and Cash Equivalents	$33,852,597
Accounts Receivable (Net)	$1,563,936
Taxes Receivable	$51,904
Lease Receivable	$5,070,732
Accrued Interest Lease Receivable	$327,836
Due from Other Governments	$2,379,806
Inventories	$200
Prepayments and Other Current Assets	$773,067
Restricted Cash and Cash Equivalents	$9,354,423
Total Current Assets	**$53,374,501**
Noncurrent Assets	
Net Pension Asset (Note 11)	$1,168,554
Lease Receivable (Note 4)	$39,978,482
Joint Venture (Note 5)	$262,948
Capital Assets: (Note 1, 6)	
Capital Assets Not Being Depreciated	
Land	$14,359,839
Construction in Progress	$18,880,464
Capital Assets Being Depreciated	
Buildings & Improvements to Land	$251,564,162
Equipment	$8,463,440
Lease Asset (Note 13)	$2,429
Less: Accumulated Depreciation	($141,765,029)
Total Capital Assets (Net)	$151,505,305
Total Noncurrent Assets	**$192,915,289**
Total Assets	**$246,289,790**
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions (Note 1, 11)	$972,098
Total Deferred Outflows of Resources	**$972,098**

The notes to the financial statements are an integral part of this statement.

Liabilities	
Current Liabilities (Note 1)	
Accounts Payable and Accrued Expenses	$5,765,036
Accrued Interest Payable	$138,924
Bonds, Notes, and Loans Payable	$2,242,091
Customer Deposits	$1,202,844
Other Current Liabilities	$264,002
Total Current Liabilities	**$9,612,897**
Noncurrent Liabilities	
Compensated Absences (Note 1)	$750,069
Bonds, Notes, and Loans Payable (Note 8, 9)	$23,577,008
Soils Cleanup Liability (Note 10)	$347,000
Unearned Revenue (Note 1)	$90,576
Net Pension Liability (Note 11)	$372,062
Total OPEB Liability (Note 12)	$452,936
Lease Liability (Note 13)	$2,597
Total Noncurrent Liabilities	**$25,592,248**
Total Liabilities	**$35,205,145**
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions (Note 1, 11)	$698,956
Deferred Inflows Related to Leases (Note 1, 4)	$45,377,050
Total Deferred Inflows of Resources	**$46,076,006**
Net Position (Note 1)	
Net Investments in Capital Assets	$125,686,206
Restricted for: (Note 1, 14)	
Debt Service	$1,988,670
PFC Projects	$1,841,350
CFC Projects	$5,524,403
Impacts of Net Pension Asset PERS 2/3	$1,055,839
Impacts of Net Pension Asset LEOFF 2	$383,784
Unrestricted	$29,500,485
Total Net Position	**$165,980,737**

The notes to the financial statements are an integral part of this statement.

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

Operating Revenues	
Airport Operations	$12,258,671
Marine Terminal Operations	$89,481
Property Lease/Rental Operations	$4,462,131
Total Operating Revenues	**$16,810,283**
Operating Expenses	
General Operations	$7,714,023
General and Administrative	$3,396,376
Depreciation	$9,256,962
Total Operating Expenses	**$20,367,361**
Operating Income (Loss)	**($3,557,078)**
Nonoperating Revenues (Expenses)	
Tax Levied for General Purposes	$2,792,772
Interest Income	$1,505,167
Interest Income - Leases	$1,866,564
Interest Expense and Other Debt Issuance Costs	($929,208)
Equity in Income (Loss) of Joint Ventures	$89,989
Gain (Loss) on Disposal of Assets	($28,918)
Passenger Facility Charges	$1,757,958
Customer Facility Charges	$867,703
Intergovernmental Revenue	$3,982,043
Other Nonoperating Revenue	$352,301
Election Expenses	($49,848)
Other Nonoperating Expenses	($522,339)
Total Nonoperating Revenues (Expenses)	**$11,684,184**
Income (Loss) Before Capital Contributions	**$8,127,106**
Capital Contributions	**$11,369,292**
Increase (Decrease) in Net Position	**$19,496,398**
Net Position - Beginning of Period	**$146,489,222**
Prior Period Adjustments	**($4,883)**
Net Position - End of Period	**$165,980,737**

The notes to the financial statements are an integral part of this statement.

Port of Pasco
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash Flows from Operating Activities	
Receipts from Customers	$15,975,544
Payments to Suppliers	($3,451,515)
Payments to Employees	($5,173,208)
Net cash provided (used) by operating activities	**$7,350,821**
Cash Flows from Noncapital Financing Activities	
Receipts from Nonoperating Costs	$5,630,391
Payments from Nonoperating Costs	($585,187)
Receipts from Grants	$3,982,043
Net Cash Provided (Used) by Noncapital Financing Activities	**$9,027,247**
Cash Flows from Capital and Related Financing Activities	
Proceeds from Capital Debt	$2,841,190
Principal Paid on Capital Debt	($3,575,302)
Interest Paid on Capital Debt	($1,030,520)
Receipts from Property Taxes	$2,784,113
Capital Contributions	$10,580,089
Purchases of Capital Assets	($23,124,145)
Sale of Capital Assets	($28,918)
Other Receipts (Payments)	($3,572)
Net Cash Provided (Used) by Capital and Related Financing Activities	**($11,557,065)**
Cash Flows from Investing Activities	
Interest and Dividends	$1,630,167
Net Cash Provided by Investing Activities	**$1,630,167**
Net Increase (Decrease) in Cash and Cash Equivalents	**$6,451,170**
Balances - Beginning of the Year	**$36,755,850**
Balances - End of the Year	**$43,207,020**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	($3,557,078)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	$9,256,962
Changes in Assets and Liabilities:	
Receivables, Net	($889,531)
Accounts and Other Payables	$2,926,630
Accrued Expenses	($386,162)
Net Cash Provided by Operating Activities	**$7,350,821**

The notes to the financial statements are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The Port of Pasco was incorporated in 1940 and operates under the laws of the state of Washington applicable to a port district.

As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Port has one blended component unit, see Note 22.

Basis of Accounting and Reporting - Proprietary Fund Financial Statements

The Port of Pasco 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 timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Port are airport operations, marine terminal operations, and property lease and rental operations. Operating expenses for the Port include general operations, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

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

Assets, Liabilities and Net Position

Cash and Cash Equivalents

It is the Port' policy to invest all temporary cash surpluses. At December 31, 2023, the treasurer was holding $43,206,570 in short-residual investments of surplus cash, see Note 2, Deposits and Investments. This amount is classified on the statement of net position as cash and cash equivalents and restricted cash and cash equivalents. The interest on these investments is prorated to the various accounts.

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.

Investments

See Note 2, Deposits and Investments.

Receivables

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

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

Amounts Due to and from Other Governmental Units

Amounts due to and from other governmental units include amounts due to or from other governments for grants.

Inventories

Inventories in proprietary funds are valued by the FIFO method (which approximates the market value).

Prepayments and Other Current Assets

Prepayments and other current assets consist of prepaid expenses. Prepaid expenses total $773,067 for the year ended December 31, 2023.

Restricted Assets and Liabilities

A restricted account has been established in accordance with bond resolutions and certain related agreements, separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including construction, debt service and other special reserve requirements.

A restricted account has been established for Passenger Facility Charges approved by the FAA on August 13, 1993, in accordance with section 158.29 of the code of Federal Regulations Part 158.

A restricted account has been established for Customer Facility Charges in accordance with RCW 14.08.120.

The restricted assets are composed of the following:

Cash and Cash Equivalents - Debt Service & Construction	$1,988,670
Cash and Cash Equivalents - Passenger Facility Charges	$1,841,350
Cash and Cash Equivalents - Customer Facility Charges	$5,524,403
Total Restricted Net Position	$9,354,423

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the statement of net position. Capital assets are defined by the Port as assets with an initial, individual cost of more than $25,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The cost for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Property, plant, and equipment of the Port is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building	40
Building HVAC	7
Building Improvement	15
Building Roof	10
Communication Equipment	7
Computers	5
Copiers	5
Equipment	15
Equipment (Heavy) New	7
Equipment (Heavy) Used	5
Land	0
Land improvements	15
Land improvements (infrastructure)	20
Land improvements (taxiway new)	20
Land improvements (taxiway rehab)	7
Landscaping / Outside Structures	15
Office Furniture	7
Pavement - Road/Lot	15
Rail	20
Sewer/Drainage	15
Special Purpose Trucks (ARFF Truck)	20
Vehicles	7
Water System	30

See Note 6, Capital Assets.

Leases

Lessee

The Port is a lessee for noncancelable leases. The Port recognizes a lease liability and an intangible right-to-use lease asset in the proprietary fund financial statements. The Port recognizes lease liabilities with an initial, individual value of $25,000 or more.

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

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

1. The Port determines the discount as follows:
    a. The Port uses the interest rate charged by the lessor as the discount rate.
    b. The Port generally uses its incremental borrowing rate as the discount rate for leases if the interest rate charged by the lessor is not provided. The Port's incremental borrowing rate is estimated as follows:

Total Lease Payments Over the Lease Term Plus Options to Extend	Discount Rate Used
$500,000 or more	Prime
$50,000 to $499,999	Prime + 2.75%
$25,000 to $49.999	Prime + 3.25%

2. The lease term includes the non-cancelable period of the lease.
3. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Port is reasonably certain to exercise.

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

See Note 13, Leases (Lessee)

Lessor

The Port is a lessor for noncancelable leases. The Port recognizes a lease receivable and a deferred inflow of resources in the proprietary fund financial statements. The Port recognizes a lease receivable with an initial, individual value of $25,000 or more.

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

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

1. The Port determines the discount as follows:

    a. The Port uses the implicit interest rate as the discount rate. To determine the implicit interest rate, the Port uses the fair market value of the leased property as the residual value. Fair market building values are determined by the Port's insurance schedule of values and fair market land values are determined by a market study performed during 2021 using the median value.

    b. The Port uses the lessee's incremental borrowing rate if the implicit rate cannot be determined. The incremental borrowing rate is based on the rate of interest the lessee would be charged to borrow an amount equal to the lease payments, respectively, under similar terms at the commencement or remeasurement date. The lessee's incremental borrowing rate is estimated as follows:

Total Lease Payments Over the Lease Term Plus Options to Extend	Discount Rate Used
$500,000 or more	Prime
$50,000 to $499,999	Prime + 2.75%
$25,000 to $49.999	Prime + 3.25%

2. The lease term includes the noncancelable 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 have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease.

3. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee including all options and cpi increase intervals at the current year's cpi rate.

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

See Note 4, Leases (Lessor)

Subscription-Based IT Agreements (SBITAs)

The Port has contracts that convey control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The Port recognizes a SBITA liability and a SBITA asset in the proprietary fund financial statements. The Port recognizes a SBITA liability and a SBITA asset with an initial, individual value of $25,000 or more.

At the commencement of an agreement, the Port initially measures the SBITA liability at the present value of subscription payments using the discount rate. Subsequently the SBITA liability is reduced as the Port makes the subscription payments related to the liability. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments to the vendor, capitalization costs, and incentives received. Subsequently, the SBITA asset is amortized over the subscription term using the effective interest method.

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

1. The Port determines the discount as follows:
    a. The Port uses the interest rate charged by the IT vendor within the agreement as the discount rate.
    b. The Port generally uses its incremental borrowing rate as the discount rate for SBITAs if the interest rate charged by the IT vendor is not stated in the agreement. The Port's incremental borrowing rate is estimated as follows:

Total Lease Payments Over the Lease Term Plus Options to Extend	Discount Rate Used
$500,000 or more	Prime
$50,000 to $499,999	Prime + 2.75%
$25,000 to $49.999	Prime + 3.25%

2. The SBITA terms includes:
    a. Period during which the government has a noncancellable right to use the underlying IT assets.
    b. Plus, periods covered by the government's or SBITA vendor's option to extend the SBITA – if reasonably certain the option will be exercised, up to 36 months of start of the contract as the software will have a probability of becoming obsolete after 36 months.
    c. Plus, periods covered by the government's or SBITA vendor's option to terminate the SBITS – if reasonably certain the option will not be exercised, up to 36 months of start of the contract as the software will have a probability of becoming obsolete after 36 months.
    d. The subscription term excludes periods for which both the government and SBITA vendor have the option to terminate or both parties have to agree to extend.

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

See Note 18, Accounting and Reporting Changes

Deferred Outflows/Inflows of Resources

The Port reports a separate section for deferred inflows of resources and for deferred outflows of resources.

Deferred outflows of resources consist of deferred outflows of resources related to pensions.

Deferred inflows of resources consist of deferred inflows of resources related to pensions and deferred inflows related to leases.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All personal time pay and sick pay is accrued when incurred in the proprietary fund financial statements.

Personal time pay, which may be accumulated up to 180 days, is payable upon resignation, retirement, or death. The first 30 days of accumulated vacation is payable at 100%, 30 to 60 days of accumulated vacation is payable at 50%, and 60 to 90 days of accumulated vacation is payable at 25%. Sick leave may accumulate indefinitely. 25% of outstanding sick leave is payable upon resignation, retirement, or death.

Pensions

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.

Other Accrued and Current Liabilities

These accounts consist of accrued wages, accrued employee benefits and retainage liability.

Long-term Debt

See Note 8, Long-Term Debt.

Unearned Revenues

This account includes amounts recognized as receivables but not revenues in proprietary funds because the revenue recognition criteria have not been met.

Net Position Classified

For proprietary funds, 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.

Sometimes the Port will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Port's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 2 - Deposits and Investments

Deposits

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

The Port does not have a deposit policy for custodial credit risk. In 2023, $0 is exposed to custodial credit risk because the investments are held for the Port of Pasco by the Franklin Country Treasurer and the Local Government Investment Pool.

Investments

It is the Port's policy to invest all temporary cash surpluses. The interest on these investments is prorated to various accounts.

Investments in Local Government Investment Pool (LGIP)

The Port is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

The Port had $40,053,555 in the Local Government Investment Pool (LGIP) as of December 31, 2023.

Summary of Deposit and Investments

Reconciliation of Port's deposits and investment balances as of December 31, 2023, is as follows:

Deposits and Investments	
Cash on Hand	$450
Amount of Deposits with Private Financial Institutions	$3,153,015

Deposits in State LGIP	$40,053,555
Total Deposits and Investments	$43,207,020

Deposits

Current:	
Cash and Cash Equivalents	$33,852,597
Restricted Cash and Cash Equivalents	$9,354,423
Total Deposits	$43,207,020

Note 3 - Property Taxes

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 installment is due.

Property tax is recorded as a receivable and revenue when levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The Port may levy up to $0.45 cents per $1,000 of assessed valuation for general government services.

The Port's regular levy for 2023 was $.19550 per $1,000 on an assessed valuation of $13,700,789,582 for a total regular levy of $2,678,296 plus adjustments of $2,941, TIF property tax revenue of $1,997, and additional revenue in lieu of property taxes of $109,538, which comes to $2,792,772. In 2022, the regular tax levy was $2,525,643.

Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. The district may also levy taxes at a lower rate.

Note 4 - Leases (Lessors)

In 2022, the Port of Pasco implemented GASB Statement No. 87, Leases. Leases subject to GASB Statement No. 87 have a fixed term that exceeds one year. Leases are classified as either regulated or non-regulated. The Port has approximately one hundred month-to-month leases for land, buildings, hangars, licenses, and agreements that are not considered in the discussion below.

Non-Regulated Leases

The Port has approximately 120 long-term non-regulated leases. The capital assets associated with these leases are lands, warehouses, buildings, and rail. The lease end date includes the original terms and exercised options to extend the lease.

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

Lease Type	Lease End Date	Remaining Extensions	Billed	Rent	Rent Increases
Building Lease	11/30/2023	None	Monthly	$1,431	3 yr CPI 15% cap
Building Lease	11/30/2023	None	Monthly	$1,856	3 yr CPI 15% cap
Building Lease	1/31/2024	None	Monthly	$1,216	3 yr CPI 15% cap
Building Lease	1/31/2024	Two 5-year terms	Monthly	$3,991	3 yr CPI 15% cap
Building Lease	3/31/2024	None	Monthly	$1,058	3 yr CPI 15% cap
Building Lease	9/30/2024	Two 3-year terms	Monthly	$4,035	3 yr Fixed
Building Lease	2/28/2025	One 1-year term	Monthly	$6,311	3 yr CPI 15% cap
Building Lease	5/31/2025	One 1-year term	Monthly	$2,217	3 yr CPI 15% cap
Building Lease	9/30/2025	One 3-year terms	Monthly	$1,557	3 yr CPI 15% cap
Building Lease	9/30/2026	One 1-year term	Monthly	$465	3 yr CPI 15% cap
Building Lease	11/30/2027	One 1-year term	Monthly	$2,427	3 yr CPI 15% cap
Building Lease	3/31/2033	Two 5-year terms	Monthly	$806	3 yr CPI 5% cap
Land Lease	6/30/2025	None 3-year term	Monthly	$1,726	3 yr CPI 15% cap
Land Lease	1/31/2024	Two 5-year terms	Monthly	$400	3 yr CPI 15% cap
Land Lease	4/30/2024	Two 10-year terms	Monthly	$2,712	3 yr CPI 18% cap
Land Lease	2/28/2025	One 1-year term	Monthly	$110	3 yr CPI 15% cap
Land Lease	5/31/2025	One 1-year term	Monthly	$518	3 yr CPI 15% cap
Land Lease	6/30/2025	One 1-year term	Monthly	$990	3 yr CPI 15% cap
Land Lease	5/15/2026	Three 5-year terms	Monthly	$991	3 yr CPI 18% cap
Land Lease	11/30/2026	One 1-year term	Monthly	$573	3 yr CPI 15% cap
Land Lease	2/28/2027	None	Monthly	$610	3 yr CPI 15% cap
Land Lease	5/31/2027	None	Annual	$300	No Increase
Land Lease	11/30/2027	One 1-year term	Monthly	$1,462	3 yr CPI 15% cap
Land Lease	12/31/2027	None	Annual	$136,200	5 yr market analysis
Land Lease	12/31/2027	None	Quarterly	$14,213	5 yr market analysis
Land Lease	5/15/2028	One 5-year term	Monthly	$1,035	3 yr CPI 18% cap
Land Lease	10/31/2028	None	Annual	$577	No Increase
Land Lease	12/16/2029	One 20-year term	Monthly	$858	3 yr CPI 18% cap
Land Lease	2/28/2030	None	Monthly	$594	3 yr CPI 18% cap
Land Lease	12/31/2030	One 5-year term	Annual	$8,437	3 yr CPI 18% cap
Land Lease	12/14/2032	Two 5-year terms	Monthly	$675.00	3 yr CPI 15% cap
Land Lease	4/30/2033	Two 5-year terms	Monthly	$7,887	3 yr CPI 15% cap
Land Lease	4/30/2033	One 10-year term	Monthly	$293	3 yr CPI 15% cap
Land Lease	10/31/2037	One 10-year term	Monthly	$937	3 yr CPI 15% cap
Land Lease	6/30/2040	Two 10-year terms	Monthly	$4,158	3 yr CPI 9% cap
Land Lease	2/1/2043	Two 20-year terms	Monthly	$631	3 yr CPI 15% cap
Land Lease	8/31/2047	None	Monthly	$2,217	3 yr CPI 9% cap
Land Lease	8/31/2047	None	Monthly	$1,843	3 yr CPI 9% cap
Land Lease	9/30/2049	One 20-year term	Monthly	$1,323	3 yr CPI 6% cap
Land Lease	9/30/2049	One 20-year term	Monthly	$1,755	3 yr CPI 6% cap
Land Lease	12/31/2067	One 25-year term	Monthly	$2,333	3 yr CPI 15% cap

Parking Lot Lease	1/31/2024	None	Monthly	$70,000	No Increase
Parking Lot Lease	1/31/2024	None	Monthly	$9,750	No Increase
Parking Lot Lease	12/31/2024	Two 1-year terms	Monthly	$10,800	No Increase
Parking Lot Lease	12/31/2024	Two 1-year terms	Monthly	$7,560	No Increase
Parking Lot Lease	12/31/2024	Two 1-year terms	Monthly	$6,120	No Increase
Parking Lot Lease	12/31/2024	Two 1-year terms	Monthly	$8,190	No Increase
Terminal Lease	12/31/2024	Two 1-year terms	Monthly	$2,460	Annual CPI
Terminal Lease	12/31/2024	Two 1-year terms	Monthly	$2,409	Annual CPI
Terminal Lease	12/31/2024	Two 1-year terms	Monthly	$2,415	Annual CPI
Terminal Lease	12/31/2024	Two 1-year terms	Monthly	$2,480	Annual CPI
Terminal Lease	12/31/2024	Two 1-year terms	Monthly	$31,417	Annual Fixed
Terminal Lease	12/31/2024	Two 1-year terms	Monthly	$19,072	Annual Fixed
Terminal Lease	12/31/2024	Two 1-year terms	Monthly	$21,670	Annual Fixed
Terminal Lease	12/31/2024	Two 1-year terms	Monthly	$25,833	Annual Fixed
Terminal Lease	8/14/2026	One 5-year term	Quarterly	$3,750	No Increase
Terminal Lease	1/1/2032	None	Monthly	$11,924	Annual CPI

As of December 31, 2023, the Port participated as a lessor in the following Marine Terminal Operations lease arrangements:

Lease Type	Lease End Date	Remaining Extensions	Billed	Rent	Rent Increases
Building Lease	6/30/2028	Two 5-year terms	Monthly	$100	5 yr. CPI 10% cap
Land Lease	6/30/2028	Two 5-year terms	Monthly	$1,106	5 yr. CPI 10% cap
Land Lease	10/14/2040	One 1-year term	Monthly	$3,076	3 yr. CPI 10% cap

As of December 31, 2023, the Port participated as a lessor in the following Property Lease/Rental Operations lease arrangements:

Lease Type	Lease End Date	Remaining Extensions	Billed	Rent	Rent Increases
Building Lease	3/31/2027	None	Monthly	$3,368	5 yr CPI 15% cap
Building Lease	2/14/2028	Four 5-year terms	Monthly	$893	5 yr CPI 25% cap
Building Lease	2/28/2024	None	Monthly	$3,910	3 yr CPI 15% cap
Building Lease	3/31/2024	None	Monthly	$8,616	3 yr CPI 15% cap
Building Lease	3/31/2024	None	Monthly	$574	3 yr CPI 15% cap
Building Lease	3/31/2024	One 1-year terms	Monthly	$3,420	3 yr CPI 15% cap
Building Lease	9/30/2028	One 5-year term	Monthly	$12,769	Annual CPI
Building Lease	11/30/2023	None	Monthly	$1,424	3 yr CPI 15% cap
Building Lease	6/30/2024	None	Monthly	$1,088	3 yr CPI 15% cap
Building Lease	8/31/2024	One 3-year term	Monthly	$2,953	3 yr CPI 15% cap
Building Lease	12/31/2024	One 1-year term	Monthly	$540	3 yr CPI 15% cap
Building Lease	5/31/2025	One 1-year term	Monthly	$1,831	3 yr CPI 15% cap
Building Lease	5/31/2025	One 1-year term	Monthly	$1,359	3 yr CPI 15% cap
Building Lease	6/30/2025	One 1-year term	Monthly	$10,108	3 yr CPI 15% cap

Building Lease	8/31/2026	One 5-year term	Monthly	$7,008	3 yr CPI 15% cap
Building Lease	4/13/2027	None	Monthly	$2,022	3 yr CPI 15% cap
Building Lease	9/30/2027	One 1-year term	Monthly	$769	3 yr CPI 15% cap
Land Lease	12/31/2023	None	Monthly	$2,132	3 yr CPI 15% cap
Land Lease	2/14/2028	Four 5-year terms	Monthly	$543	5 yr CPI 25% cap
Land Lease	2/28/2024	None	Monthly	$592	3 yr CPI 15% cap
Land Lease	9/30/2028	One 5-year term	Monthly	$1,480	Annual CPI
Land Lease	12/31/2023	None	Monthly	$3,753	3 yr CPI 15% cap
Land Lease	5/31/2024	None	Monthly	$425	3 yr CPI 15% cap
Land Lease	11/30/2024	Three 5-year terms	Monthly	$44,395	5 yr market analysis
Land Lease	12/31/2024	One 1-year term	Monthly	$166	3 yr CPI 15% cap
Land Lease	5/31/2025	One 1-year term	Monthly	$191	3 yr CPI 15% cap
Land Lease	7/31/2025	Two 5-year terms	Monthly	$645	3 yr CPI 15% cap
Land Lease	4/30/2027	One 1-year term	Monthly	$208	3 yr CPI 15% cap
Land Lease	7/31/2027	None	Monthly	$5,782	3 yr CPI 10% cap
Land Lease	9/30/2027	One 1-year term	Monthly	$525	3 yr CPI 15% cap
Land Lease	7/31/2028	Two 5-year terms	Monthly	$1,722	3 yr CPI 15% cap
Land Lease	7/31/2023	None	Monthly	$868	3 yr CPI 15% cap
Land Lease	1/31/2031	One 10-year term	Monthly	$11,890	3 yr CPI 15% cap
Land Lease	1/31/2031	One 10-year term	Monthly	$6,884	3 yr CPI 15% cap
Land Lease	2/28/2032	Two 5-year terms	Monthly	$325	3 yr CPI 15% cap
Rail Lease	12/31/2024	One 1-year term	Monthly	$1,869	3 yr CPI 15% cap
Warehouse Lease	12/31/2023	None	Monthly	$9,634	3 yr CPI 15% cap
Warehouse Lease	12/31/2023	None	Monthly	$10,490	3 yr CPI 15% cap
Warehouse Lease	12/31/2023	None	Monthly	$11,523	3 yr CPI 15% cap
Warehouse Lease	3/31/2025	One 3-year term	Monthly	$10,043	3 yr CPI 15% cap
Warehouse Lease	2/28/2024	None	Monthly	$9,061	3 yr CPI 15% cap
Warehouse Lease	3/30/2024	None	Monthly	$11,812	3 yr CPI 15% cap
Warehouse Lease	5/31/2024	None	Monthly	$12,872	3 yr CPI 15% cap
Warehouse Lease	5/31/2024	None	Monthly	$11,554	3 yr CPI 15% cap
Warehouse Lease	3/31/2024	One 1-year term	Monthly	$14,238	3 yr CPI 15% cap
Warehouse Lease	3/31/2024	One 1-year term	Monthly	$10,362	3 yr CPI 15% cap
Warehouse Lease	11/30/2024	One 3-year term	Monthly	$10,429	3 yr CPI 15% cap
Warehouse Lease	12/31/2024	One 3-year term	Monthly	$10,042	3 yr CPI 15% cap
Warehouse Lease	3/31/2025	One 1-year term	Monthly	$42,272	3 yr CPI 15% cap
Warehouse Lease	3/31/2025	One 1-year term	Monthly	$21,325	3 yr CPI 15% cap
Warehouse Lease	6/30/2025	One 1-year term	Monthly	$12,319	3 yr CPI 15% cap
Warehouse Lease	8/31/2025	One 1-year term	Monthly	$13,180	3 yr CPI 15% cap
Warehouse Lease	8/31/2025	One 3-year term	Monthly	$15,185	3 yr CPI 15% cap
Warehouse Lease	8/31/2025	One 3-year term	Monthly	$10,670	3 yr CPI 15% cap
Warehouse Lease	8/31/2027	Two 5-year terms	Monthly	$11,943	Annual 2%
Warehouse Lease	5/31/2028	Four 5-year terms	Monthly	$11,944	3 yr CPI 15% cap
Warehouse Lease	5/31/2028	Four 5-year terms	Monthly	$11,121	3 yr CPI 15% cap
Warehouse Lease	7/31/2028	Two 5-year terms	Monthly	$11,944	3 yr CPI 15% cap

Warehouse Lease	7/31/2028	None	Monthly	$8,434	3 yr CPI 15% cap
Warehouse Lease	5/31/2033	Three 5-year terms	Monthly	$15,657	3 yr CPI 15% cap

Variable payments include common area maintenance charges and utility charges. Common area maintenance charges include utilities, repairs, and maintenance to common spaces like entryways, elevators, and restrooms in buildings and grounds.

Variable payments (sales/usage) include percentage of sales on minimum annual guaranteed (MAG) lease agreements and usage agreements. These lease arrangements include revenues from Airport parking, car rentals, restaurant, advertising, rail, and Marine dockage use.

2023 inflows of resources from non-regulated lease activity were as follows:

Deferred Inflows Recognized	$6,258,155
Interest Revenue	$1,866,564
Variable Payments	$104,137
Variable Payments (sales/usage)	$3,221,138
Other Lease-Related Inflows Not Included in Lease Receivable Measurement	$115,159

As of December 31, 2023, future lease receivable principal and interest payments for the Airport Operations are as follows:

Year Ending December 31	Principal	Interest	Total
2024	$2,200,971	$2,200,971	$2,861,879
2025	$2,368,925	$2,368,925	$2,944,447
2026	$2,403,133	$2,403,133	$2,886,665
2027	$579,335	$579,335	$1,001,916
2028	$410,088	$402,383	$812,471
2029 - 2033	$1,694,705	$1,839,372	$3,534,077
2034 - 2038	$1,243,717	$1,614,373	$2,858,090
2039 - 2043	$1,817,154	$1,332,019	$3,149,174
2044 - 2048	$558,267	$1,186,806	$1,745,073
2049 - 2053	$98,084	$1,225,673	$1,323,756
2054 - 2058	$471,503	$1,024,220	$1,495,723
2059 - 2063	$417,607	$856,386	$1,273,993
2064 - 2068	$338,300	$972,832	$1,311,132
2069 - 2073	$246,369	$717,003	$963,373
2074 - 2078	$0	$628,679	$628,679
2079 - 2083	$0	$722,981	$722,981
2084 - 2088	$329,120	$535,265	$864,385
2089 - 2093	$655,435	$69,630	$725,065
Total	$15,832,714	$15,270,164	$31,102,877

As of December 31, 2023, future lease receivable principal and interest payments for the Marine Terminal Operations are as follows:

Year Ending December 31	Principal	Interest	Total
2024	$10,255	$34,652	$44,906

2025	$10,967	$33,939	$44,906
2026	$12,218	$33,171	$45,390
2027	$15,558	$32,247	$47,805
2028	$17,425	$31,176	$48,601
2029 - 2033	$132,498	$132,741	$265,239
2034 - 2038	$220,481	$72,034	$292,515
2039 - 2043	$122,354	$9,918	$132,272
Total	$541,757	$379,877	$921,634

As of December 31, 2023, future lease receivable principal and interest payments for the Property Lease/Rental Operations are as follows:

Year Ending December 31	Principal	Interest	Total
2024	$2,859,506	$1,186,505	$4,046,011
2025	$2,652,332	$1,081,557	$3,733,889
2026	$1,957,196	$1,016,216	$2,973,412
2027	$1,555,134	$970,586	$2,525,720
2028	$972,398	$917,815	$1,890,213
2029 - 2033	$4,134,220	$4,329,285	$8,463,505
2034 - 2038	$5,036,180	$3,027,095	$8,063,275
2039 - 2043	$4,373,374	$1,803,440	$6,176,815
2044 - 2048	$5,134,403	$621,026	$5,755,429
Total	$28,674,743	$14,953,526	$43,628,270

Regulated Leases

Regulated leases are leases that are subject to external laws, regulations, or legal ruling and establish all the following requirements:

- Lease rates cannot exceed a reasonable amount, with reasonableness being subject to determination by an external regulator.
- Lease rates should be similar for lessees that are similarly situated.
- The lessor cannot deny potential lessees the right to enter into leases if facilities are available, provided that the lessee's use of the facilities complies with generally applicable use restrictions.

The Port has thirty-five regulated leases of which the calculations are separated from the non-regulated leases. The capital assets associated with these leases are lands, the airfield, the terminal building, and hangars. Leases associated with these agreements include general aviation operations, passenger operations, and cargo operations. The lease end date includes the original terms and exercised options to extend the lease.

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

Lease Type	Lease End Date	Remaining Extensions	Billed	Rent	Rent Increases
Hangar Lease	10/31/2029	One 10-year term	Monthly	$194	3 yr CPI 18% cap
Hangar Lease	9/30/2035	Two 5-year terms	Monthly	$14,119	5 yr CPI 15% cap
Land Lease	2/28/2024	Two 10-year terms	Monthly	$250	3 yr CPI 18% cap

Land Lease	6/30/2025	One 5-year term	Monthly	$411	3 yr CPI 18% cap
Land Lease	3/31/2026	None	Monthly	$208	3 yr CPI 18% cap
Land Lease	6/1/2026	One 10-year term	Monthly	$248	3 yr CPI 18% cap
Land Lease	3/31/2027	One 10-year term	Monthly	$247	3 yr CPI 18% cap
Land Lease	3/31/2027	One 10-year term	Monthly	$347	3 yr CPI 18% cap
Land Lease	2/29/2028	Two 10-year terms	Monthly	$344	3 yr CPI 18% cap
Land Lease	3/31/2028	Two 10-year terms	Monthly	$328	5 yr CPI 12.5% cap
Land Lease	3/31/2028	Two 10-year terms	Monthly	$339	5 yr CPI 12.5% cap
Land Lease	6/30/2028	One 10-year term	Monthly	$210	3 yr CPI 18% cap
Land Lease	8/14/2028	One 10-year term	Monthly	$404	3 yr CPI 18% cap
Land Lease	7/31/2029	One 10-year term	Monthly	$201	3 yr CPI 18% cap
Land Lease	8/31/2029	One 10-year term	Monthly	$172	3 yr CPI 18% cap
Land Lease	7/31/2033	One 10-year term	Monthly	$305	3 yr CPI 18% cap
Land Lease	8/31/2033	None	Monthly	$229	3 yr CPI 18% cap
Land Lease	10/31/2033	One 10-year term	Monthly	$660	3 yr CPI 18% cap
Land Lease	10/31/2033	None	Monthly	$633	3 yr CPI 18% cap
Land Lease	9/30/2035	Two 5-year terms	Monthly	$458	5 yr CPI 15% cap
Land Lease	9/30/2036	One 10-year term	Monthly	$367	3 yr CPI 18% cap
Land Lease	4/30/2039	One 10-year term	Monthly	$138	3 yr CPI 18% cap
Land Lease	4/30/2039	One 10-year term	Monthly	$116.15	3 yr CPI 18% cap
Land Lease	10/31/2041	None	Monthly	$526	3 yr CPI 15% cap
Land Lease	6/30/2043	One 20-year term	Monthly	$825	3 yr CPI 15% cap
Land Lease	12/31/2043	Two 10-year terms	Monthly	$2,854	3 yr CPI 15% cap
Land Lease	4/30/2048	One 10-year term	Monthly	$299	5 yr CPI 12.5% cap
Land Lease	8/31/2050	None	Monthly	$190	3 yr CPI 18% cap
Airfield Lease	12/31/2027	None	Monthly	$144,727	Annually
Terminal Lease	12/31/2027	None	Monthly	$164,305	Annually
Terminal Lease	12/31/2027	None	Monthly	$3,913	Annually
Terminal Lease	12/31/2027	None	Monthly	$13,225	Annually
Terminal Lease	12/31/2027	None	Monthly	$11,778	Annually
Terminal Lease	12/31/2027	None	Monthly	$8,911	Annually
Terminal Lease	12/31/2037	None	Monthly	$11,546	No Cap

Variable payments include maintenance charges for a hangar. Maintenance charges include utilities, repairs, and maintenance to the building and grounds.

2023 inflows of resources from regulated lease activity were as follows:

Deferred Inflows Recognized	$4,587,983
Interest Revenue	$0
Variable Payments	$36,454
Other Lease-Related Inflows Not Included in Lease Receivable Measurement	$176,532

As of December 31, 2023, future lease receivable principal and interest payments from non-regulated leases are as follows:

Year Ending December 31	Principal	Interest	Total
2024	$4,993,939	$0	$4,993,939
2025	$5,445,663	$0	$5,445,663
2026	$5,944,604	$0	$5,944,604
2027	$6,471,347	$0	$6,471,347
2028	$521,572	$0	$521,572
2029 - 2033	$2,901,062	$0	$2,901,062
2034 - 2038	$3,067,576	$0	$3,067,576
2039 - 2043	$2,280,005	$0	$2,280,005
2044 - 2048	$1,361,531	$0	$1,361,531
2049 - 2053	$853,515	$0	$853,515
2054 - 2058	$1,068,628	$0	$1,068,628
2059 - 2063	$1,300,550	$0	$1,300,550
Total	$36,209,991	$0	$36,209,991

Note 5 – Joint Ventures

Six ports have formed a Limited Liability Company (LLC), Petrichor Broadband LLC, pursuant to the provisions of the Interlocal Cooperation Act, Chapter 39.34 RCW. The purpose of the LLC is to help develop low-cost wholesale broadband across the state, create economic opportunities through broadband partnerships with Ports and other public utilities, and provide centralized network management for ports that have their own broadband infrastructure. The Port of Whitman is appointed as LLC Manager. The Port contributed $200,000 to the LLC to fund the initial activities of the LLC. Petrichor disbursed $125,000 to the Port of Pasco in 2023. The Port's interest in the LLC as of December 31, 2023, was $262,948.

Note 6 - Capital Assets

Capital assets activity for the year ended December 31, 2023 was as follows:

	Beginning Balance 1/1/2023	Prior Period Adjustment	Increases	Decreases	Ending Balance 12/31/2023
Capital Assets, Not Being Depreciated					
Land	$14,825,976	$0	$517,565	($983,702)	$14,359,839
Construction in Progress	$4,191,819	$0	$24,714,620	($10,025,975)	$18,880,464
Total Capital Assets, Not Being Depreciated	$19,017,795	$0	$25,232,185	($11,009,677)	$33,240,303
Capital Assets, Being Depreciated					
Property	$243,457,370	($1,752,772)	$9,859,564	$0	$251,564,162
Machinery and Equipment	$6,710,695	$1,608,538	$166,411	($22,204)	$8,463,440
Lease Asset	$5,667	$0	$0	($3,238)	$2,429
Total Capital Assets Being Depreciated	$250,173,732	($144,234)	$10,025,975	($25,442)	$260,030,031
Less Accumulated Depreciation For:					
Property	($128,286,249)	$1,734,302	($8,846,012)	$0	($135,397,959)
Machinery and Equipment	($4,145,089)	($1,836,473)	($407,712)	$22,204	($6,367,070)

Total Accumulated Depreciation	($132,431,338)	($102,171)	($9,253,724)	$22,204	($141,765,029)
Total Capital Assets Being Depreciated, net	$117,742,394	($246,405)	$772,251	($3,238)	$118,265,002
Total Capital Assets	$136,760,189	($246,405)	$26,004,436	($11,012,915)	$151,505,305

Note 7 - Construction and Other Significant Commitments

The Port has active construction and design projects as of December 31, 2023. The projects include terminal expansion, GA ramp, runway shift, apron, terminal landscaping, roads, taxi lane, car rental wash facility, building improvements, and rail.

At year-end, the Port's commitments with contractors and engineers are as follows:

Project	Spent to Date	Remaining Commitment
Airfield 12-30 Runway Shift	$1,131,396	$118,487
Airfield East GA Ramp	$420,840	$435,197
Terminal Parking Lot Landscaping	$556,772	$26,766
Terminal Expansion Design Phase 1	$536,002	$770,496
Terminal Loading Ramp	$35,083	$35,083
Business Park Road & Taxi Lane	$4,390,171	$1,473,641
Industrial Park Building Demos	$102,183	$10,332
Rental Car Wash Facility Design	$11,794	$526,630
Big Pasco Building Improvements	$16,381	$179,674
Big Pasco Entry Sign	$5,643	$3,781
Reimann Industrial Center Road & Water	$8,733,193	$701,726
Reimann Industrial Center Rail	$175,458	$22,442
Reimann Industrial Center Rail LL	$130,364	$84,736
Total	$16,245,280	$4,388,991

Of the committed balance of $4,388,911, the Port will receive $1,236,405 from grant revenues, $1,159,097 from debt proceeds, $526,630 from Customer Facility Charges, $770,497 from Passenger Facility Charges, and the Port will provide the remaining $696,362 from Cash and Cash Equivalents.

Note 8 – Long-Term Debt

The Port issues general obligation and revenue bonds to finance the purchase of land and the acquisition or construction of buildings and infrastructure. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund several general obligation and revenue bonds. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues. The Port is also liable for notes that were entered into for the purchase of land and the construction of buildings and infrastructure. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources.

General obligation bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
LTGO Bonds 2012 Ref. Bonds ‘01 & ‘04	2024	3% - 4.2%	$2,220,000	$190,000
LTGO Bonds 2020 Ref. Bonds ‘10 & Road	2030	4.00%	$3,630,000	$335,000
CERB Loan 2009 Parsons Bldg.	2024	1.50%	$1,500,000	$102,924
CERB Loan 2018 Business Hangar	2040	2.00%	$1,700,000	$1,575,293
HAEIF Loan 2013 Land	2028	3.00%	$1,000,000	$71,865
HAEIF Loan 2019 Land	2039	4.18%	$2,250,000	$92,829
Baker Boyer Bank Bond 2019 Land	2029	2.53%	$1,013,000	$97,391
Banner Bank Bond RIC TIF Area	2042	3.88%	$3,430,141	$88,951

The annual debt service requirements to maturity of general obligation bonds are as follows:

Year Ending December 31	Principal	Interest
2024	535,000	177,524
2025	350,000	158,024
2026	375,000	144,024
2027	390,000	129,024
2028	405,000	113,424
2029 - 2033	850,000	177,848
Total	$2,905,000	$899,869

The annual debt service requirements to maturity for debt from direct borrowings are as follows:

Year Ending December 31	Principal	Interest
2024	453,690	216,624
2025	404,940	202,144
2026	418,118	188,976
2027	468,340	175,453
2028	362,871	160,953
2029 - 2033	1,521,244	636,262
2034 - 2038	1,684,911	357,216
2039 - 2043	975,959	69,016
Total	$6,290,073	$2,006,645

The revenue bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2014A Revenue Bond - Terminal Security	2032	2% - 5%	$19,755,000	$1,110,000
2014B Revenue Bond - Terminal Security	2034	4.00%	$4,890,000	$0

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2024	$1,165,000	$685,077
2025	$1,225,000	$626,827
2026	$1,275,000	$577,827
2027	$1,325,000	$526,827
2028	$1,375,000	$473,827
2029 - 2033	$7,795,000	$1,462,798
2034 - 2038	$1,755,000	$84,886
Total	$15,915,000	$4,438,069

In proprietary funds, unamortized debt issue costs for insurance are recorded as an asset and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discounts.

The Port has outstanding direct placement loans available to draw on of $10,319,859. The Port had qualified expenditures for the outstanding loans of $6,846,460 in 2023 and will request the funds in 2024.

Note 9 - Changes in Long-Term Liabilities

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

	Beginning Balance 1/1/2023	Additions	Reductions	Ending Balance 12/31/2023	Due Within One Year
Bonds Payable:					
General Obligation Bonds	$3,430,000	$0	$525,000	$2,905,000	$535,000
Revenue Bonds	$17,025,000	$0	$1,110,000	$15,915,000	$1,165,000
Premiums	$797,427	$0	$88,401	$709,026	$88,401
Total Bonds Payable	$21,252,427	$0	$1,723,401	$19,529,026	$1,788,401
Debt from direct borrowings	$5,389,185	$2,930,141	$2,029,253	$6,290,073	$453,690
Compensated Absences	$658,683	$91,386	$0	$750,069	$0
Lease Liability	$5,841	$0	$3,244	$2,597	$0
Soils Clean-Up Liability	$360,000	$0	$13,000	$347,000	$0
OPEB Obligations	$474,977	$0	$22,041	$452,936	$0
Pension Obligations	$434,333	$0	$62,271	$372,062	$0
Long-Term Liabilities:	$28,575,446	$3,021,527	$3,853,210	$27,743,763	$2,242,091

The Port’s outstanding notes from direct borrowings of $2,310,195 contain a provision that in the event of default, outstanding amounts become immediately due at the option of the lender.

Note 10 - Pollution Remediation Obligation

The Port is presently involved in a soils cleanup proceeding with the Department of Ecology along with other parties at the marine terminal. In May of 1996, the Port entered into a settlement which set the terms for the payment of cleanup costs. The agreement requires the Port to pay 37% of all remediation costs. In 2020, updated cleanup estimates include 5 years’ totals, with scope contingency and thirteen years’ passive cleanup (compliance monitoring, cleanup demonstration and well closure until 2039), with scope contingency. Total remediation costs are estimated at $937,000 and the Port's portion of the liability is $347,000.

Note 11 – Pension Plans

The following table represents the aggregate pension amounts for all plans for the year 2023:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	($372,062)
Pension Assets	$1,168,554
Deferred outflows of resources	$972,098
Deferred inflows of resources	($698,956)
Pension expense/expenditures	($131,487)

State Sponsored Pension Plans

Substantially all Port of Pasco'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 Employees' Retirement System (PERS)

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

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

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

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65.

PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The rates are adopted by the Pension Funding Council and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

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

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

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2
January – June		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.36%
July - August		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	9.39%	6.36%
September – December		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	10.53%	6.36%

The Port's actual PERS plan contributions were $101,244 to PERS Plan 1 and $189,884 to PERS Plan 2/3 for the year ended December 31, 2023.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF was established in 1970, and its retirement benefit provisions are contained in Chapter 41.26 RCW. LEOFF membership includes all of the state's full-time, fully compensated, local law enforcement commissioned officers, fire fighters, and, as of July 24, 2005, emergency medical technicians.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest-paid consecutive 24 months' within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include a COLA. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute 0%, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2023. Employers paid only the administrative expense of 0.20% of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the FAS per year of service (the FAS is based on the highest-paid consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50-52, the reduction is 3% for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include a COLA (based on the CPI), capped at 3% annually. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The rates are adopted by the LEOFF Plan 2 Retirement Board and are subject to change by the Legislature.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2023.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – August		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	
Total	8.71%	8.53%
September - December		
State and local governments	5.12%	8.53%

Administrative Fee	0.20%	
Total	5.32%	8.53%
Ports and Universities	8.53%	8.53%
Administrative Fee	0.20%	
Total	8.73%	8.53%

The Port's actual contributions to the plan were $32,921 for the year ended December 31, 2023.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Office of the State Actuary and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2023, the state contributed $87,966,142 to LEOFF Plan 2. The amount recognized by the Port as its proportionate share of this amount is $0.

Actuarial Assumptions

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

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
- **Investment rate of return:** 7.0%

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

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

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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

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

Sensitivity of the Net Pension Liability / (Asset)

The table below presents the Port of Pasco's proportionate share of the net pension liability (asset) calculated using the discount rate of 7%, as well as what the Port's proportionate share of the net pension liability (asset) 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.

Plan	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	$519,799	$372,062	$243,123
PERS 2/3	$935,872	($860,478)	($2,336,293)
LEOFF 2	$51,009	($308,076)	($601,956)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2023, the Port of Pasco reported its proportionate share of the net pension liabilities and assets as follows:

Plan	Liability (or Asset)
PERS 1	$372,062
PERS 2/3	($860,478)
LEOFF 2	($308,076)

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

Plan	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.015599%	0.016299%	0.000700%
PERS 2/3	0.020390%	0.020994%	0.000604%
LEOFF 2	0.010535%	0.012844%	0.002309%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2023. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12% of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88% of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2023, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

Pension Expense

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

Plan	Pension Expense
PERS 1	$18,787
PERS 2/3	($121,601)
LEOFF 2	($28,673)
Total	($131,487)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$0	$0
Net difference between projected and actual investment earnings on pension plan investments	$0	($41,970)
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	$44,043	$0
Total	$44,043	($41,970)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$175,279	($9,614)
Net difference between projected and actual investment earnings on pension plan investments	$0	($324,280)
Changes of assumptions	$361,258	($78,741)
Changes in proportion and differences between contributions and proportionate share of contributions	$12,598	($36,561)
Contributions subsequent to the measurement date	$95,424	$0
Total	$644,559	($449,196)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$125,840	($2,535)
Net difference between projected and actual investment earnings on pension plan investments	$0	($65,189)
Changes of assumptions	$78,697	($25,306)
Changes in proportion and differences between contributions and proportionate share of contributions	$62,892	($114,760)
Contributions subsequent to the measurement date	$16,067	$0
Total	$283,496	($207,790)

Deferred outflows of resources related to pensions resulting from the Port of Pasco’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 ended December 31:	PERS 1	PERS 2/3	LEOFF 2
2024	($28,555)	($163,116)	($33,570)
2025	($35,911)	($189,278)	($44,097)
2026	$22,142	$263,465	$48,665
2027	$354	$94,269	$12,403
2028	$0	$93,367	$13,719
Thereafter	$0	$1,232	$62,520

Note 12 – Defined Benefit Other Postemployment Benefit (OPEB) Plans

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

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	$452,936
OPEB Assets	$0
Deferred Outflows of Resources	$0
Deferred Inflows of Resources	$0
OPEB expenses	($22,041)

OPEB Plan Description

Other Post-Employment Benefits (OPEB), as defined by Government Accounting Standards Board (GASB), are benefits that are provided to retired employees beyond those provided by their pension plans.

The Port of Pasco Retiree Insurance Program Plan is administered by the Port of Pasco as a single-employer defined benefit plan.

The Retiree Insurance Program Plan offers medical insurance premiums paid to a health reimbursement account for retired individuals and their spouse. Qualified employees and spouses in this program will receive quarterly Port paid insurance premiums for a medical insurance plan at a premium rate not to exceed the premiums paid for active employees until the eligible employee reaches age 65 or becomes eligible for another medical plan. Eligibility is limited to employees hired prior to January 1, 2008, with at least 10 years of service to the Port, who is retiring from the Port, who qualifies to receive benefits from the Washington State Public Employees Retirement System effective immediately upon retirement, and neither the employee or their spouse have the ability to acquire medial insurance from any other source. The Port of Pasco Commission established the benefit terms of this plan and has the authority to amend the plan and the benefits of the plan through a motion.

Currently, the Port has 3 inactive employees currently receiving benefit payments, 0 inactive employees entitled to but not yet receiving benefit payments and 9 active employees.

Employees covered by benefit terms:

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	0
Active employees	9

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

The Port of Pasco Commission has given the authority to pay OPEB benefits as they come due and has the authority to establish or amend benefits. The Port paid OPEB benefits that came due during 2023 of $47,963.

Assumptions and Other Inputs

The process of determining the liability for retiree OPEB benefits is based on many assumptions about future events.

The Key assumptions are:

- Turnover and retirement rates: How likely is it that an employee will remain employed by the same employer and qualify for post-employment benefits, and when will those benefits start?
- Healthcare trend and claims costs assumptions: When a retiree starts receiving post-employment benefits, possibly how many years from now, how much will those benefits cost each year and how rapidly will the cost grow?
- Mortality assumptions: How long is a retiree likely to receive the benefits?
- Discount rate assumption: What is the present value of those future benefit payments in terms of today's dollars?

According to GASB 75, "A liability should be recognized for the Net OPEB Liability. The Net OPEB Liability should be measured as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee serves, net of the OPEB plan's Fiduciary Net Position".

Therefore, the Net OPEB Liability is calculated as the Total OPEB Liability less the plan's Fiduciary Net Position. The Fiduciary Net Position is equal to the total assets set aside for funding. The Port's OPEB plan does not have any assets set aside for funding, therefore, the Port only reports Total OPEB Liability.

Actuarial methods and significant assumption used to determine Total OPEB Liability for the current year include:

- The alternative measurement method permitted under GASB Statement No. 75 was used to calculate the Total OPEB Liability.
- An age adjustment factor of 1.396571 was used and determined by Milliman.
- A single retirement age of 63 was assumed for all active members for the purpose of determining the NOL. The Assumptions used to determine age 63 the age of past retirees who started employment before the age of 55 and worked at least 10 years before retirement.
- The Assumption the employer future premium contribution would remain at the current money level over time was used.
- The discount rate of 3.769% was used based on the 20-year tax exempt municipal bond yield from Fidelity website.
- The Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years was used.
- The turnover assumption was derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employee Retirement System.

- The projected salary increases used was 2.59% based on the payroll growth assumption is the average annual percentage change in the Consumer Price Index – Urban Wage Earners and Clerical Workers CPI-W from 2012 to 2022.
- Healthcare cost trend numbers used in the analysis were developed consistent with the Getzen model promulgated by the Society of Actuaries for use in long-term trend projection. The Port's healthcare trend rate baseline is:

	Medical
Year 1	4.700%
Year 2	4.800%
Year 3	4.700%
Year 4	4.600%
Year 5	4.500%
Year 6	4.400%
Year 7	4.300%
Year 8	4.200%
Year 9	4.200%
Year 10 +	4.200%

- The Total OPEB Liability is being amortized assuming a level percentage of payroll.
- Currently, there is no asset valuation method since there are no Port invested assets in an irremovable, dedicated, and protected trust.

The following presents the Total OPEB liability of the Port calculated using the current healthcare cost trend rate baseline as well as what the OPEB liability would be if it were calculated using a healthcare trend rates that are 1-percentage point lower or 1-percentage higher that the current baseline rate.

The following presents the total OPEB liability of the Port calculated using the discount rate of 3.769 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.769 percent) or 1-percentage point higher (4.769 percent) that the current rate.

	Discount Rate 1% Decrease	Discount Rate	Discount Rate 1% Increase
Discount Rate	2.769%	3.769%	4.769%
Total OPEB Liability	$486,267	$452,936	$423.475
Change from Baseline	$33,330	$0	($29,462)

Changes in the Total OPEB Liability

The Total OPEB Liability was calculated using the alternative measurement method calculation in place of an actuarial valuation. The measurement date is as of December 31, 2023.

The discount rate assumption changed from 4.047% to 3.769% from 2022 valuation to 2023 valuation. The Port's Total OPEB Liability for 2023 is as follows:

	Total OPEB Liability
Balance as of Prior Measurement Date	$474,977
Service Cost	$5,502

Interest on Total OPEB Liability	$18,484
Effect on Plan Changes	$0
Effect of Economic/Demographic Gains or Losses	($6,615)
Effect of Assumptions Changes or Inputs	$8,551
Benefit Payments	($47,963)
Balance as of Current Measurement Date	$452,936

At December 31, 2023, the Port had a total OPEB expense of ($22,041). The Port's 2023 OPEB Expenses is as follows:

	OPEB Expense
Service Cost	$5,502
Interest on Total OPEB Liability	$18,484
Effect of Plan Changes	$0
Administrative Expenses	$0
Employer Contributions	($47,963)
Expected Investment Return Net of Investment Expenses	$0
Recognition of Effect of Economic/Demographic Gains or Losses	($6,615)
Recognitions of Effect of Assumptions Changes or Inputs	$8,551
OPEB Expense	($22,041)

Note 13 - Leases (Lessee)

In 2022, the Port of Pasco implemented GASB Statement No. 87, Leases. Leases subject to GASB Statement No. 87 have a fixed term that exceeds one year. The Port has 2 equipment leases that expire October 13, 2024, in the amount of $172.64 per month and $125.00 per month with no increases. Variable payments include taxes, insurance, and maintenance fees for the usage of the equipment.

Leased assets activity for the year ended December 31, 2023, was as follows:

	Beginning Balance 1/1/2023	Increases	Decreases	Ending Balance 12/31/2023
Leased Equipment	$5,667	$0	($3,239)	$2,428
Accumulated Amortization on Leased Equipment	($3,239)	($3,239)	$0	($6,478)

2023 outflows of resources from lease activity were as follows:

Principal Payments in 2023	$3,244
Interest Expense on Leased Asset	$328
Variable Payments	$4,575

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

Year Ending December 31	Principal	Interest	Total
2024	$2,597	$82	$2,679
Total	$2,597	$82	$2,679

Note 14 – Restricted Component of Net Position

The Port's Statement of Net Position reports $10,794,046 of restricted component of net position of which is $7,365,753 is restricted by enabling legislation. This includes Passenger Facility Charges and Customer Facility Charges collected and not expended to date. The remaining restricted component is restricted by revenue bond covenants, debt service, and impacts of net pension asset.

Note 15 – Passenger Facility Charges and Customer Facility Charges

The Port, through agreement with the Federal Aviation Administration, and in conjunction with commercial airlines operating at Tri-Cities Airport, has implemented a Passenger Facility Charge of $4.50 per enplaned passenger. These fees are collected by the airlines as part of the pricing of each ticket and are remitted quarterly to the Port directly from the airlines. Passenger Facility Charges collected and remitted to the Port can only be used by the Port for capital projects approved by the participating airlines and the FAA. Fees remitted during 2023 totaled $1,757,958 and are shown on the Port's Statement of Revenues, Expenses, and Changes in Fund Net Position as nonoperating income.

The Port, through agreements with the car rental companies that operate at the Tri-Cities Airport, collects a Customer Facility Charge of $3 per transaction per day. These fees are remitted monthly to the Port directly from the car rentals. Customer Facility Charges remitted to the Port can only be used by the Port for approved expenses by the car rental companies. Fees collected during 2023 totaled $867,703 and are shown on the Port's Statement of Revenues, Expenses, and Changes in Fund Net Position as nonoperating income.

Note 16 - Prior Period Adjustments

During the year ended December 31, 2023, immaterial errors of $241,522 were found associated with the airport's reconciliation of rates and charges. In 2023, the airport issued invoices to the signatory airlines for the reconciliation of the 2022 rates and charges. The total invoices issued to the signatory airlines was $241,522. This resulted in an understatement of accounts receivable in 2022.

During the year ended December 31, 2023, immaterial errors of $198,249 were found associated with lease receivable and accrued interest receivable. Accrued interest receivable of $198,249 was reported in current lease receivable. This resulted in an understatement of accrued interest receivables and an overstatement in current lease receivables of $198,249.

During the year ended December 31, 2023, immaterial errors of $246,405 were found associated with capital assets being depreciated and accumulated depreciation. The Port tied out the capital asset software ledger with the general ledger and made corrections to the general ledger to match the capital asset software ledger. Buildings & Improvements to land was overstated by $1,752,772 and Equipment was understated by $1,608,538, resulting in an overstatement of capital assets being depreciation of $144,234. Accumulated depreciation was understated by $102,171. This resulted in an overstatement of total capital assets, net, of $246,405.

The errors have been corrected in the 2023 accounting year and the impact has been shown as an adjustment to beginning net position on the Statement of Revenues, Expenses, and Changes in Fund Net Position. The total adjustment to the net position for prior period adjustments and accounting and reporting changes was $4,883, which restated the December 31, 2022, Statement of Net Position from $146,489,222 to $146,484,339.

Note 17 - Segment Information

The Port operates an airport and industrial centers which are primarily financed by user charges and leases. The property tax levy and interest on investments support the industrial centers. Operating revenues as presented include receipts derived from or for the operation of the port including, but not limited to airport user charges and leases, building and land leases, and dockage fees. Operating expenses are those expenses resulting from the ongoing operations of the Port of Pasco including, but not limited to utilities, repair, maintenance, insurance, and other costs of doing business. General and Administrative expenses and Depreciation are included in operating net income but are listed separately. Non-operating revenues and expenses include taxes from operations, interest income and expense, facility charges, miscellaneous sales, grants, or assistance from other governmental entities for capital expenditures and nonrecurring items such as sale of property. The Statement of Revenues, Expenditures, and Changes in Fund Net Position for the year ended December 31, 2023, for these facilities are as follows:

	Marine Terminal & Property Lease	Airport	Total
Operating Revenues	$4,551,612	$12,258,671	$16,810,283
Operating Expenses	($2,011,158)	($5,702,865)	($7,714,023)
General & Admin Expenses	($1,460,251)	($1,936,125)	($3,396,376)
Depreciation Expense	($2,451,238)	($6,805,724)	($9,256,962)
Operating Income (Loss)	($1,371,035)	($2,186,043)	($3,557,078)
Tax Revenues	$2,792,772	$0	$2,792,772
Nonoperating Revenues (Expenses)	$1,611,677	$7,279,735	$8,891,412
Capital Contributions	$1,935,650	$9,433,642	$11,369,292
Transfers	$159,637	($159,637)	$0
Increase (Decrease) in Net Position	$5,128,701	$14,367,697	$19,496,398
Beginning Net Position	$45,098,553	$101,390,669	$146,489,222
Prior Period Adjustments	($246,405)	$241,522	($4,883)
Ending Net Position	$49,980,849	$115,999,888	$165,980,737

Note 18 – Accounting and Reporting Changes

The Port implemented GASB Statement No. 96, Subscription-Based Technology Arrangements (SBITAs), effect 2023. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for SBITAs by governments. The requirement of this statement is effective for reporting periods beginning after June 15, 2022.

The Port did not recognize a SBITA liability or SBITA asset in the implementation of GASB Statement No. 96, Subscription-Based Technology Arrangements (SBITAs).

Note 19 - Contingencies and Litigations

The Port has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the

Port of Pasco will have to make payment. In the opinion of Port management, the Port's insurance policies and grants are adequate to pay all known or pending claims.

As discussed in Note 8 – Long-Term Debt, the Port is contingently liable for repayment of refunded debt.

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 expenditures disallowed under the terms of the grants. Port management believes that such disallowances, if any, will be immaterial.

Note 20 - Risk Management

Port of Pasco is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2023, there were 518 Enduris members representing a broad array of special purpose districts throughout the state.

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

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

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

Coverage	Coverage Type	Pool Self-Insured Retention	Excess / Reinsurance Limits	Member Deductibles / Co-Pays (1)
Liability				
General Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Automobile Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	$1 million	$20 million $20 million	$1,000 - $100,000

Terrorism Liability[2]	Per Occurrence Pool Aggregate	$500,000 $1 million	None	$1,000 - $100,000
Employment Practices Liability	Per Occurrence Member Aggregate	$1 million	$20 million $20 million	20% Copay[3]

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

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

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

Coverage	Coverage Type	Pool Self-Insured Retention	Excess / Reinsurance Limits	Member Deductibles / Co-Pays (1)
Property [2]				
Buildings and Contents	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Mobile Equipment	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Boiler and Machinery [3]	Per Occurrence	Varies	$100 million	Varies
Business Interruption (BI) / Extra Expense(EE) [4]	Per Occurrence	$250,000	$100 million (BI)/ $50 million (EE)	$1,000 - $250,000
Sublimit [5]				
Flood	Per Occurrence	$250,000	$50 million (shared by Pool members)	$1,000 - $250,000
Earthquake	Per Occurrence	5% of indemnity; subject to $250,000 minimum	$10 million (shared by Pool members)	$1,000 - $250,000
Terrorism Primary	Per Occurrence Pool Aggregate	$250,000	$100 million / Pool member $200 million	$1,000 - $250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	$500,000	$600 million /Pool member $1.1 billion $1.4 billion	$0
Automobile Physical Damage [6]	Per Occurrence	$25,000; $100,000 for Emergency Vehicles	$1 billion	$250 - $1,000
Crime Blanket [7]	Per Occurrence	$50,000	$1 million	$1,000
Named Position [8]	Per Occurrence	$50,000	$1 million	$1,000
Cyber [9]	Each Claim APIP Aggregate	$100,000	$2 million $40 million	20% Copay
Identity Fraud Expense Reimbursement [10]	Member Aggregate	$0	$25,000	$0

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

(2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over $250,000 to the limit of $1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.

(3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.

(4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to $500,000 of coverage with a $2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.

(5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.

(6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detailed vehicle schedule.

(7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of $2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from $5,000 to $2 million.

(8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between $5,000 and $1 million.

(9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between $50,000 and $100,000 depending on the insured/members property TIV with an 8-hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is $2 million, with various declared sub-limits.

(10)Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a $25,000 limit per member.

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

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

Its member participants fully fund Enduris. Member file claims with the Pool who determines coverage and administers the claims.

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

The Port is exposed to various risks of loss that the Port is not covered for under Enduris. To limit exposure, the Port purchases a variety of insurance policies annually through a commercial insurance broker which provides coverage against most normal hazards. In comparison to prior years, there were no significant changes in the type and coverage of insurance policies purchased by the Port in 2023. However, in 2023, the Port discontinued their excess earthquake liability of $10 million of coverage. Settlement claims have not exceeded commercial insurance coverage in any of the past three years.

HUB International has placed the Port's insurance coverage with different underwriters for policy period December 31, 2022, through December 31, 2023. The environmental liability policy for the Marine Terminal has a period of coverage from June 18, 2021, to December 31, 2023. Coverage includes:

Insurance	Limits
Airport Liability - National Union Fire Insurance Co. of Pittsburgh PA	$300 Million Per Occurrence / $300 Million Hangar Keeper's Liability Coverage
Crime Liability – Fidelity & Deposit Company of Maryland	$10 Million Aggregate ($100,000 deductible)
Environmental Liability - Tokio Marine Specialty Insurance Company	$3 Million Per Occurrence ($100,000 deductible)
Excess Liability - Lloyds of London	$25 Million Per Occurrence
Marine Liability - Liberty Mutual Insurance Company	$1 Million Per Occurrence $2 Million Aggregate ($7,500 deductible)
Marine Excess Liability - Lloyd's of London	$19 Million Per Occurrence
Farmland Site Pollution Liability – Evanston Insurance Company	$5 Million Per Incident/ $5 Million Aggregate

The Port participates in the State of Washington Labor and Industries worker's compensation program.

Management has elected to become self-insured through the Washington State Employment Security Department on a reimbursement basis. Unemployment claims are processed by the Washington State Employment Security Department. The Port budgets one percent of its annual salaries into the operating budget to cover potential unemployment claims. No reserve for self-insurance has been established as the potential liability is not considered to be material to the financial statements.

Additionally, the Port provides comprehensive medical, dental, vision, long-term disability (employees only) and life insurance (employees only) coverage for all eligible employees and their dependents through standard plans offered brokered by HUB International. The Port does not administer any of these plans. The Port reimburses employees for qualified medical expenses after they have paid a fixed amount in medical costs. The plan is administered through HUB International. The Port places an amount equal to four months of eligible benefit into a trust account. Claims made during the year are deducted from the balance of that account.

Note 21 – Health & Welfare

The Port of Pasco is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2023, 264 cities/towns/non-city entities participate and have enrollment in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-city entities (public agency public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of $2 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer’s termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Note 22 - Formation of Public Corporation

The Port of Pasco Economic Development Corporation was formed on January 14, 1982, by the Port Commissioners pursuant to the provisions of 1981 Washington laws Chapter 300 to promote local economic development. Commissioners of the Port of Pasco also serve as directors of the Port of Pasco Economic Development Corporation.

2023 Revenues of the Port of Pasco Economic Development Corporation amounted to $17. The current balance in this account is $7,957.

Port of Pasco
Schedule of Changes in Total OPEB Liability and Related Ratios
Port of Pasco OPEB Plan
For the Year Ended December 31, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability - beginning	$474,977	$757,691	$860,353	$1,081,367	$1,090,610	$1,271,457	$0
Service Cost	$5,502	$9,077	$8,066	$21,987	$19,611	$23,160	$0
Interest	$18,484	$13,341	$16,377	$29,141	$39,988	$41,573	($1,199)
Changes in benefit terms	$0	$0	$0	$0	$0	$0	$0
Differences between expected & actual experience	($6,615)	($146,589)	($38,234)	($218,972)	($60,352)	($140,828)	$1,297,316
Changes in assumptions	$8,551	($77,926)	$6,664	$34,012	$57,435	($25,308)	$38,915
Benefit payments	($47,963)	($80,617)	($95,535)	($87,182)	($65,926)	($79,444)	($63,575)
Other changes	$0	$0	$0	$0	$0	$0	$0
Total OPEB liability - ending	$452,936	$474,977	$757,691	$860,353	$1,081,367	$1,090,610	$1,271,457
Covered employee payroll	$1,003,985	$950,852	$973,402	$1,054,928	$1,291,655	$1,129,588	$1,383,865
Total OPEB liability as a % of covered payroll	45.11%	49.95%	77.84%	81,56%	83.72%	96.55%	91.88%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.

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

Port of Pasco
Schedule of Proportionate Share of Net Pension Liability
LEOFF 2
As of June 30, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.012844%	0.010535%	0.010812%	0.014691%	0.014356%	0.007501%	0.007612%	0.008320%	0.007696%
Employer's proportionate share of the net pension liability (asset)	($308,076)	($286,309)	($628,006)	($299,675)	($332,584)	($152,287)	($105,630)	($48,392)	($79,099)
TOTAL	($308,076)	($286,309)	($628,006)	($299,675)	($332,584)	($152,287)	($105,630)	($48,392)	($79,099)
Covered payroll	$339,876	$255,685	$239,148	$322,965	$302,492	$148,665	$142,981	$151,357	$130,675
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-90.64%	-111.98%	-262.60%	-92.79%	-109.95%	-102.44%	-73.88%	-31.97%	-60.53%
Plan fiduciary net position as a percentage of the total pension liability	113.17%	116.09%	142.00%	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.

Port of Pasco
Schedule of Proportionate Share of Net Pension Liability
PERS 1
As of June 30, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.016299%	0.015599%	0.016236%	0.017619%	0.018601%	0.017920%	0.022091%	0.023189%	0.023936%
Employer's proportionate share of the net pension liability (asset)	$372,062	$434,333	$198,280	$622,046	$715,274	$800,313	$1,048,235	$1,245,359	$1,252,075
TOTAL	$372,062	$434,333	$198,280	$622,046	$715,274	$800,313	$1,048,235	$1,245,359	$1,252,075
Covered payroll	$2,902,211	$2,574,102	$2,395,380	$2,460,975	$2,460,975	$2,242,652	$2,403,498	$2,463,612	$2,367,508
Employer's proportionate share of the net pension liability as a percentage of covered payroll	12.82%	16.87%	8.28%	24.65%	29.06%	35.69%	43.61%	50.55%	52.89%
Plan fiduciary net position as a percentage of the total pension liability	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.

Port of Pasco
Schedule of Proportionate Share of Net Pension Liability
PERS 2/3
As of June 30, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.020994%	0.020390%	0.020857%	0.020931%	0.021708%	0.020866%	0.021547%	0.024164%	0.025203%
Employer's proportionate share of the net pension liability (asset)	($860,478)	($756,220)	($2,077,693)	$267,696	$210,859	$356,268	$748,655	$1,216,638	$900,518
TOTAL	($860,478)	($756,220)	($2,077,693)	$267,696	$210,859	$356,268	$748,655	$1,216,638	$900,518
Covered payroll	$2,902,211	$2,574,102	$2,395,380	$2,439,536	$2,359,545	$2,149,545	$2,112,473	$2,239,085	$2,150,882
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-29.65%	-29.38%	-86.74%	10.97%	8.94%	16.57%	35.44%	54.34%	41.87%
Plan fiduciary net position as a percentage of the total pension liability	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.

Port of Pasco
Schedule of Employer Contributions
PERS 1
For the Year Ended December 31, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$101,224	$103,248	$106,767	$118,074	$133,454	$126,851	$134,583	$126,002	$120,471
Contributions in relation to the statutorily or contractually required contributions	$(101,224)	$(103,248)	($106,767)	($118,074)	($133,454)	($126,851)	($134,583)	($126,002)	($120,471)
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Covered payroll	$2,902,211	$2,744,773	$2,489,201	$2,415,735	$2,530,506	$2,360,762	$2,451,142	$2,340,826	$2,461,776
Contributions as a percentage of covered payroll	3.49%	3.76%	4.29%	4.89%	5.27%	5.37%	5.49%	5.38%	4.89%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.

Port of Pasco
Schedule of Employer Contributions
PERS 2/3
For the Year Ended December 31, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$189,884	$174,660	$177,702	$189,075	$187,034	$169,754	$153,021	$131,489	$126,480
Contributions in relation to the statutorily or contractually required contributions	$(189,884)	$(174,660)	($177,702)	($189,075)	($187,034)	($169,754)	($153,021)	($131,489)	($126,480)
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Covered payroll	$2,902,211	$2,744,773	$2,489,201	$2,387,312	$2,422,946	$2,263,339	$2,228,329	$2,110,575	$2,242,699
Contributions as a percentage of covered payroll	6.54%	6.36%	7.14%	7.92%	7.72%	7.50%	6.87%	6.23%	5.64%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.

Port of Pasco
Schedule of Employer Contributions
LEOFF 2
For the Year Ended December 31, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$32,921	$23,309	$20,921	$24,527	$28,728	$21,606	$11,025	$12,826	$13,604
Contributions in relation to the statutorily or contractually required contributions	$(32,921)	($23,309)	($20,921)	($24,527)	($28,728)	($21,606)	($11,025)	($12,826)	($13,604)
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Covered payroll	$385,947	$273,252	$244,422	$285,530	$331,588	$246,924	$128,567	$152,515	$161,758
Contributions as a percentage of covered payroll	8.53%	8.53%	8.56%	8.59%	8.66%	8.75%	8.58%	8.41%	8.41%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.

Port of Pasco
Schedule 16
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Though Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Note
Consolidated Rail Infrastructure and Safety Improvements Program							
Federal Railroad Administration, Department of Transportation	Consolidated Rail Infrastructure and Safety Improvements	20.325	69A36524 420060CC DWA	$0	$103,161	$103,161	1,2,3
	Total Economic Development Program:			**$0**	**$103,161**	**$103,161**	
Airport Improvement Program							
Federal Aviation Administration, Department of Transportation	Airport Improvement Program	20.106	3-53-0046-49-2021	$0	$398,404	$398,404	1,2,3
Federal Aviation Administration, Department of Transportation	COVID-19 Airports Programs	20.106	3-53-0046-050-2021	$0	$867,011	$867,012	1,2,3
Federal Aviation Administration, Department of Transportation	COVID-19 Airports Programs	20.106	3-5-0046-052-2021	$0	$2,693,196	$2,693,196	1,2,3
Federal Aviation Administration, Department of Transportation	Airport Improvement Program	20.106	3-53-0046-054-2022	$0	$6,445,879	$6,445,878	1,2,3
Federal Aviation Administration, Department of Transportation	Airport Improvement Program	20.106	3-53-0046-056-2022	$0	$5,836	$5,836	1,2,3
Federal Aviation Administration, Department of Transportation	Airport Improvement Program	20.106	3-53-0046-057-2023	$0	$1,021,857	$1,021,857	1,2,3
Federal Aviation Administration, Department of Transportation	Airport Improvement Program	20.106	3-53-0046-058-2023	$0	$1,201,367	$1,201,367	1,2,3
Federal Aviation Administration, Department of Transportation	COVID-19 Airports Programs	20.106	3-53-0046-059-2024	$0	$366,136	$366,136	1,2,3
	Total Airport Improvement Program:			**$0**	**$12,999,686**	**$12,999,686**	

The accompanying notes are an integral part of this Schedule.

Federal Agency (Pass-Though Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures From Pass-Through Awards	Expenditures From Direct Awards	Expenditures Total	Note
Highway Planning & Construction Program							
Federal Railroad Administration, Department of Transportation (via Washington State Department of Transportation)	Highway Planning & Construction	20.205	NHFP 0960 (005)	$36	$0	$36	1,2,3
			Highway Planning & Construction Program:	**$36**	**$0**	**$36**	
			Total Federal Awards Expended:	**$36**	**$13,102,847**	**$13,102,883**	

The accompanying notes are an integral part of this Schedule.

Port of Pasco
Schedule 16
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Note 1 - Basis of Accounting

This schedule is prepared on the same basis of accounting as the Port's financial statements. The Port uses the full accrual basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

The Port has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Port of Pasco's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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