Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Port of Pasco

For the period January 1, 2021 through December 31, 2021

Published August 29, 2022

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Office of the Washington State Auditor
Pat McCarthy

August 29, 2022

Board of Commissioners
Port of Pasco
Pasco, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Port of Pasco
January 1, 2021 through December 31, 2021

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

CFDA No.	Program or Cluster Title
11.307	Economic Development Cluster – Economic Adjustment Assistance
20.106	COVID-19 – Airport Improvement Program and COVID-19 Airports Programs
20.106	Airport Improvement Program and COVID-19 Airports Programs
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

Port of Pasco
January 1, 2021 through December 31, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated August 23, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy, State Auditor

Olympia, WA

August 23, 2022

INDEPENDENT AUDITOR'S REPORT

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

Port of Pasco
January 1, 2021 through December 31, 2021

Board of Commissioners
Port of Pasco
Pasco, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Port of Pasco, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended December 31, 2021. The Port's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States*;* and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Port and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Port's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

August 23, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Port of Pasco
January 1, 2021 through December 31, 2021

Board of Commissioners
Port of Pasco
Pasco, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Port of Pasco, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Port of Pasco, as of December 31, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Matters of Emphasis

As discussed in Note 19 to the 2021 financial statements, as a result of the COVID-19 pandemic, the Port saw a significant drop in passengers in 2020 due to the pandemic. The Port received approximately $14.78 million dollars in grant funds from the Federal Aviation Administration to pay for operating expenses and debt payments to help offset the costs associated with the drop in passenger revenues. 2021 has seen a steady increase in passenger traffic with passenger enplanements at the end of the year at 79 percent of 2019 and 82.5 percent higher from 2020. Management's plans in response to this matter are also described in Note 19. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2022 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

August 23, 2022

FINANCIAL SECTION

Port of Pasco
January 1, 2021 through December 31, 2021

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Introduction

The following is the Port of Pasco's (the Port) Management Discussion and Analysis (MD&A) of financial activities and performance for the calendar years ended December 31, 2021, with selected comparative information for the year ended December 31, 2020. Information contained in this MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and the notes.

Background

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

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

Airport Operations

The Tri-Cities Airport which 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 and San Francisco on United Airlines. Less than daily air service to Las Vegas, Phoenix-Mesa and seasonal service to Los Angeles on Allegiant Airlines; Burbank on Avelo; and Reno on Aha. Due to COVID-19 pandemic, airport operations decreased significantly in 2020. From 2020, year-end 2021 statistics show passenger boardings increased by 157,544 passengers to 346,503, parking lot activity increased 72%, car rental activity increased 88% and restaurant concessions increased 111%.

Airport operations also include leased land and buildings within the airport's boundaries which consist of two industrial parks, farm ground, and general aviation leases. Total lease revenues increased 16.2% from 2020.

Airport projects included the design of taxiway G and the acquisition of maintenance equipment.

Marine Terminal Operations

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

Currently, the Port only has two agreements to use the barge terminal. The first is for offloading of woodchips being sent by a nearby paper mill. The second is for a regional propane distributor who is expanding their operations to serve as a distribution hub for all of southeast Washington.

Port projects included a rehabilitation design on the Wharf during 2020 and 2021.

Property Lease Operations and Land Sales

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

The Port is also actively developing its waterfront along the Columbia River in Pasco, a 110-acre parcel of ground known as Osprey Pointe. Flexibility will be a key feature of Osprey Pointe which will offer professional offices and corporate headquarters along the waterfront, and "flex space" buildings at the non-waterfront areas integrating offices, light manufacturing and assembly areas, research facilities and testing laboratories, storage and warehouse space, and multi-family and single-family residential complexes as part of a mixed-use development. Smaller flex/light industrial/service-oriented buildings are planned for the remaining areas of Osprey Pointe, and may include small businesses, professional services, restaurants, a public market, concert amphitheater, or other support services. Along with the buildings, a high priority is placed on public access and enjoyment of the waterfront. Pedestrian trails, wildlife and nature-scape areas are all part of the amenities in Osprey Pointe. The first phase of construction was completed in March of 2011 and includes a 20,000 square foot building and infrastructure to support five additional building sites. The Port of Pasco borrowed an additional $4,415,000 in early 2010, for the building and infrastructure.

In 2019, the Port purchased 300 acres of land for the Reimann Industrial Center, intended to serve as a new industrial park specifically for major food processing companies or other large industries. A Community Economic Revitalization Board (CERB) funded master plan for the industrial park has been completed. The plan identifies the public infrastructure improvements necessary to develop the previously undeveloped land. After a year-long site selection process, Darigold, Inc., selected the Reimann Industrial Center for a major expansion project. The dairy processing company will construct the largest milk processing facility in North America on 150 acres of the Reimann. Engineering and design work is underway to bring municipal water and sanitary sewer services, and a port-owned rail spur to the site. More than one mile of Railroad Avenue will be updated to support the future traffic volumes created by the Darigold project. Construction of the public infrastructure is anticipated to commence in the fourth quarter of 2022 and be completed by the end of 2023. Darigold expects the Pasco facility to become operational in the first quarter of 2024. The Port passed a resolution declaring a portion of the Reimann Industrial Center a Tax Increment Financing (TIF) area. The Port is expecting to issue bonds against the TIF area property tax collections in 2022.

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

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

- Intensive investment in infrastructure is required to meet air safety initiatives at the Port's airport. While the federal government bears the majority of these costs, the Port will bear a share of the cost and will have to manage the disruptions in operation that they will cause.

- The Port is presently involved in a soil clean-up proceeding with the Department of Ecology along with other parties at the marine terminal. The Port's current liability is estimated at approximately $371,000. In the opinion of management, the Port's exposure may be covered in whole or in part in combination of PLP (potentially liable party) settlement dollars and government grants. The Port has booked this as a liability in its statements.
- In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions. The airport saw a significant drop in passengers in 2020 due to the pandemic. The airport received approximately $14.78 million dollars in grant funds from the Federal Aviation Administration to pay for operating expenses and debt payments to help offset the costs associated with the drop in passenger revenues. 2021 has seen a steady increase in passenger traffic with passenger enplanements at the end of the year at 79% of 2019 and 82.5% higher from 2020. The length of time these measures will continue be in place, and the full extent of the direct or indirect financial impact on the Port is unknown at this time.
- The Port anticipates using Tax Increment Financing (TIF) area property taxes to pay debt service for the Reimann Industrial Park phase 1 infrastructure. If the TIF revenues fall below the debt payments, the Port will be liable to cover the difference of the debt payment(s) from other sources.

Overview of the Financial Statements

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The basic financial statements include: 1) the Statement of Net Position; 2) the Statement of Revenues, Expenses, and Changes in Fund Net Position; 3) the Statement of Cash Flows.

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

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

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

Although the financial statements provide useful information in assessing the financial health of the Port, consideration of other factors not shown 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 Port of Pasco has one trust account for self-insuring some of the employee medical benefits called the Employee Medical Reimbursement Trust.

Financial Analysis of the Port

Statement of Net Position

A summarized comparison of the Port's Statement of Net Position on December 31, 2021 and December 31, 2020 (restated), follows:

	2021	2020
Current Assets	$31,186,949	$25,984,787
Noncurrent Assets	$2,924,703	$496,206
Net Capital Assets	$144,041,807	$139,803,228
Total Assets	$178,153,459	$166,284,221
Deferred Outflows of Resources	$357,261	$337,942
Current Liabilities	$5,172,224	$4,941,569
Noncurrent Liabilities	$28,104,839	$30,953,174
Total Liabilities	$33,277,063	$35,894,743
Deferred Inflows of Resources	$2,601,322	$460,103
Invested in Capital Assets, Net of Debt	$115,828,982	$109,712,930
Restricted for:		
Debt Service	$1,868,513	$1,869,738
PFC Projects	$156,113	$279,438
CFC Projects	$3,846,385	$3,308,818
Impacts of Net Pension Asset	$635,423	$151,761
Unrestricted	$20,296,919	$14,944,632
Total Net Position	$142,632,335	$130,267,317

The assets and deferred outflows of the Port exceeded its liabilities and deferred inflows on December 31, 2021 by $142,632,335. Of this amount, $115,828,982 was invested in capital assets, net of related debt, $6,506,434 was restricted, and $20,296,919 was unrestricted. As a comparison, net position totaled $130,267,317, restated, at the end of the calendar year 2020. Of this amount, $109,712,930 was invested in capital assets, net of related debt and $5,609,755 in restricted assets and $14,944,632 was unrestricted. For details, refer to the statement of net position and notes 1, 15, and 18 in the notes to the financial statements.

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

A summarized comparison of the Statement of Revenues, Expenses and Changes in Fund Net Position for the years ended December 31, 2021, and December 31, 2020, follows:

	2021	2020
Operating Revenues:		
Airport Operations	$9,584,262	$7,314,926
Marine Terminal Operations	$132,191	$55,643
Property Lease/Rental Operations	$4,364,693	$4,133,101
Total Operating Revenues	$14,081,146	$11,503,670
Operating Expenses:		
General Operations	$6,201,416	$5,506,798
General and Administration	$2,148,933	$2,482,112
Depreciation	$8,791,312	$8,222,476
Total Operating Expenses	$17,141,661	$16,211,386
Operating Income (Loss)	($3,060,515)	($4,707,716)
Nonoperating Revenues (Expenses):		
Tax Levied for General Purposes	$2,536,192	$2,437,867
Interest Expense	($922,482)	($1,277,011)
Other, net	$7,357,120	$1,830,713
Total Nonoperating Revenues (Expenses)	$8,970,830	$2,991,569
Income Before Capital Contributions	$5,910,315	($1,716,147)
Capital Contributions	$6,454,703	$4,174,021
Change in Net Position	$12,365,018	$2,457,874
Beginning Net Position	$129,943,523	$127,983,332
Prior Period Adjustments	$323,794	($497,683)
Ending Net Position	$142,632,335	$129,943,523

In 2021, the Port’s operating revenues increased by $2,577,476 from 2020. Of this amount, airport operations increased by 31.0% due to the airport reviving from the COVID-19 Pandemic, Marine terminal operations increased 137.6% due to renegotiating a lease, and property lease operations increased 5.6%.

In 2021, the Port’s operating expenses increased by $930,275 from 2020. Of this amount, general operations increased 12.6%, general and administrative expenses decreased 13.4% and depreciation expense increased 6.9%.

In 2021, the Port’s nonoperating revenues increased by $5,979,261 from 2020 due to an increase of passenger facility charges and COVID-19 grant revenues. In 2021, the Port's capital contributions were $6,454,703 compared to 2020 of $4,174,021, which are grant revenues used for capital purchases or construction.

The Port's total increase in net position was $12,365,018 in 2021 compared to a $2,457,874 increase in 2020.

Capital Assets and Debt Administration

Capital Assets

This table summarizes the year end balances in capital assets for 2021 and 2020 and the change in the year end balances for December 31, 2021. See note 4 in the notes to the financial statements.

	2021	2020
Capital Assets, Not Being Depreciated		
Land	$18,271,687	$13,770,555
Construction in Progress	$9,688,696	$12,616,310
Total Capital Assets, Not Being Depreciated	$27,960,383	$26,386,865
Capital Assets, Being Depreciated		
Property	$233,178,457	$222,444,451
Machinery and Equipment	$6,518,010	$6,466,188
Less Accumulated Depreciation	($123,615,043)	($115,494,276)
Total Capital Assets Being Depreciated	$116,081,424	$113,416,363
Total Capital Assets, Net	$144,041,807	$139,803,228

The Port's total assets increased by $4,238,579 in 2021 from 2020. The Port expenses about $8,791,312 per year in depreciation charges.

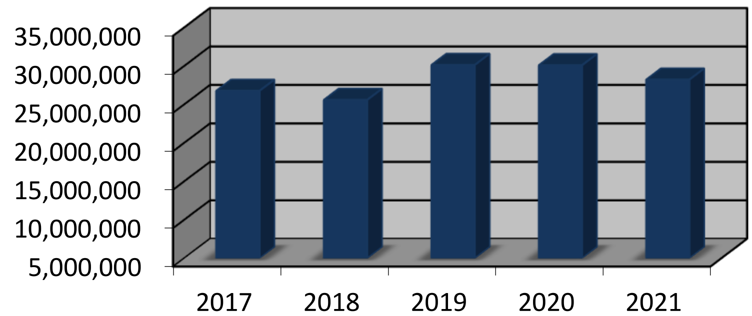
Major capital asset additions and improvements during 2021 included the following:

- Big Pasco Industrial Park warehouse and road improvements
- Big Pasco Industrial Park rail project
- Property acquisition to develop a new industrial park
- Airfield Taxiway G

Debt

Long-term debt on December 31, 2021 was $28,212,825 of which $4,494,018 were general obligation bonds and $18,401,811 were revenue bonds. Remaining debt includes Washington State CERB loans of $1,956,191 borrowed in 2009 to construct an office building and in 2018 to construct a hangar, Hanford Area Economic Investment Fund loans of $2,529,752 to purchase land at the Tri-Cities Airport and for the Reimann Industrial Center, and Baker Boyer Bank loan of $831,053 to purchase land for the Reimann Industrial Center. See note 8 and note 9 in the notes to the financial statements.

Port Long-Term Debt as of December 31, 2021



Budget

Each November the Port of Pasco Commissioners adopts a consolidated annual operating budget for the following year. The Port Commission adopted a budget for the Port for 2022 that reflects airport passenger traffic at 75% of 2019. In 2021 and 2022, the airport has seen a steady increase in passenger traffic with year-to-date passenger enplanements in March of 2022 at 88% of 2019.

The Port has a capital plan calling for over $78,000,000 in capital projects over the next three years, with major improvements at the airport, the Big Pasco Industrial Center, and the Reimann Industrial Center. The Port's major capital expenditure projects include warehouse and road improvements at the Big Pasco Industrial Center, Phase 1 infrastructure at the Reimann Industrial Center, and taxiway G reconstruction, a taxiway lane, and road improvements at the airport. Phase 1 Reimann Industrial center will cost approximately $21 million dollars with the Port receiving a state grant of $7.5 million dollars, CERB funds loan and grant funds of $575,000, Franklin County .09 funds of $1.3 million dollars, and the Port issuing TIF bonds for $8.2 million dollars. The taxiway G reconstruction project will cost approximately $9 million dollars with the airport receiving approximately $8.2 million in AIP grants. The airport road project will cost approximately $3.4 million dollars with the Port receiving $2.9 million dollars from CERB loan and grant funds.

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 $0.2438 per $1,000 of assessed value in 2021. The tax levy rate for 2022 is projected to decrease slightly to $0.2177 per $1,000 of assessed value and will yield $2,525,643.

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

Contacting the Port's Financial Management

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

Port of Pasco
Statement of Net Position
December 31, 2021

Assets	
Current Assets (Note 1)	
Cash and Cash Equivalents	$20,282,837
Accounts Receivable (Net)	$1,176,453
Taxes Receivable	$38,651
Due from Other Governments	$3,272,767
Inventories	$200
Prepayments and Other Current Assets	$545,030
Restricted Cash and Cash Equivalents	$5,871,011
Total Current Assets	**$31,186,949**
Noncurrent Assets	
Capital Assets: (Note 1, 4, 5)	
Capital Assets Not Being Depreciated	
Land	$18,271,687
Construction in Progress	$9,688,696
Capital Assets Being Depreciated	
Property	$233,178,457
Equipment	$6,518,010
Less: Accumulated Depreciation	($123,615,043)
Total Capital Assets (Net)	$144,041,807
Other Noncurrent Assets	
Net Pension Asset (Note 6)	$2,705,699
Joint Venture (Note 17)	$219,004
Total Other Noncurrent Assets	$2,924,703
Total Noncurrent Assets	**$146,966,510**
Total Assets	**$178,153,459**
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions (Note 1, 6)	$357,261
Total Deferred Outflows of Resources	**$357,261**

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

Liabilities

Current Liabilities (Note 1)	
Accounts Payable and Accrued Expenses	$1,510,197
Compensated Absences	$4,093
Accrued Interest Payable	$153,373
Bonds, Notes, and Loans Payable	$2,068,895
Other Current Liabilities	$1,435,666
Total Current Liabilities	**$5,172,224**
Noncurrent Liabilities	
Compensated Absences (Note 1)	$543,362
Bonds, Notes, and Loans Payable (Note 7, 8)	$26,143,930
Soils Cleanup Liability (Note 10)	$371,000
Unearned Revenue (Note 1)	$90,576
Total OPEB Liability (Note 11)	$757,691
Net Pension Liability (Note 6)	$198,280
Total Noncurrent Liabilities	**$28,104,839**
Total Liabilities	**$33,277,063**

Deferred Inflows of Resources

Deferred Inflows Related to Pensions (Note 1, 6)	$2,601,322
Total Deferred Inflows of Resources	**$2,601,322**

Net Position (Note 1)

Net Investments in Capital Assets	$115,828,982
Restricted for: (Note 1, 15)	
Debt Service	$1,868,513
PFC Projects	$156,113
CFC Projects	$3,846,385
Impacts of Net Pension Asset	$635,423
Unrestricted	$20,296,919
Total Net Position	**$142,632,335**

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, 2021

Operating Revenues	
Airport Operations	$9,584,262
Marine Terminal Operations	$132,191
Property Lease/Rental Operations	$4,364,693
Total Operating Revenues	**$14,081,146**
Operating Expenses	
General Operations	$6,201,416
General and Administrative	$2,148,933
Depreciation	$8,791,312
Total Operating Expenses	**$17,141,661**
Operating Income (Loss)	**($3,060,515)**
Nonoperating Revenues (Expenses)	
Tax Levied for General Purposes	$2,536,192
Interest Income	$15,128
Interest Expense and Other Debt Issuance Costs	($992,482)
Equity in Income (Loss) of Joint Ventures	$22,473
Gain (Loss) on Disposal of Assets	($72,752)
Passenger Facility Charges	$1,479,567
Customer Facility Charges	$578,466
Intergovernmental Revenue	$5,437,914
Other Nonoperating Revenue	$132,984
Election Expenses	($33,264)
Other Nonoperating Expenses	($133,396)
Total Nonoperating Revenues (Expenses)	**$8,970,830**
Income (Loss) Before Capital Contributions	**$5,910,315**
Capital Contributions	**$6,454,703**
Increase (Decrease) in Net Position	**$12,365,018**
Net Position - Beginning of Period	**$129,943,523**
Prior Period Adjustments	**$323,794**
Net Position - End of Period	**$142,632,335**

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, 2021

Cash Flows From Operating Activities	
Receipts from Customers	$14,549,742
Payments to Suppliers	($5,062,792)
Payments to Employees	($4,523,078)
Net cash provided (used) by operating activities	**$4,963,872**
Cash Flows From Noncapital Financing Activities	
Receipts from Nonoperating Costs	$2,671,150
Payments from Nonoperating Costs	($178,451)
Receipts from Grants	$5,062,336
Net Cash Provided (Used) by Noncapital Financing Activities	**$7,555,035**
Cash Flows From Capital and Related Financing Activities	
Principal Paid on Capital Debt	($1,789,072)
Interest Paid on Capital Debt	($1,134,382)
Receipts from Property Taxes	$2,540,793
Capital Contributions	$5,354,437
Purchases of Capital Assets	($13,061,460)
Sale of Capital Assets	($72,752)
Net Cash Provided (Used) by Capital and Related Financing Activities	**($8,162,436)**
Cash Flows From Investing Activities	
Interest and Dividends	$15,128
Net Cash Provided by Investing Activities	**$15,128**
Net Increase (Decrease) in Cash and Cash Equivalents	**$4,371,599**
Balances - Beginning of the Year	**$21,782,249**
Balances - End of the Year	**$26,153,848**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	($3,060,515)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	$8,791,312
Changes in Assets and Liabilities:	
Receivables, Net	$240,489
Accounts and Other Payables	$77,285
Accrued Expenses	($1,084,699)
Net Cash Provided by Operating Activities	**$4,963,872**

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

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, 2021, the treasurer was holding $26,153,398 in short-residual investments of surplus cash, see Note 2, Deposits and Investments. This amount is classified on the statement of net position as cash and cash equivalents and restricted cash and cash equivalents. The interest on these investments is prorated to the various accounts.
For purposes of the statement of cash flows, the Port considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments

See Note 2, Deposits and Investments.

Receivables

Taxes receivable 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.

Amounts Due to and from Other Governmental Units

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

Inventories

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

Prepayments and Other Current Assets

Prepayments and other current assets consist of prepaid expenses. Prepaid expenses total $545,030 for the year ended December 31, 2021.

Restricted Assets and Liabilities

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

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

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

The restricted assets are composed of the following:

Cash and Cash Equivalents - Debt Service	$1,868,513
Cash and Cash Equivalents - Passenger Facility Charges	$156,113
Cash and Cash Equivalents - Customer Facility Charges	$3,846,385
Total Restricted Net Position	$5,871,011

Capital Assets

Capital assets, which include property, plant, and equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the statement of net position. Capital assets are defined by the Port as assets with an initial, individual cost of more than $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. Property, plant, and equipment of the Port is depreciated using the straight line method over the following estimated useful lives:

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

See Note #4, Capital Assets.

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 90 days, is payable upon resignation, retirement or death. The first 30 days of accumulated vacation is payable at 100%, 30 to 60 days of accumulated vacation is payable at 50%, and 60 to 90 days of accumulated vacation is payable at 25%. Sick leave may accumulate indefinitely. Twenty-five (25) percent of outstanding sick leave is payable upon resignation, retirement or death.

Pensions

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

Other Accrued and Current Liabilities

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

Long-term Debt

See Note 7, 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

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. In 2021, $0 is exposed to custodial credit risk because the investments are held for the Port of Pasco by the Franklin Country Treasurer and the Local Government Investment Pool.

Investments

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

Investments 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.

Investments in Local Government Investment Pool (LGIP)

The Port is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.
The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.
The Port had $15,463,790 in the Local Government Investment Pool (LGIP) as of December 31, 2021.

Summary of Deposit and Investments

Reconciliation of Port's deposits and investment balances as of December 31, 2021, is as follows:

Deposits and Investments	
Cash on Hand	$450
Amount of Deposits with Private Financial Institutions	$10,689,608
Deposits in State LGIP	$15,463,790
Total Deposits and Investments	$26,153,848
Deposits	
Current:	
Cash and Cash Equivalents	$20,282,837
Restricted Cash and Cash Equivalents	$5,871,011
Total Deposits	$26,153,848

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 2021 was $.2438 per $1,000 on an assessed valuation of $9,974,478,793 for a total regular levy of $2,432,001 plus adjustments of $8,251 and additional revenue in lieu of property taxes of $95,940, which comes to $2,536,192. In 2020, the regular tax levy was $2,341,424.

Note 4 - Capital Assets

Capital assets activity for the year ended December 31, 2021 was as follows:

	Beginning Balance 1/1/2021	Increases	Decreases	Ending Balance 12/31/2021
Capital Assets, Not Being Depreciated				
Land	$13,770,555	$4,501,132	$0	$18,271,687
Construction in Progress	$12,616,310	$13,118,943	($16,046,557)	$9,688,696
Total Capital Assets, Not Being Depreciated	$26,386,865	$17,620,075	($16,046,557)	$27,960,383
Capital Assets, Being Depreciated				
Property	$222,444,451	$11,247,384	($513,378)	$233,178,457
Machinery and Equipment	$6,466,188	$208,989	($157,167)	$6,518,010
Total Capital Assets Being Depreciated	$228,910,639	$11,456,373	($670,545)	$239,696,467
Less Accumulated Depreciation For:				
Property	($112,065,496)	($8,330,428)	($513,378)	($119,882,546)
Machinery and Equipment	($3,428,780)	($460,884)	($157,167)	($3,732,497)
Total Accumulated Depreciation	($115,494,276)	($8,791,312)	($670,545)	($123,615,043)
Total Capital Assets Being Depreciated, net	$113,416,363	$2,665,061	$0	$116,081,424
Total Noncurrent Assets	$139,803,228	$20,285,136	($16,046,557)	$144,041,807

Note 5 - Construction Commitments

The Port has active construction and design projects as of December 31, 2021. The projects include the design of a taxiway and rental car facility and construction of roads, storm water, and rail.

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

Project	Spent to Date	Remaining Commitment
Rental Car Wash Facility Design	$698,835	$23,549
Airfield Taxiway G	$161,424	$507,585
BPIC EDA Road/Stormwater	$6,644,100	$208,631
BPIC 2020 Rail Project	$1,312,818	$591,903

Of the committed balance of $1,331,668, the Port will receive $1,051,634 from grant revenues, $23,549 from Customer Facility Charges, and the Port will provide the remaining $256,485 from Cash and Cash Equivalents.

Note 6 – Pension Plans

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	($198,280)
Pension Assets	$2,705,699
Deferred outflows of resources	$357,261
Deferred inflows of resources	($2,601,322)
Pension expense/expenditures	($670,195)

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of 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.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%
July – December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	10.25%	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.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. 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 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%

The Port’s actual PERS plan contributions were $106,767 to PERS Plan 1 and $177,702 to PERS Plan 2/3 for the year ended December 31, 2021.

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employer and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2020. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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 state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

LEOFF Plan 2 Actual Contribution Rates	Employer	Employee
January – June 2021		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%
Ports and Universities	8.59%	8.59%
Administrative Fee	0.18%	
Total	8.77%	8.59%
July - December 2021		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%
Ports and Universities	8.53%	8.53%

The Port's actual contributions to the plan were $20,921 for the year ended December 31, 2021.

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, 2021, the state contributed $78,170,320 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 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study and the 2019 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, 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 developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.

- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

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 was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 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 OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 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%	2.20%
Tangible Assets	7.00%	5.10%
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 (asset) 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	$337,780	$198,280	$76,620
PERS 2/3	($591,894)	($2,077,693)	($3,301,248)
LEOFF 2	($396,021)	($628,006)	($817,955)

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, 2021, the Port of Pasco reported a total pension liability of $198,280 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$198,280

At June 30, 2021, the Port of Pasco reported a total pension asset of $2,705,699 for its proportionate share of the net pension assets as follows:

	Liability (or Asset)
PERS 2/3	($2,077,693)
LEOFF 2	($628,006)

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.017619%	0.016236%	(0.001383%)
PERS 2/3	0.020931%	0.020857%	(0.000074%)
LEOFF 2	0.014691%	0.010812%	(0.003879%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 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 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). 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 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

Pension Expense

For the year ended December 31, 2021, the Port of Pasco recognized pension expense as follows:

	Pension Expense
PERS 1	($86,263)
PERS 2/3	($489,618)
LEOFF 2	($94,314)
Total	($670,195)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, 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	($220,024)
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	$46,239	$0
Total	$46,239	($220,024)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources

Differences between expected and actual experience	$100,911	($25,471)
Net difference between projected and actual investment earnings on pension plan investments	$0	($1,736,464)
Changes of assumptions	$3,036	($147,551)
Changes in proportion and differences between contributions and proportionate share of contributions	$16,098	($63,995)
Contributions subsequent to the measurement date	$79,266	$0
Total	$199,311	($1,973,481)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$28,484	($3,319)
Net difference between projected and actual investment earnings on pension plan investments	$0	($299,438)
Changes of assumptions	$271	($29,868)
Changes in proportion and differences between contributions and proportionate share of contributions	$72,317	($75,192)
Contributions subsequent to the measurement date	$10,639	$0
Total	$111,711	($407,817)

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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	LEOFF 2
2022	($58,284)	($493,312)	($82,042)
2023	($53,410)	($462,113)	($76,595)
2024	($50,501)	($432,159)	($72,480)
2025	($57,829)	($458,100)	($81,342)
2026	$0	($8,329)	($3,255)
Thereafter	$0	$576	$8,970

Note 7 - 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 2012 Ref. Bonds ‘01 & ‘04	2024	3% - 4.2%	$2,220,000	$170,000
CERB Loan 2009 Parsons Bldg.	2024	1.50%	$1,500,000	$102,924
HAEIF Loan 2013 Land	2028	3.00%	$1,000,000	$67,341
Baker Boyer Bank Bond 2019 Land	2029	2.53%	$1,013,000	$92,616
HAEIF Loan 2019 Land	2039	4.18%	$2,250,000	$85,893
CERB Loan 2018 Business Hangar	2040	2.00%	$1,700,000	$52,579
LTGO Bonds 2020 Ref. Bonds ‘10 & Road	2030	4.00%	$3,630,000	$265,000

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

Year Ending December 31	Principal	Interest
2022	$495,000	$214,624
2023	$525,000	$196,624
2024	$535,000	$177,524
2025	$350,000	$158,024
2026	$375,000	$144,024
2027 - 2031	$1,645,000	$420,297
Total	$3,925,000	$1,311,117

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

Year Ending December 31	Principal	Interest
2022	$425,494	$138,844
2023	$434,875	$128,516
2024	$443,733	$118,115
2025	$350,258	$107,122
2026	$359,801	$97,579
2027 - 2031	$1,372,405	$353,636
2032 - 2036	$1,096,290	$197,207
2037 - 2041	$834,139	$45,291
Total	$5,316,996	$1,186,309

The revenue bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2014A Revenue Bond - Terminal Security	2032	2% - 5%	$19,755,000	$1,050,000
2014B Revenue Bond - Terminal Security	2034	4.00%	$4,890,000	$0

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2022	$1,060,000	$793,577
2023	$1,110,000	$740,577
2024	$1,165,000	$685,077
2025	$1,225,000	$626,827
2026	$1,275,000	$577,827
2027 - 2031	$7,180,000	$2,072,048

2032 - 2036	$5,070,000	$476,290
Total	$18,085,000	$5,972,223

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 8 - Changes in Long-Term Liabilities

During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2021	Additions	Reductions	Ending Balance 12/31/2021	Due Within One Year
Bonds Payable:					
General Obligation Bonds	$4,360,000	$0	$435,000	$3,925,000	$495,000
Revenue Bonds	$19,090,000	$0	$1,005,000	$18,085,000	$1,060,000
Premiums	$974,230	$0	$88,401	$885,829	$88,401
Total Bonds Payable	$24,424,230	$0	$1,528,401	$22,895,829	$1,643,401
Debt from direct borrowings	$5,666,068	$0	$349,072	$5,316,996	$425,494
Compensated Absences	$553,828	$0	$10,465	$543,362	$0
Soils Clean-Up Liability	$382,790	$0	$11,790	$371,000	$0
OPEB Obligations	$860,353	$0	$102,662	$757,691	$0
Pension Obligations	$889,741	$0	$691,461	$198,280	$0
Long-Term Liabilities:	$32,777,010	$0	$2,693,851	$30,083,158	$2,068,895

The Port’s outstanding notes from direct borrowings of $4,485,944 contain a provision that in an event of default, outstanding amounts become immediately due at the option of the lender.

Note 9 - 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, will be immaterial.

Note 10 - Pollution Remediation Obligation

The Port is presently involved in a soils cleanup proceeding with the Department of Ecology along with other parties at the marine terminal. In May of 1996, the Port entered into a settlement which set the terms for the payment of cleanup costs. The agreement requires the Port to pay 37% of all remediation costs. In 2020, updated cleanup estimates include 5 years’ totals, with scope contingency and thirteen years’ passive cleanup (compliance monitoring, cleanup demonstration and well closure until 2039), with scope contingency. Total remediation costs are estimated at $1,002,000 and the Port's portion of the liability is $371,000.

Note 11 – 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 2021.

	Aggregate OPEB Amounts – All Plans
OPEB Liabilities	$757,691
Deferred Outflows of Resources	$0
Deferred Inflows of Resources	$0
OPEB expenses	$88,408

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 health reimbursement 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, who is retiring from the Port, who qualifies to receive benefits from the Washington State Public Employees Retirement System effective immediately upon retirement, and neither the employee or their spouse have the ability to acquire medial insurance from any other source. The Port of Pasco Commission established the benefit terms of this plan and has the authority to amend the plan and the benefits of the plan through a motion.

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

Employees covered by benefit terms:

At December 31, 2021, the following employees were covered by the benefit terms:

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

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

The Port of Pasco Commission has given the authority to pay OPEB benefits as they come due and has the authority to establish or amend benefits. The Port paid OPEB benefits that came due during 2021 of $95,535.

Assumptions and Other Inputs

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

The Key assumptions are:

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

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

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

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

- The alternative measurement method permitted under GASB Statement No. 75 was used to calculate the Total OPEB Liability.
- An age adjustment factor of 1.372201 was used and determined by Milliman.
- A single retirement age of 63 was assumed for all active members for the purpose to determine the NOL. The Assumptions used to determine age 63 the age of past retirees who started employment before the age of 55 and worked at least 10 years before retirement.
- The Assumption the employer future premium contribution would remain at the current money level over time was used.
- The discount rate of 1.836% was used based on the 20-year tax exempt municipal bond yield from Fidelity website.
- The Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years was used.
- The turnover assumption was derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employee Retirement System.
- The projected salary increases used was 1.5% based on the payroll growth assumption is the average annual percentage change in the Consumer Price Index – Urban Wage Earners and Clerical Workers CPI-W from 2012 to 2021.
- 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	4.900%
Year 2	4.800%
Year 3	4.700%
Year 4	4.700%

Year 5	4.600%
Year 6	4.500%
Year 7	4.400%
Year 8	4.300%
Year 9	4.300%
Year 10 +	4.300%

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

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

The following presents the Total OPEB liability of the Port calculated using the discount rate of 1.836 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (0.836 percent) or 1-percentage point higher (2.836 percent) that the current rate.

	Discount Rate 1% Decrease	Discount Rate	Discount Rate 1% Increase
Discount Rate	0.836%	1.836%	2.836%
Total OPEB Liability	$802,755	$757,691	$717,798
Change from Baseline	$45,064	$0	($39,893)

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, 2021.

The discount rate assumption changed from 1.996% to 1.836% from 2020 valuation to 2021 valuation. The Port's Total OPEB Liability for 2021 is as follows:

	Total OPEB Liability
Balance as of Prior Measurement Date	$860,353
Service Cost	$8,066
Interest on Total OPEB Liability	$16,377
Effect on Plan Changes	$0
Effect of Economic/Demographic Gains or Losses	($38,234)
Effect of Assumptions Changes or Inputs	$6,664
Benefit Payments	($95,535)
Balance as of Current Measurement Date	$757,691

At December 31, 2021, the Port had a total OPEB expense of $88,408. The Port's 2021 OPEB Expenses is as follows:

	OPEB Expense
Service Cost	$8,066
Interest on Total OPEB Liability	$16,377
Effect of Plan Changes	$0

Administrative Expenses	$0
Employer Contributions	$95,535
Expected Investment Return Net of Investment Expenses	$0
Recognition of Effect of Economic/Demographic Gains or Losses	($38,234)
Recognitions of Effect of Assumptions Changes or Inputs	$6,664
OPEB Expense	$88,408

Note 12 - Risk Management

Port of Pasco is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2021, there were 539 Enduris members representing a broad array of special purpose districts throughout the state.

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

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

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

Employment Practices Liability	Member Aggregate		$20 million	

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

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

(3) Members pay a 20% co-pay of costs up to a maximum of $100,000. By meeting established guidelines, the co-pay may be waived.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess / Reinsurance Limits	Member Deducitbles / Co-Pays (1)
Property (2)				
Buildings and Contents	Per Occurrence	$250,000	$800 million	$1,000 - $250,000
Mobile Equipment	Per Occurrence	$250,000	$800 million	$1,000 - $250,000
Boiler and Machinery (3)	Per Occurrence	Varies	$100 million	Varies
Business Interruption (BI) / Extra Expense(EE) (4)	Per Occurrence	$250,000	$100 million (BI)/ $50 million (EE)	$1,000 - $250,000
Property Sublimit (5)				
Flood	Per Occurrence	$250,000	$50 million (shared by Pool members)	$1,000 - $250,000
Earthquake	Per Occurrence	5%; $500,000 maximum	$10 million (shared by Pool members)	$1,000 - $250,000
Terrorism Primary	Per Occurrence	$250,000	$100 million / Pool member	$1,000 - $250,000
	Pool Aggregate		$200 million	
Terrorism Excess	Per Occurrence	$500,000	$600 million /Pool member	$0
	APIP Per Occurrence		$1.2 billion/APIP	
	APIP Aggregate		$1.4 billion/APIP	
Automobile Physical Damage (6)	Per Occurrence	$25,000; $100,000 for Emergency Vehicles	$800 million	$250 - $1,000
Crime Blanket (7)	Per Occurrence	$50,000	$1 million	$1,000
Named Position (8)	Per Occurrence	$50,000	$1 million	$1,000
Cyber (9)	Each Claim	$100,000	$2 million	20% Copay
	APIP Aggregate		$25 million	
Identity Fraud Expense Reimbursement (10)	Member Aggregate	$0	$25,000	$0

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

(2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over $250,000 to the limit of $800 million except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.

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

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

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

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

(7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of $2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from $5,000 to $1 million.

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

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

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

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

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

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

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

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 2021. However, in 2021, the Port decreased their excess liability to $25 Million per occurrence due to insurance companies not wanting to offer $50 Million of coverage. The Port decreased their marine excess liability to $19 million of coverage. 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, 2020, through December 31, 2021. The environmental liability policy for the Marine Terminal has a period of coverage from June 18, 2021, to June 18, 2022. Excess liability policies have a period of coverage from March 1, 2021 to February 28, 2022. Coverage includes:

Insurance	Limits
Airport Liability - National Union Fire Insurance Co. of Pittsburgh PA	$300 Million Per Occurrence / $200 Hangar Keeper's Liability Coverage
Crime Liability - Zurich North America	$10 Million Aggregate ($100,000 deductible)
Earthquake Liability - Westchester Surplus lines Insurance	$10 Million Limit ($250,000 deductible or 2% of total replacement cost values)
Environmental Liability - Tokio Marine Specialty Insurance Company	$3 Million Per Occurrence ($100,000 deductible)
Excess Liability - Lloyds of London	$25 Million Per Occurrence
Marine Liability - Liberty Mutual Insurance Company	$1 Million Per Occurrence $2 Million Aggregate ($25,000 deductible)
Marine Excess Liability - Lloyd's of London	$19 Million Per Occurrence
Pollution Liability – Evanston Insurance Company	$5 Million Per Incident/ $5 Million Aggregate

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

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

Additionally, the Port provides comprehensive medical, dental, vision, long-term disability (employees only) and life insurance (employees only) coverage for all eligible employees and their dependents through standard plans offered brokered by 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 plan's 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 13 - Segment Information

The Port operates an airport and industrial centers which are primarily financed by user charges and leases. The property tax levy and interest on investments support the industrial centers. Operating revenues as presented include receipts derived from or for the operation of the port including, but not limited to airport user charges and leases, building and land leases, and dockage fees. Operating expenses are those expenses resulting from the ongoing operations of the Port of Pasco including, but not limited to utilities, repair, maintenance, insurance, and other costs of doing business. General and Administrative expenses and Depreciation are included in operating net income but are listed separately. Non-operating revenues and expenses include taxes from operations, interest income and expense, facility charges, miscellaneous sales, grants, or assistance from other governmental entities for capital expenditures and nonrecurring items such as sale of property. The Statement of Revenues, Expenditures, and Changes in Fund Net Position for the year ended December 31, 2021, for these facilities are as follows:

	Marine Terminal & Property Lease	Airport	Total
Operating Revenues	$4,496,884	$9,584,262	$14,081,146
Operating Expenses	($2,095,288)	($4,106,128)	($6,201,416)
General & Admin Expenses	($857,344)	($1,291,589)	($2,148,933)
Depreciation Expense	($1,959,092)	($6,832,220)	($8,791,312)
Operating Income (Loss)	($414,840)	($2,645,675)	($3,060,515)
Tax Revenues	$2,536,192	$0	$2,536,192
Nonoperating Revenues (Expenses)	($177,969)	$6,612,607	$6,434,638
Capital Contributions	$5,974,507	$480,196	$6,454,703
Transfers	$3,153,850	($3,153,850)	$0
Increase (Decrease) in Net Position	$11,071,740	$1,293,278	$12,365,018
Beginning Net Position	$31,451,203	$98,492,320	$129,943,523
Prior Period Adjustments	$229,888	$93,906	$323,794
Ending Net Position	$42,752,831	$99,879,504	$142,632,335

Note 14 - 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.

2021 Revenues of the Port of Pasco Economic Development Corporation amounted to $0. The current balance in this account is $9,797.

Note 15 – Restricted Component of Net Position

The Port's Statement of Net Position reports $6,506,434 of restricted component of net position of which is $4,002,498 is restricted by enabling legislation. This includes Passenger Facility Charges and Customer Facility

Charges collected and not expended to date. The remaining restricted component is restricted by revenue bond covenants and impacts of net pension asset.

Note 16 – Passenger Facility Charges and Customer Facility Charges

The Port, through agreement with the Federal Aviation Administration, and in conjunction with commercial airlines operating at Tri-Cities Airport, has implemented a Passenger Facility Charge of $4.50 per enplaned passenger. These fees are collected by the airlines as part of the pricing of each ticket and are remitted quarterly to the Port directly from the airlines. Passenger Facility Charges collected and remitted to the Port can only be used by the Port for capital projects approved by the participating airlines and the FAA. Fees remitted during 2021 totaled $1,479,567 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 2021 totaled $578,466 and are shown on the Port's Statement of Revenues, Expenses, and Changes in Fund Net Position as nonoperating income.

Note 17 – Joint Ventures

Six ports have formed a Limited Liability Company (LLC), Petrichor Broadband LLC, pursuant to the provisions of the Interlocal Cooperation Act, Chapter 39.34 RCW. The purpose of the LLC is to help develop low-cost wholesale broadband across the state, create economic opportunities through broadband partnerships with Ports and other public utilities, and provide centralized network management for ports that have their own broadband infrastructure. The Port of Whitman is appointed as LLC Manager. The Port contributed $200,000 to the LLC to fund the initial activities of the LLC. The Port's interest in the LLC as of December 31, 2021 was $219,004.

Note 18 - Prior Period Adjustments

During the year ended December 31, 2020, immaterial errors of $323,794 were found associated with the airport's reconciliation of rates and charges, Washington State Ecology grant, and joint ventures.

In 2021, the airport charged additional fees to the signatory airlines for the reconciliation of the 2020 rates and charges. The additional fees issued to the signatory airlines was $93,906. This resulted in an understatement of accounts receivable in 2020.

In 2020, the Port understated joint venture assets by $196,531. The Port has an explicit, measurable interest in the joint venture, Petrichor. The interest was reported as a note disclosure and should have been recorded as an asset. This resulted in an understatement of assets in 2020.

In 2021, the Port received additional funding for prior period expenses for the State Ecology grant TCPR-2015-PaspMT-00009. The total amount of state funds received during 2021 for prior period expenses was $33,357. This resulted in an understatement of current assets due from other governments in 2020.

The errors have been corrected in the 2021 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 $323,794, which restated the December 31, 2020, Statement of Net Position from $129,943,523 to $130,267,317.

Note 19 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The airport saw a significant drop in passengers in 2020 due to the pandemic. The airport received approximately $14.78 million dollars in grant funds from the Federal Aviation Administration to pay for operating expenses and debt payments to help offset the costs associated with the drop in passenger revenues. 2021 has seen a steady increase in passenger traffic with passenger enplanements at the end of the year at 79% of 2019 and 82.5% higher from 2020.

The length of time these measures will continue be in place, and the full extent of the direct or indirect financial impact on the Port is unknown at this time.

Port of Pasco
Schedule of Changes in Total OPEB Liability and Related Ratios
Port of Pasco OPEB Plan
For the Year Ended December 31, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017
Total OPEB liability - beginning	$860,353	$1,081,367	$1,090,610	$1,271,457	$0
Service Cost	$8,066	$21,987	$19,611	$23,160	$0
Interest	$16,377	$29,141	$39,988	$41,573	($1,199)
Changes in benefit terms	$0	$0	$0	$0	$0
Differences between expected & actual experience	($38,234)	($218,972)	($60,352)	($140,828)	$1,297,316
Changes in assumptions	$6,664	$34,012	$57,435	($25,308)	$38,915
Benefit payments	($95,535)	($87,182)	($65,926)	($79,444)	($63,575)
Other changes	$0	$0	$0	$0	$0
Total OPEB liability - ending	$757,691	$860,353	$1,081,367	$1,090,610	$1,271,457
Covered employee payroll	$973,402	$1,054,928	$1,291,655	$1,129,588	$1,383,865
Total OPEB liability as a % of covered payroll	77.84%	81,56%	83.72%	96.55%	91.88%

Notes to Schedule:

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

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

Port of Pasco
Schedule of Proportionate Share of Net Pension Liability
PERS 1
As of June 30, 2021
Last 10 Fiscal Years*

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

Notes to Schedule:

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

Port of Pasco
Schedule of Proportionate Share of Net Pension Liability
PERS 2/3
As of June 30, 2021
Last 10 Fiscal Years*

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

Notes to Schedule:

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

Port of Pasco
Schedule of Proportionate Share of Net Pension Liability
LEOFF 2
As of June 30, 2021
Last 10 Fiscal Years*

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

Notes to Schedule:

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

Port of Pasco
Schedule of Employer Contributions
PERS 1
For the Year Ended December 31, 2021
Last 10 Fiscal Years*

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

Notes to Schedule:

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

Port of Pasco
Schedule of Employer Contributions
PERS 2/3
For the Year Ended December 31, 2021
Last 10 Fiscal Years*

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

Notes to Schedule:

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

Port of Pasco
Schedule of Employer Contributions
LEOFF 2
For the Year Ended December 31, 2021
Last 10 Fiscal Years*

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

Notes to Schedule:

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

Port of Pasco
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

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
Economic Development Cluster								
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF	Economic Adjustment Assistance	11.307	07-79-07455	-	5,014,241	5,014,241	-	1,2,3
	Total Economic Development Cluster:			**-**	**5,014,241**	**5,014,241**	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0046-045-2018	-	26,817	26,817	-	1,2,3
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0046-047-2019	-	5,355	5,355	-	1,2,3
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0046-048-2020	-	4,147,608	4,147,608	-	1,2,3
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0046-049-2021	-	422,748	422,748	-	1,2,3
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0046-050-2021	-	593,978	593,978	-	1,2,3
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0046-051-2021	-	93,811	93,811	-	1,2,3
			Total CFDA 20.106:	**-**	**5,290,317**	**5,290,317**	-	
Highway Planning and Construction Cluster								
FEDERAL RAILROAD ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	NHFP 0960(005)	960,266	-	960,266	-	1,2,3
	Total Highway Planning and Construction Cluster:			**960,266**		**960,266**	-	
	Total Federal Awards Expended:			**960,266**	**10,304,558**	**11,264,824**	**-**	

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, 2021

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 – Federal De Minimis Indirect Cost Rate

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

Note 3 - Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Port of Pasco's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

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

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

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

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