Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Port of Pasco

For the period January 1, 2018 through December 31, 2018

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Office of the Washington State Auditor
Pat McCarthy

February 4, 2020

Board of Commissioners
Port of Pasco
Pasco, Washington

Report on Financial Statements and Federal Single Audit and Passenger Facility Charges

Please find attached our report on the Port of Pasco's financial statements, compliance with federal laws and regulations and compliance with requirements applicable to its passenger facility charge program.

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

Sincerely,

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

TABLE OF CONTENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Port of Pasco
January 1, 2018 through December 31, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

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.

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.

CFDA No.	Program or Cluster Title
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 did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Port of Pasco
January 1, 2018 through December 31, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated September 25, 2019. As discussed in Note 12 to the financial statements, during the year ended December 31, 2018, the Port implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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) to determine the 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Port's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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

September 25, 2019

INDEPENDENT AUDITOR'S 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, 2018 through December 31, 2018

Board of Commissioners
Port of Pasco
Pasco, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Port of Pasco, with the types of compliance requirements described 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, 2018. The Port's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Port's compliance.

Opinion on Each Major Federal Program

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, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's 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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

State Auditor

Olympia, WA

January 30, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

Port of Pasco
January 1, 2018 through December 31, 2018

Board of Commissioners
Port of Pasco
Pasco, Washington

REPORT ON COMPLIANCE FOR PASSENGER FACILITY CHARGES

We have audited the compliance of the Port of Pasco, with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) issued by the Federal Aviation Administration for its passenger facility charge program for the year ended December 31, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on the Port's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Port's compliance with those requirements.

Opinion on Compliance

In our opinion, the Port of Pasco complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to its passenger facility charge program. In planning and performing our audit, we considered the Port's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's 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 the passenger facility charge 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 the passenger facility charge 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 the passenger facility charge 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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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 Guide. 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

State Auditor

Olympia, WA

September 25, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Pasco
January 1, 2018 through December 31, 2018

Board of Commissioners
Port of Pasco
Pasco, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Pasco, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 19.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Pasco, as of December 31, 2018, 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.

Matters of Emphasis

As discussed in Note 12 to the financial statements, in 2018, the Port adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

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 on page 19 be presented to supplement the basic financial statements. Such information, 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 and Other 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). The accompanying Schedule of Passenger Facility Charges is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. These schedules are 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 taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019 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 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

September 25, 2019

FINANCIAL SECTION

Port of Pasco
January 1, 2018 through December 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018
Statement of Revenues, Expenses, and Changes in Net Position – 2018
Statement of Cash Flows – 2018
Notes to the Financial Statements - 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios Port of Pasco OPEB Plan – 2018
Schedule of Employer Contributions – LEOFF 2, PERS 1, PERS 2/3 – 2018
Schedule of Proportionate Share of Net Pension Liability – LEOFF 2, PERS 1, PERS 2/3 – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2018
Notes to the Schedule of Expenditures of Federal Awards – 2018
Schedule of Passenger Facility Charges – 2018
Notes to the Schedule of Passenger Facility Charges – 2018

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 years ended December 31, 2018 and 2017. It provides an introduction to the Port's 2018 financial statements. 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.

The notes are essential to a full understanding of the data contained in the financial statements. This report also presents certain required supplementary information regarding pension and other post-employment benefits.

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 Port Finance Director to manage the Port's finances.

The Port rents its developed land to industrial and commercial users who then build or rent suitable facilities on the land. Additionally, the Port acquires undeveloped land and adds infrastructure, such as roads and utilities, which facilitate industrial and commercial development of the land.

The Tri-Cities Airport serves the regions of southeastern Washington and northeastern Oregon with direct daily commercial air service to Seattle on Alaska Airlines, Salt Lake City, Seattle and Minneapolis on Delta Airlines and Denver, San Francisco and Los Angeles on United Airlines. Weekly air service to Las Vegas, Phoenix-Mesa and seasonal service to Los Angeles is provided by Allegiant Airlines. Year end 2018 statistics show passenger boarding's increased by 20,284, passengers increased to 395,084, parking lot activity increased 2%, car rental activity was up 13% and restaurant concessions were up 10%.

Airport projects included the East General Aviation Apron Construction Project, the Transportation Security Administration In-Line Baggage System, the Airport Master Plan and the Taxiway Alpha Relocation Project for 2018/2019.

In the 1990's, the Port acquired 250 acres of land for the Pasco Processing Center, intended to serve as an industrial park specifically for major food processing companies. An ongoing joint marketing effort between the City of Pasco, the Port and the Tri-City Industrial Development Council (TRIDEC) has been working to attract new companies to the center. There are already four major food processing businesses employing 750 FTEs with three supporting industries on board. In 2008, Syngenta Seed Co. purchased 39.5 acres to construct a state-of-the-art vegetable seed-drying plant that was completed in the fall of 2009 to process sweet corn and small-seeded vegetable seeds at a cost of $41,600,000. In 2009, 3E Properties purchased 12.6 acres for processing fresh-pack specialty potatoes. In January of 2014, Kenyon Zero Storage, Inc. purchased the last 16.7 acres to construct a 400,216 square foot facility for freezer/ cold storage of vegetables grown in the region. This completes the large-lot food processing portion of the development. Of the original 250 acres, only 30 acres remain for sale in the northwest corner of the Pasco Processing Center in a tract of land named the Foster Wells Business Park (FWBP) which is currently divided into 13 building sites ranging in size from 2 to 10 acres. These parcels are intended for small-scale facilities that supplement or complement the existing large food processors. The sites offer opportunities for manufacturing, warehousing, packaging, distribution, goods and services providers. The first business in this section of the Park was Teton Gold, LLC who purchased 3.22 acres in 2003-2004. In 2011, Second Harvest Food Bank of the Inland Northwest was the second business to locate in FWBP on 2.5 acres. In October, 2014, Rock Placing Company purchased 2.22 acres adjacent to the Second Harvest Food Bank property. The final cost to install the FWBP road and other infrastructure was $864,295 and will be paid through future land sales. Most recently in 2015 and 2016, a total of 7.46 acres were sold to Volm Companies for construction of a 217,800 square foot light industrial facility to support the major food processors. The most recent land sales have both been to Teton West, one was in 2016 for 1.99 acres, the other was for 2.43 in November of 2018. These parcels are adjacent to the parcel they purchased in 2003.

The Port is also actively developing its waterfront along the Columbia River in Pasco, a 110-acre parcel of ground known as Osprey Pointe. 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, and storage and warehouse space. Smaller flex/light industrial/ service oriented buildings are planned for the remaining areas of Osprey Pointe, and may include small businesses, professional services, restaurants, 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 addition to the Port's operating businesses, it is managing a complex and costly clean-up of environmental damages caused by several former tenants of the Port. The Environmental Remediation Site is currently contaminated with petroleum, and it's by products that seeped into the ground. The cleanup project is now nearing completion. The only costs remaining are closeout and ongoing monitoring. This contingency is covered in note 11 in the notes to the financial statements.

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

- Marine Security pending requirements would result in an increase in vehicle inspections resulting in higher costs associated with these inspections. The Port is currently without a marine operator. As a result of two major shipping companies who no longer are calling at the Port of Portland, barging of commodities (mostly agricultural) decreased substantially and shifted to trucks and rail primarily to Tacoma.
- Federal reimbursement of Law Enforcement Officers, who man the Screening Point at the airport, is on a year to year contract based on the government's ability to get funding. This additional expense of approximately $138,000 would become the Port's responsibility. The Port of Pasco received additional 5-year reimbursable funding through a cooperative agreement with Department of Homeland Security grant in June 2013. However, this additional funding will not fully reimburse the Port for its additional expenses.
- 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 $507,623. 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 its statements.

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, liabilities, and deferred inflows of resources. 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 (e.g., uncollected taxes and unpaid liabilities owed to vendors). 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 on 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 financial information is consolidated with other Port financial information in this report.

The Port of Pasco has one trust account for Employee Medical Reimbursement Trust.

Financial Analysis of the Port

Statement of Net Position

A summarized comparison of the Port's Statement of Net Position at December 31, 2018 and December 31, 2017, follows:

	2018	2017
Current Assets	$23,281,853	$17,768,489
Noncurrent Assets	$152,287	$105,630
Net Capital Assets	$128,998,720	$126,068,100
Total Assets	$152,432,860	$143,942,219
Deferred Outflows of Resources	$241,795	$255,485
Current Liabilities	$4,739,817	$3,236,051
Noncurrent Liabilities	$29,008,992	$30,228,078
Total Liabilities	$33,748,809	$33,464,129
Deferred Inflows of Resources	$592,579	$422,415
Invested in Capital Assets, Net of Debt	$101,733,813	$97,153,723

	2018	2017
Restricted for:		
Restricted for Debt Service	$1,827,800	$1,827,800
Restricted for PFC Projects	$83,360	$1,005,738
Restricted for CFC Projects	$2,641,483	$1,967,029
Unrestricted	$12,046,811	$8,356,870
Total Net Position	$118,333,267	$110,311,160

The assets of the Port exceeded its liabilities at close of calendar year 2018 by $118,333,267. Of this amount, $101,733,813 was invested in capital assets, net of related debt, $4,554,643 was restricted, and $12,046,811 was unrestricted assets. As a comparison, net position totaled $110,311,160 the end of the calendar year 2017. Of this amount, $97,153,723 was invested in capital assets, net of related debt and $4,800,567 in restricted assets and $8,356,870 in unrestricted assets. For details, refer to the statement of net position and notes 1, 16, 17, 18, and 19 of 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, 2018 and December 31, 2017, follows:

	2018	2017
Operating Revenues:		
Airport Operations	$10,143,771	$8,410,003
Marine Terminal Operations	$18,918	$6,208
Property Lease/Rental Operations	$3,161,944	$2,988,048
Total Operating Revenues	$13,324,633	$11,404,259
Operating Expenses:		
General Operations	$5,853,067	$5,946,149
General and Administration	$2,782,836	$2,982,966
Depreciation	$7,589,762	$7,431,507
Total Operating Expenses	$16,225,665	$16,360,622
Operating Income (Loss)	($2,901,032)	($4,956,363)
Nonoperating Revenues (Expenses):		
Tax Levied for General Purposes	$2,191,129	$2,133,001
Interest Expense	($1,140,865)	($1,219,627)
Other, net	$2,643,328	($226,744)
Total Nonoperating Revenues (Expenses)	$3,693,592	$686,630
Income Before Capital Contributions	$792,560	($4,269,733)
Capital Contributions	$8,833,719	$2,663,414

	2018	2017
Change in Net Position	$9,626,279	($1,606,319)
Beginning Net Position	$110,311,160	$109,351,776
Prior Period Adjustments	($1,604,172)	$2,565,703
Ending Net Position	$118,333,267	$110,311,160

In 2018, the Port's operating revenues increased by $1,920,374 from 2017. Of this amount, airport operations increased 17%, marine terminal operations increased 67% and Property lease operations increased 5.5%. 2018 operating expenses decreased in 2018 by $134,957 from 2017. Of this amount, general operations decreased 1.5%, general and administrative expenses decreased 7.2% and depreciation expense increased 2%. In 2018, the Port's nonoperating revenues increased by $3,006,962 from 2017. In 2017, the Port had a loss on the disposal of the terminal building of approximately $2.9 million dollars due to a terminal expansion project that was complete in 2017. The Port's total net position increased by $9,626,279 in 2018 compared to a $1,606,319 decrease in 2017. The main reason for the increase was the capital contributions received in 2018 was $8,833,719 greater than capital contributions received in 2017. Capital contributions are used for capital purchases or construction.

Capital Assets and Debt Administration

Capital Assets

This table summarizes the year end balances in capital assets for 2018 and 2017 and the change in the year end balances for December 31, 2018. See note 4 in the notes to the financial statements.

	2018	2017
Capital Assets, Not Being Depreciated		
Land	$6,417,303	$6,417,303
Construction in Progress	$12,471,319	$2,986,836
Total Capital Assets, Not Being Depreciated	$18,888,622	$9,404,139
Capital Assets, Being Depreciated		
Property	$205,437,856	$206,450,635
Machinery and Equipment	$5,094,393	$5,139,884
Less Accumulated Depreciation	($100,422,151)	($94,926,558)
Total Capital Assets Being Depreciated	$110,110,098	$116,663,961
Total Capital Assets, Net	$128,998,720	$126,068,100

The Port's assets increased by $8,426,213 as of December 31, 2018. The book value of the capital asset base increased $2,930,620 in 2018 as a result of asset additions and improvements, net of depreciation. The Port expenses about $7,589,762 per year in depreciation charges.

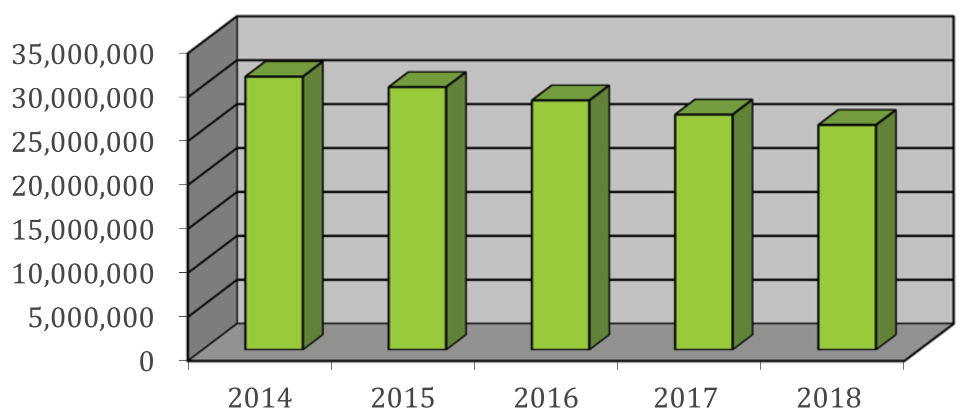
Major capital asset additions and improvements during 2018 included the following:

- Airfield East General Aviation Apron Construction
- Airfield Taxiway Alpha Relocation
- Airport Terminal Transpiration Security Administration In-Line Baggage System
- Business Park road improvements
- Airport hangar design
- Big Pasco Industrial Park warehouse and road improvements

Debt

Long-term debt at December 31, 2018 was $27,264,907 of which $4,604,979 are general obligation bonds and $21,362,342 are revenue bonds. Remaining debt includes a Washington State CERB loan of $617,541 borrowed in 2009 to construct an office building for the Port's and a Hanford Area Economic Investment Fund loan of $680,044 to purchase land at the Tri-Cities Airport. See note 8 and note 9 in the notes to the financial statements.

Port Long-Term Debt as of December 31, 2018



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 $20,000,000 in capital projects over the next three years, with major improvements at the airport and the Big Pasco Industrial Center. The Port's major capital expenditure projects will be the reconstruction of the Airport's primary taxiway, hangar construction on the airfield, and road improvements at the Big Pasco Industrial Center. The taxiway reconstruction effort is estimated to cost approximately $9 million dollars with the Port's contribution of $110,000. The constructing of the hangar will cost approximately $3 million dollars to build with the Port taking out debt of $1,700,000 and receiving $300,000 from the Washington State CERB. The road improvements will cost approximately $9 million dollars with the Port receiving a U.S. Department of Commerce Economic Development Administration grant of $7,110,012.

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 $0.2803 per $1,000 of assessed value in 2018. The tax levy rate for 2019 is projected to decrease slightly to $0.2621 per $1,000 of assessed value and will yield $2,211,846.

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: Director of Finance, PO Box 769, Pasco, WA 99301. Telephone 509-547-3378.

Port of Pasco
Statement of Net Position
December 31, 2018

Assets	
Current Assets (Note 1)	
Cash and Cash Equivalents	$14,322,809
Accounts Receivable (Net)	$1,049,721
Taxes Receivable	$44,071
Due from Other Governments	$2,921,491
Inventories	$200
Prepayments and Other Current Assets	$390,918
Restricted Cash and Cash Equivalents	$4,552,643
Total Current Assets	**$23,281,853**
Noncurrent Assets	
Capital Assets: (Note 1, 4 & 5)	
Capital Assets Not Being Depreciated	
Land	$6,417,303
Construction in Progress	$12,471,319
Capital Assets Being Depreciated	
Property	$205,437,856
Equipment	$5,094,393
Less: Accumulated Depreciation	($100,422,151)
Total Capital Assets (Net)	$128,998,720
Net Pension Asset (Note 6)	$152,287
Total Noncurrent Assets	**$129,151,007**
Total Assets	**$152,432,860**
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions (Note 1 & 6)	$241,795
Total Deferred Outflows of Resources	**$241,795**

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

Liabilities	
Current Liabilities (Note 1)	
Accounts Payable and Accrued Expenses	$2,222,069
Accrued Interest Payable	$170,774
Bonds, Notes, and Loans Payable (Note 8)	$1,685,117
Other Current Liabilities	$661,857
Total Current Liabilities	**$4,739,817**
Noncurrent Liabilities	
Compensated Absences (Note 1)	$583,811
Bonds, Notes, and Loans Payable (Note 8)	$25,579,790
Soils Cleanup Liability (Note 11)	$507,623
Unearned Revenue (Note 1)	$90,576
Net OPEB Liability (Note 12)	$1,090,610
Net Pension Liability (Note 6)	$1,156,582
Total Noncurrent Liabilities	**$29,008,992**
Total Liabilities	**$33,748,809**
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions (Note 1 & 6)	$592,579
Total Deferred Inflows of Resources	**$592,579**
Net Position (Note 1)	
Net Investments in Capital Assets	$101,733,813
Restricted for: (Note 1, 16 & 17)	
Restricted for Debt Service	$1,827,800
Restricted for PFC Projects	$83,360
Restricted for CFC Projects	$2,641,483
Unrestricted	$12,046,811
Total Net Position	**$118,333,267**

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, 2018

Operating Revenues	
Airport Operations	$10,143,771
Marine Terminal Operations	$18,918
Property Lease/Rental Operations	$3,161,944
Total Operating Revenues	**$13,324,633**
Operating Expenses	
General Operations	$5,853,067
General and Administrative	$2,782,836
Depreciation	$7,589,762
Total Operating Expenses	**$16,225,665**
Operating Income (Loss)	**($2,901,032)**
Nonoperating Revenues (Expenses)	
Interest Income	$151,681
Tax Levied for General Purposes	$2,191,129
Passenger Facility Charges	$1,635,404
Customer Facility Charges	$708,015
Interest Expense	($1,140,865)
Gain (Loss) on Disposal of Assets	$190,789
Other Nonoperating Revenues (Expenses)	($42,561)
Total Nonoperating Revenues (Expenses)	**$3,693,592**
Income (Loss) Before Capital Contributions	**$792,560**
Capital Contributions	**$8,833,719**
Increase (Decrease) in Net Position	**$9,626,279**
Net Position - Beginning of Period	**$110,311,160**
Prior Period Adjustments	**($1,604,172)**
Net Position - End of Period	**$118,333,267**

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, 2018

Cash Flows From Operating Activities	
Receipts from Customers	$13,336,942
Payments to Suppliers	($4,271,207)
Payments to Employees	($3,857,748)
Net cash provided (used) by operating activities	**$5,207,987**
Cash Flows From Noncapital Financing Activities	
Receipts (Payments) from Nonoperating Costs	$2,193,109
Net Cash Provided (Used) by Noncapital Financing Activities	**$2,193,109**
Cash Flows From Capital and Related Financing Activities	
Principal Paid on Capital Debt	($1,691,109)
Interest Paid on Capital Debt	($1,152,589)
Receipts from Property Taxes	$2,190,285
Capital Contributions	$6,896,545
Purchases of Capital Assets	($10,400,930)
Net Cash Provided (Used) by Capital and Related Financing Activities	**($4,157,798)**
Cash Flows From Investing Activities	
Interest and Dividends	$151,681
Net Cash Provided by Investing Activities	**$151,681**
Net Increase (Decrease) in Cash and Cash Equivalents	**$3,394,979**
Balances - Beginning of the Year	**$15,480,473**
Balances - End of the Year	**$18,875,452**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	($2,901,032)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	$7,589,762
Changes in Assets and Liabilities:	
Receivables, Net	($129,380)
Accounts and Other Payables	($64,572)
Accrued Expenses	$713,209
Net Cash Provided by Operating Activities	**$5,207,987**

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 15.

Basis of Presentation - 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Port are airport operations, marine terminal operations, and property lease and rental operations. Operating expenses for the Port include general operations, administrative expenses, and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Net Position

Cash and Cash Equivalents

It is the Port of Pasco's policy to invest all temporary cash surpluses. At December 31, 2018 the treasurer was holding $11,383,702 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. 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 consists 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.

Receivables have been recorded net of estimated uncollectible amounts. Because property taxes and special assessments are considered liens on property, no estimated uncollectible amounts are established. As of December 31, 2018, the Port had $60,939 in the Allowance for Doubtful Accounts.

A review is done each month of the outstanding delinquent accounts to insure that all accounts 31 days or over are covered. Currently the balance in the allowance for doubtful accounts is sufficient to cover all delinquent accounts. If an account needs to be written off, it is brought to the governing board for their approval, but only after all attempts have been made to collect.

Amounts Due to and from Other Governmental Units

These accounts 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

Other current assets consist of prepaid expenses. Prepaid expenses total $390,918 for the year ended December 31, 2018.

Restricted Assets and Liabilities

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	$ 1,827,800
Cash and Cash Equivalents - Passenger Facility Charges	$ 83,360
Cash and Cash Equivalents - Customer Facility Charges	$ 2,641,483
	$ 4,552,643

Capital Assets

See Note #4, Capital Assets.

Capital assets, which include property, plant, and equipment and infrastructure assets (e.g., roads, bridges, 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

$5,000 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.

The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation. However, in the case of the sale of a significant operating unit or system, the original cost is removed from the Port plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

Property, plant, and equipment of the Port is depreciated using the 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

Assets	Years
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

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 outflow of resources related to pensions. Deferred inflows of resources consist of deferred inflows of resources related to pensions.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay is accrued when incurred in the proprietary fund financial statements. The Port of Pasco records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay, which may be accumulated up to 30 days, is payable upon resignation, retirement or death. Sick leave may accumulate indefinitely. Twenty-five (25) percent of outstanding sick leave is payable upon resignation, retirement or death.

Pensions

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

Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

Long-term Debt

See Note 8, Long-Term Debt.

Unearned Revenues

This account includes amounts recognized as receivables but not revenues because the revenue recognition criteria has not been met.

Note 2 - Deposits and Investments

Deposits

Cash on hand as petty cash at December 31, 2018 was $450. The carrying amount of the Port's deposits, including certificate of deposit, was $0 and the bank balance was $5,647,802 of unrestricted cash and $1,843,497 of restricted cash.

Custodial Credit Risk:

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 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. Of the Port of Pasco's total position of unrestricted $8,674,557 and of restricted $2,709,145 in 2018, $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

Investments are subject to the following risk.

Interest Rate Risk:

Interest rate risk is the risk the Port may face should interest rate variances affect the fair value of investments. The Port does not have a formal policy that addresses interest rate risk.

In addition to the interest rate risk disclosed above, the Port includes investments with fair value highly sensitive to interest rate changes.

Credit Risk:

Credit risk is the risk that an issuer or the counterparty to an investment will not fulfill its obligations. The Port does not have a formal policy that addresses credit risk.

Custodial Credit Risk:

Custodial credit risk is the risk that, in event of a failure the counterparty, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Port does not have a formal policy for custodial credit risk.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The Port does not have a formal policy for concentration of credit risk.

Foreign Currency Risk:

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. The Port does not have a formal policy for foreign currency risk.

Investments in Local Government Investment Pool (LGIP)

The Port is a participant in the Local Government Investment Pool was authorized by

Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

The Port had $11,383,702 in the Local Government Investment Pool (LGIP) as of December 31, 2018.

Summary of Deposit and Investments

Reconciliation of Port's deposits and investment balances as of December 31, 2018, is as follows:

Deposits and Investments	
Cash on Hand	$450
Amount of Deposits with Private Financial Institutions	$7,491,299
Deposits in State LGIP	$11,383,702
Total Deposits and Investments	$18,875,451
Deposits	
Current:	
Cash and Cash Equivalents	$14,322,809
Restricted Cash and Cash Equivalents	$4,552,643
Total Deposits	$18,875,451

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

The Port's regular levy for the year 2018 was $.28027990 per $1,000 on an assessed valuation of $7,525,024,031 for a total regular levy of $2,109,113 plus adjustments of $3,073 and additional revenue in lieu of property taxes of $78,943, which comes to $2,191,129. In 2017 the regular tax levy was $2,012,064.

Note 4 - Capital Assets

Capital assets activity for the year ended December 31, 2018 was as follows:

	Beginning Balance 1/1/2018	Prior Period Adjustment	Increases	Decreases	Ending Balance 12/31/2018
Capital Assets, Not Being Depreciated					
Land	$6,417,303	$0	$0	$0	$6,417,303
Construction in Progress	$2,986,836	$0	$10,091,627	$607,145	$12,471,319
Total	**$9,404,139**	**$0**	**$34,399**	**$607,145**	**$18,888,622**

	Beginning Balance 1/1/2018	Prior Period Adjustment	Increases	Decreases	Ending Balance 12/31/2018
Capital Assets, Being Depreciated					
Property	$206,450,635	($2,243,234)	$1,291,444	$60,989	$205,437,856
Machinery and Equipment	$5,139,884	($114,829)	$77,170	$7,832	$5,094,393
Total	$211,590,519	($2,358,063)	$1,368,614	$68,821	$210,532,249
Less Accumulated Depreciation For:					
Property	$91,410,926	($1,910,519)	$7,278,133	$60,989	$96,717,551
Machinery and Equipment	$3,515,632	($114,829)	$311,629	$7,832	$3,704,600
Total	$94,926,558	($2,025,348)	$7,589,762	$68,821	$100,422,151
Total Capital Assets Being Depreciated, net	**$116,663,961**	**($332,715)**	**($6,221,253)**	**$0**	**$110,110,098**
Total Noncurrent Assets	**$126,068,100**	**($332,715)**	**($6,186,854)**	**$607,145**	**$128,998,720**

Note 5 - Construction Commitments

The Port has active construction projects as of December 31, 2018. The projects include: terminal baggage system, airfield apron construction, taxiway realignment construction, road construction, rental car facility design, hangar design and construction, airport master plan design and a visitor center design.

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

Project	Spent to Date	Remaining Commitment
Airfield East GA Apron Construction	$5,950,611	$52,525
Airfield Taxiway Alpha Relocation	$1,212,292	$9,284,451
Airport Business Hangar Design	$220,658	$3,184,759
Airport Master Plan	$374,123	$383,128
Rental Car Wash Facility Design	$33,815	$530,310
Terminal In-Line Baggage System	$4,667,288	$187,057
Visitor Center Design	$20,900	$6,100

Of the committed balance of $13,628,330, the Port will receive $9,708,836 from grant revenues, $1,700,000 from a Washington State CERB loan, and the Port will provide the remaining $2,166,969 from Cash and Cash Equivalents.

Note 6 – Pension Plans

The following table represents the aggregate pension amounts for all plans for the year 2018:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	$1,156,582
Pension Assets	$152,287
Deferred outflows of resources	$241,795
Deferred inflows of resources	$592,579
Pension expense/expenditures	($184,900)

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 comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

Public Employees' Retirement System (PERS)

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

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

<u>Contributions</u>

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
January – August 2018		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**12.70%**	**6.00%**
September – December 2018		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	**12.83%**	**6.00%**

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

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

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

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

<u>Contributions</u>

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2**
January – August 2018		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0,18%	
Employee PERS Plan 3		Varies
Total	**12.70%**	**7.38%**

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2**
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.83%**	**7.41%**

The Port's actual PERS plan contributions were $126,851 to PERS Plan 1 and $169,754 to PERS Plan 2/3 for the year ended December 31, 2018.

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

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest 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, the reduction is three percent 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 duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. 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 employer rate includes an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

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 LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	**Employer**	**Employee**
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	**5.43%**	**8.75%**
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	**8.93%**	**8.75%**

The Port’s actual contributions to the plan were $21,606 for the year ended December 31, 2018.

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 Pension Funding Council 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, 2018, the state contributed $68,152,127 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 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 Experience Study and the 2017 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except

LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.

- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these 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 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00%	1.70%
Tangible Assets	7.00%	4.90%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
	100.00%	

Sensitivity of the Net Pension Liability / (Asset)

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

	1% Decrease	Current Discount Rate	1% Increase
	6.4%	**7.4%**	**8.4%**
PERS 1	$983,535	$800,313	$641,606
PERS 2/3	$1,629,580	$356,268	($687,705)
LEOFF 2	($20,251)	($152,287)	($259,977)

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, 2018, the Port of Pasco reported a total pension liability of $1,156,582 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$800,313
PERS 2/3	$356,269

At June 30, 2018, the Port of Pasco reported a total pension asset of $152,287 for its proportionate share of the net pension assets as follows:

	Liability (or Asset)
LEOFF 2	($152,287)

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.02209%	0.01792%	-0.00417%
PERS 2/3	0.02155%	0.02087%	-0.00068%
LEOFF 2	0.00761%	0.00750%	-0.00011%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans 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 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent 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 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the Port of Pasco recognized pension expense as follows:

Pension Expense	
PERS 1	($135,456)
PERS 2/3	($32,435)
LEOFF 2	($17,009)
Total	**($184,900)**

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the Port of Pasco reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	($31,804)
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	$69,948	$0
Total	**$69,948**	**($31,804)**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$43,669	($62,376)
Net difference between projected and actual investment earnings on pension plan investments	$0	($218,623)
Changes of assumptions	$4,168	($101,391)
Changes in proportion and differences between contributions and proportionate share of contributions	$2,449	($117,522)
Contributions subsequent to the measurement date	$93,143	$0
Total	**$143,429**	**($499,912)**

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$8,158	($3,536)
Net difference between projected and actual investment earnings on pension plan investments	$0	($26,652)
Changes of assumptions	$86	($21,856)
Changes in proportion and differences between contributions and proportionate share of contributions	$6,103	($8,819)
Contributions subsequent to the measurement date	$14,071	$0
Total	**$28,418**	**($60,863)**

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, 2019. 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
2019	$1,391
2020	($6,953)
2021	($20,863)
2022	($5,380)
2023	$0
Thereafter	$0

Year ended December 31:	PERS 2/3
2019	($61,948)
2020	($93,571)
2021	($152,452)
2022	($68,189)
2023	($36,977)
Thereafter	($36,490)

Year ended December 31:	LEOFF 2
2019	($6,192)
2020	($10,227)
2021	($16,484)
2022	($5,268)
2023	($1,489)
Thereafter	($6,856)

Note 7 - Short Term Debt

The Port of Pasco had no short term debt outstanding for the year ended December 31, 2018.

Note 8 - Long Term Debt

The Port of Pasco 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 2010 – Office Bldg.	2030	3% - 5%	$4,415,000	$200,000
LTGO 2012 Ref. Bonds ‘01 & ‘04	2024	3% - 4.2%	$2,220,000	$370,000
CERB Loan 2009 - Parsons Bldg.	2024	1.50%	$1,500,000	$102,924
HAEIF Loan 2013 - Land	2028	1.50%	$1,000,000	$61,959

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

Year Ending December 31	Principal	Interest
2019	$570,000	$193,850
2020	$595,000	$174,800
2021	$380,000	$154,900
2022	$400,000	$139,300
2023	$425,000	$122,900
2024 - 2028	$1,545,000	$375,950
2029 - 2033	$640,000	$48,500
Total	**$4,555,000**	**$1,210,200**

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

Year Ending December 31	Principal	Interest
2019	$165,530	$29,935
2020	$168,111	$25,810
2021	$170,130	$22,248
2022	$172,161	$18,673
2023	$174,254	$15,036
2024 - 2028	$447,401	$27,144
Total	**$1,297,586**	**$138,845**

The revenue bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2014A Revenue Bond - Terminal Security Expansion	2032	2% - 5%	$19,755,000	$885,000
2014B Revenue Bond - Terminal Security Expansion	2034	4.00%	$4,890,000	$0

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2019	$920,000	$903,450
2020	$960,000	$866,650
2021	$1,005,000	$818,650
2022	$1,060,000	$768,400
2023	$1,110,000	$715,400
2024 - 2028	$6,365,000	$2,764,500
2029 - 2033	$7,795,000	$1,336,912
2034 - 2038	$1,755,000	$70,200
Total	**$20,970,000**	**$8,244,162**

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.

Note 9 - Changes in Long-Term Liabilities

During the year ended December 31, 2018 the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2018	Additions / Prior Period Adjustment	Reductions	Ending Balance 12/31/2018	Due Within One Year
Bonds Payable:					
General Obligation Bonds	$5,125,000	$0	$570,000	$4,555,000	$570,000
Revenue Bonds	$21,855,000	$0	$885,000	$20,970,000	$920,000
Premiums	$471,909	$0	$29,587	$442,322	$29,587

	Beginning Balance 1/1/2018	Additions / Prior Period Adjustment	Reductions	Ending Balance 12/31/2018	Due Within One Year
Total Bonds Payable	$27,451,909	$0	$1,484,587	$25,967,322	$1,519,587
Debt from direct borrowings	$1,462,468	$0	$164,883	$1,297,585	$165,530
Compensated Absences	$504,694	$79,117	$0	$583,811	$0
Pension Obligations	$1,796,890	$0	$640,308	$1,156,582	$0
OPEB Obligations	$0	$1,271,457	$180,847	$1,090,610	$0
Soils Clean-Up Liability	$541,086	$0	$33,463	$507,623	$56,963
Long-Term Liabilities:	**$31,757,047**	**$1,350,574**	**$2,504,088**	**$30,603,533**	**$1,742,080**

The Port's outstanding notes from direct borrowings of $1,297,585 contain a provision that in an event of default, outstanding amounts become immediately due at the option of the lender.

Note 10- Contingencies and Litigations

The Port of Pasco 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 management, the Port's insurance policies and grants are adequate to pay all known or pending claims.

The Port participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Port management believes that such disallowances, if any, would be immaterial.

Note 11- 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. Total remediation costs are estimated at $1,371,955 and the Port's portion of the liability is $507,623 ($1,371,955 x 37%). In 2018, updated cleanup estimates include 4 years' totals, with scope contingency and sixteen years' passive cleanup (compliance monitoring, cleanup demonstration and well closure until 2036), with scope contingency. The Port receives 75% reimbursement of their 37% of the cleanup cost from the Washington State Department of Ecology. The grant will expire in 2019.

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 2018.

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	$1,090,610
Deferred Outflows of Resources	$0
Deferred Inflows of Resources	$0
OPEB expenses	$101,404

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 provide 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 HRA account for the 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 and who qualifies to receive benefits from the Washington State Public Employees Retirement System. 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 5 inactive employees currently receiving benefit payments, 0 inactive employees entitled to but not yet receiving benefit payments and 16 active employees.

Employees covered by benefit terms:

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	0
Active employees	16

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 2018 of $79,444.

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.

Actuarial methods and significant assumption used to determine Net OPEB Liability (NOL) for the current year include:

- The alternative measurement method permitted under GASB Statement No. 75 was used to calculate the Net OPEB Liability (NOL).
- An age adjustment factor of 1.417096 was used and determined by Milliman.
- A single retirement age of 62 was assumed for all active members for the purpose to determine the NOL. The Assumptions used to determine age 62 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 3.711% was used based on the 20-year tax exempt municipal bond yield from Fidelity website.
- The RP2000 Mortality Table for Males and Females Projected 18 years was used. This assumption does not include a margin for future improvements of longevity.
- 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 1.8% 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 2010 to 2018.
- 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	4.600%
Year 2	4.700%
Year 3	4.800%

	Medical
Year 4	4.800%
Year 5	4.800%
Year 6	4.800%
Year 7	4.700%
Year 8	4.700%
Year 9	4.700%
Year 10 +	4.700%

- The NOL is being amortized assuming a level percentage of payroll and calculated on a rolling 20-year amortization period.
- 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.

	Baseline Trend 1% Decrease	Baseline Trend Rate	Baseline Trend 1% Increase
Net OPEB Liability	$1,070,568	$1,090,610	$1,114,579
Change from Baseline	($20,042)	$0	$23,969

The following presents the total OPEB liability of the Port calculated using the discount rate of 3.711 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.711 percent) or 1-percentage point higher (4.711 percent) that the current rate.

	Discount Rate 1% Decrease	Discount Rate	Discount Rate 1% Increase
Discount Rate	2.711%	3.711%	4.711%
Net OPEB Liability	$1,156,265	$1,090,610	$1,031,806
Change from Baseline	$65,655	$0	($58,804)

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, 2018.

The discount rate assumption changed from 3.312% to 3.711% from 2017 valuation to 2018 valuation. The Port's Net OPEB Liability for 2018 is as follows:

	Total OPEB Liability (a)	Change in Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance as of Prior Measurement Date	$1,271,457	$0	$1,271,457
Service Cost	$23,160	N/A	$23,160
Interest on Total OPEB Liability	$41,573	N/A	$41,573
Effect on Plan Changes	$0	N/A	$0
Effect of Economic/Demographic Gains or Losses	($140,828)	N/A	($140,828)
Effect of Assumptions Changes or Inputs	($25,308)	N/A	($25,308)
Benefit Payments	($79,444)	($79,444)	$0
Employer Contributions	N/A	$79,444	($79,444)
Employee Contributions	N/A	$0	$0
Net Investment Income	N/A	$0	$0
Administrative Expenses	N/A	$0	$0
Balance as of Current Measurement Date	$1,090,610	$0	$1,090,610

At December 31, 2018, the Port had a total OPEB expense of ($101,404). The Port's 2018 OPEB Expenses is as follows:

	Medical
Service Cost	$23,160
Interest on Total OPEB Liability	$41,573
Effect of Plan Changes	$0
Administrative Expenses	$0

	Medical
Employee Contributions	$0
Expected Investment Return Net of Investment Expenses	$0
Recognition of Effect of Economic/Demographic Gains or Losses	($140,828)
Recognitions of Effect of Assumptions Changes or Inputs	($25,308)
OPEB Expense	**($101,404)**

Note 13 - Risk Management

Port of Pasco is a member of Enduris. 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. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) 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. As of August 31, 2018, there are 549 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- $1,000,000 self-insured retention on liability loss - the member is responsible for the first $1,000 of the amount of each claim, while Enduris is responsible for the remaining $999,000 on a liability loss.
- $250,000 self-insured retention on property loss - the member is responsible for the first $250,000 of the amount of each claim, while Enduris is responsible for the remaining $0.00 on a property loss.

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is $20 million per occurrence and property coverage limit is $1 billion per occurrence. Enduris offers crime coverage up to a limit of $1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation.   The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. 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 Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. The Pool's members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Enduris did not have any claim settlements that exceeded limits in the last three years.

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 provide 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 2015. Settlement claims have not exceeded commercial insurance coverage in any of the past three years.

To limit the Port's exposure, the Port purchases a variety of insurance policies. Conover Insurance has placed the Port's insurance coverage with different underwriters for policy period December 31, 2017 through December 31, 2018. The environmental liability policy for the Marine Terminal has a period of coverage from June 18, 2018 to June 18, 2019. Coverage includes:

Insurance	Limits
Airport Liability - National Union Fire Insurance Co. of Pittsburgh PA	$200 Million Per Occurrence / $50 Million Sub-limit
Crime Liability - Zurich North America	$10 Million Aggregate ($100,000 deductible)
Earthquake Liability - National Fire & Marine Insurance	$15 Million Limit ($250,000 deductible)
Environmental Liability - Tokio Marine Specialty Insurance Company	$2 Million Per Occurrence ($100,000 deductible)
Excess Liability - Navigators Insurance / Marsh USA Inc.	$50 Million Per Occurrence
Marine Liability - Untied States Fire Insurance Company	$1 Million Per Occurrence $2 Million Aggregate

The Port participants in the State of Washington Labor and Industries worker's compensation program. However, 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. 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 Conover Insurance Services, LLC. The Port does not administer any of these plans. The Port reimburses employees for qualified medical expenses after they have paid a fixed amount of the plans deductible and co-pay. The plan is administered through Conover Insurance Services, LLC. The Port places an amount equal to three months of eligible benefit into a trust account. Claims made during the year are deducted from the balance of that account.

Note 14 - 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, Industrial Centers building and land leases, Marine Terminal dockage fees, and operating grants or assistance from other governmental entities. 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 revenue and expenses include taxes from operations, interest income and expense, miscellaneous sales, Grants or assistance from other governmental entities for capital expenditures and nonrecurring items such as sale of property. The key financial data for the year ended December 31, 2018, for these facilities are as follows:

	Industrial Centers	Airport	Total
Operating Revenues	$3,180,862	$10,143,771	$13,324,633
Operating Expenses	($1,846,850)	($4,006,217)	($5,853,067)
General & Admin Expenses	($951,835)	($1,831,001)	($2,782,836)
Depreciation Expense	($2,195,233)	($5,394,529)	($7,589,762)
Operating Income (Loss)	($1,813,055)	($1,087,977)	($2,901,032)
Tax Revenues	$2,191,129	$0	$2,191,129
Nonoperating Revenues (Expenses)	$102,997	$1,399,465	$1,502,462
Capital Contributions	$60,147	$8,773,573	$8,833,719
Increase (Decrease) in Net Position	$541,218	$9,085,061	$9,626,279
Property, Plant & Equipment Increase (Decrease)	$677,382	$7,748,832	$8,426,214
Long Term Liabilities Payable from Operations	$0	$0	($20,970,000)

Note 15 - 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.

2018 Revenues of the Port of Pasco Economic Development Corporation amounted to $0. The current balance in this account is $12,442.

Note 16 – Restricted Component of Net Position

The Port's Statement of Net Position reports $4,552,643 of restricted component of net position of which is $2,724,843 is restricted by enabling legislation. This included Passenger Facility Charges and Customer Facility Charges collected and not expended to date. The remaining restricted component is restricted by revenue bond covenants.

Note 17 – 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 Charged 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 2018 totaled $1,634,404 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, collect 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 2018 totaled $708,015 and are shown on the Port's Statement of Revenues, Expenses, and Changes in Fund Net Position as nonoperating income.

Note 18 – Accounting and Reporting Changes

In 2018, the Port implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The implementation required the restatement of net positon. The total adjustment to Net Position was $1,271,457. See Note 19 for the restatement of Net Position.

Note 19 - Prior Period Adjustments

During the year ended December 31, 2018, immaterial errors of $2,358,063 were found in disposal of the terminal asset due to an expansion in 2017. The prior period loss on disposal of assets was $332,715, fixed assets was overstated by $2,358,062.75 and accumulated depreciation was overstated by $2,025,348. The errors have been corrected in the 2018 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 due to prior period adjustments and accounting and reporting changes was $1,604,172, which restated the December 31, 2017 Statement of Net Position from $110,311,160 to $108,706,988.

Note 20 - Stewardship, Compliance and Accountability

There have been no material violations of finance-related legal or contractual provisions.

Port of Pasco
Schedule of Changes in Total OPEB Liability and Related Ratios Port of Pasco OPEB Plan
For the Year Ended December 31, 2018
Last 10 Fiscal Years*

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total OPEB liability - beginning	$0	$1,271,457								
Service Cost	$0	$23,160	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest	($1,199)	$41,573	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Changes in benefit terms	$0	$0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Differences between expected and actual experience	$1,297,316	($140,828)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Changes in assumptions	$38,915	($25,308)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Benefit payments	($63,575)	($79,444)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other changes	$0	$0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total OPEB liability - ending	$1,271,457	$1,090,610	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered - employee payroll	$1,383,865	$1,129,588	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total OPEB liability as a % of covered payroll	91.88%	96.55%	%	%	%	%	%	%	%	%

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 Employer Contributions LEOFF 2
As of December 31, 2018
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions	$13,604	$12,826	$11,025	$21,606	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the statutorily or contractually required contributions*	($13,604)	($12,826)	($11,025)	($21,606)	$ -	$ -	$ -	$ -	$ -	$ -
Contribution deficiency (excess)	$0	$0	$0	$0	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll*	$161,758	$152,515	$128,567	$246,924	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	8.41%	8.41%	8.58%	8.75%	%	%	%	%	%	%

Notes to Schedule:

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

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).

* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8).

Port of Pasco
Schedule of Employer Contributions PERS1
As of December 31, 2018
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions	$120,471	$126,002	$134,583	$126,851	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the statutorily or contractually required contributions*	($120,471)	($126,002)	($134,583)	($126,851)	$ -	$ -	$ -	$ -	$ -	$ -
Contribution deficiency (excess)	$0	$0	$0	$0	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll*	$2,461,776	$2,340,826	$2,451,142	$2,360,762	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	4.89%	5.38%	5.49%	5.37%	%	%	%	%	%	%

Notes to Schedule:

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

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).

* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8).

Port of Pasco
Schedule of Employer Contributions PERS 2/3
As of December 31, 2018
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions	$126,480	$131,489	$153,021	$169,754	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the statutorily or contractually required contributions*	($126,480)	($131,489)	($153,021)	($169,754)	$ -	$ -	$ -	$ -	$ -	$ -
Contribution deficiency (excess)	$0	$0	$0	$0	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll*	$2,242,699	$2,110,575	$2,228,329	$2,263,339	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	5.64%	6.23%	6.87%	7.50%	%	%	%	%	%	%

Notes to Schedule:

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

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).

* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8).

Port of Pasco
Schedule of Proportionate Share of Net Pension Liability LEOFF 2
As of June 30, 2018
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.007696%	0.008320%	0.007612%	0.007501%	%	%	%	%	%	%
Employer's proportionate share of the net pension liability	($79,099)	($48,392)	($105,630)	($152,287)	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	($79,099)	($48,392)	($105,630)	$(152,287)	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered employee payroll	$130,675	$151,357	$142,981	$ 148,665	$ -	$ -	$ -	$ -	$ -	$ -
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-60.53%	-31.97%	-73.88%	-102.44%	%	%	%	%	%	%
Plan fiduciary net position as a percentage of the total pension liability	111.67%	106.04%	113.36%	118.50%	%	%	%	%	%	%

Notes to Schedule:

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

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).

Port of Pasco
Schedule of Proportionate Share of Net Pension Liability PERS 1
As of June 30, 2018
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.023936%	0.023189%	0.022091%	0.017920%	%	%	%	%	%	%
Employer's proportionate share of the net pension liability	$1,252,075	$1,245,359	$1,048,235	$800,313	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	$1,252,075	$1,245,359	$1,048,235	$800,313	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll*	$2,367,508	$2,463,612	$2,403,498	$2,242,652	$ -	$ -	$ -	$ -	$ -	$ -
Employer's proportionate share of the net pension liability as a percentage of covered payroll	52.89%	50.55%	43.61%	35.69%	%	%	%	%	%	%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	%	%	%	%	%	%

Notes to Schedule:

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

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).

Port of Pasco
Schedule of Proportionate Share of Net Pension Liability PERS 2/3
As of June 30, 2018
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.025203%	0.024164%	0.021547%	0.020866%	%	%	%	%	%	%
Employer's proportionate share of the net pension liability	$900,518	$1,216,638	$748,655	$356,268	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	$900,518	$1,216,638	$748,655	$356,268	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll*	$2,150,882	$2,239,085	$2,112,473	$2,149,545	$ -	$ -	$ -	$ -	$ -	$ -
Employer's proportionate share of the net pension liability as a percentage of covered payroll	41.87%	54.34%	35.44%	16.57%	%	%	%	%	%	%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	%	%	%	%	%	%

Notes to Schedule:

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

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).

Port of Pasco
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures From Pass-Through Awards	Expenditures From Direct Awards	Expenditures Total	Passed through to Subrecipients	Note
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0046-44-2017	-	3,594,454	3,594,454	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0046-45-2018	-	1,144,199	1,144,199	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0046-46-2018	-	341,436	341,436	-	1,2
			Total CFDA 20.106:	**-**	**5,080,089**	**5,080,089**	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Rail and Transit Security Grant Program	97.075	70T04018T9CA P1001	-	4,034,920	4,034,920	-	1,2
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Rail and Transit Security Grant Program	97.075	HSTS02-16-H-SLR651	-	112,611	112,611	-	1,2
			Total CFDA 97.075:	**-**	**4,147,531**	**4,147,531**	-	
			Total Federal Awards Expended:	**-**	**9,227,619**	**9,227,619**	**-**	

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, 2018

Note 1–Basis of Accounting

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

Note 2–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.

Note 3-Indirect Cost Rate

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

Port of Pasco
Schedule 16
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency Name/Pass Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed Through to Subrecipients	Footnote Ref
U.S. Department of Transportation								
Department of Transportation Federal Aviation Administration (FAA)	Airport Improvement Program	20.106	3-53-0046-44-2017	$0	$3,594,454	$3,594,454	$0	1,2
Department of Transportation Federal Aviation Administration (FAA)	Airport Improvement Program	20.106	3-53-0046-45-2018	$0	$1,144,199	$1,144,199	$0	1,2
Department of Transportation Federal Aviation Administration (FAA)	Airport Improvement Program	20.106	3-53-0046-46-2018	$0	$341,436	$341,436	$0	1,2
	Total U.S. Department of Transportation:			**$0**	**$5,080,089**	**$5,080,089**	**$0**	
	Total Federal Awards Expended:			**$0**	**$5,080,089**	**$5,080,089**	**$0**	

Port of Pasco
Schedule 16
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Note 1 - Basis of Accounting

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

Note 2 - 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.

Note 3 - Indirect Cost Rate

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

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov