Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Port of Pasco

For the period January 1, 2017 through December 31, 2017

Published September 27, 2018

Report No. 1022266

Office of the Washington State Auditor
Pat McCarthy

September 27, 2018

Board of Commissioners
Port of Pasco
Pasco, Washington

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

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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TABLE OF CONTENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Port of Pasco
January 1, 2017 through December 31, 2017

SECTION I – SUMMARY OF AUDITOR'S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs:

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

CFDA No.	Program or Cluster Title
20.106	Airport Improvement Program

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

The Port did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CONNECTING HERE WITH THERE

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Randy Hayden

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Port of Pasco
January 1, 2017 through December 31, 2017

This schedule presents the status of federal findings reported in prior audit periods.

Audit Period:	**Report Ref. No.:**	**Finding Ref. No.:**	**CFDA Number(s):**
1/1/2016-12/31/2016	1019221	2016-001	20.106
Federal Program Name and Granting Agency: Airport Improvement Program U.S. Department of Transportation		**Pass-Through Agency Name:** NA	
Finding Caption: The Port did not have adequate internal controls to ensure compliance with suspension and debarment requirements.			
Background: The Port did not verify that the contractor was not suspended or debarred. Any payments to an ineligible party are unallowable and would be subject to recovery by the funding agency. We verified that the vendor was not suspended or debarred; therefore, we are not questioning costs for the payments. The Port was not aware the requirement applied to the contract for professional engineering services.			
Status of Corrective Action: (check one)			
☐ Fully Corrected	☒ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid
Corrective Action Taken: *The Airport Deputy Director and Finance Director at the Tri-Cities Airport both attended training for federal grant awards in 2018.* *Administration is currently working on a checklist for staff to follow to be compliant with the federal uniform guidance 2 CFR 200. FAA is aware of the Port's corrective action status.*			

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

Port of Pasco
January 1, 2017 through December 31, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated September 24, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

In addition, we noted certain matters that we have reported to the management of the Port in a separate letter dated September 24, 2018.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

September 24, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Port of Pasco
January 1, 2017 through December 31, 2017

Board of Commissioners
Port of Pasco
Pasco, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Port of Pasco, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended December 31, 2017. The Port's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

September 24, 2018

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

Port of Pasco
January 1, 2017 through December 31, 2017

Board of Commissioners
Port of Pasco
Pasco, Washington

REPORT ON COMPLIANCE FOR PASSENGER FACILITY CHARGES

We have audited the compliance of the Port of Pasco, with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) issued by the Federal Aviation Administration for its passenger facility charge program for the year ended December 31, 2017.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Compliance

In our opinion, the Port of Pasco complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to its passenger facility charge program. In planning and performing our audit, we considered the Port's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

September 24, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Pasco
January 1, 2017 through December 31, 2017

Board of Commissioners
Port of Pasco
Pasco, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Pasco, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 18.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Pasco, as of December 31, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

September 24, 2018

FINANCIAL SECTION

Port of Pasco
January 1, 2017 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017
Statement of Revenues, Expenses and Changes in Net Position – 2017
Statement of Cash Flows – 2017
Notes to Financial Statement – 2017

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1 – 2017
Schedule of Proportionate Share of Net Pension Liability – PERS 2/3 – 2017
Schedule of Proportionate Share of Net Pension Liability – LEOFF 2 – 2017
Schedule of Employer Contributions – PERS 1 – 2017
Schedule of Employer Contributions – PERS 2/3 – 2017
Schedule of Employer Contributions – LEOFF 2 – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2017
Notes to the Schedule of Expenditures of Federal Awards – 2017
Schedule of Passenger Facility Charges – 2017
Notes to the Schedule of Passenger Facility Charges – 2017

Port of Pasco
Management's Discussion and Analysis
For the Year Ended December 31, 2017

Introduction

Our discussion and analysis of the Port of Pasco's financial performance provides an overview of the Port's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the Port's financial statements which begin immediately following this narrative.

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

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

The Tri-Cities Airport serves the regions of southeastern Washington and northeastern Oregon with direct daily commercial air service to Seattle on Alaska Airlines, Salt Lake City, Seattle and Minneapolis on Delta Airlines and Denver and San Francisco on United Airlines. Weekly air service to Las Vegas, Phoenix-Mesa and seasonal service to Los Angeles is provided by Allegiant Airlines. Year end 2017 statistics show passenger boardings increased by 589 passengers to 374,843, parking lot activity increased 20%, car rental activity was up 12% and restaurant concessions were up 61%. Concessions reported strong sales due to the opening of the new restaurant area, bar, coffee shop and gift shop.

Airport projects included the East General Aviation Apron Construction Project, the Transportation Security Administration In-Line Baggage System, and the Taxiway Alpha Relocation Project for 2018/2019. Airport projects in 2017 included the Tri-Cities Airport Terminal Expansion and Renovation Project, construction of the general aviation ramp improvement project, and the design of the Taxiway A realignment and rehabilitation.

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

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

In addition to the Port's operating businesses, it is managing a complex and costly clean-up of environmental damages caused by several former tenants of the Port. The Environmental Remediation Site is currently contaminated with petroleum, and it's by products that seeped into the ground. The cleanup project is now nearing completion. The only costs remaining are closeout and ongoing monitoring. This contingency is covered in note 11 in the notes to the financial statements.

The Port of Pasco is a municipal government. As such, the Port collects property tax revenues from the property owners within the Port district. These tax revenues are used to pay debt service on its General Obligation bonds and support the capital investments made by the Port.

The Government Accounting Standards Board has prescribed a new method of financial reporting for all government entities. The Port of Pasco has adopted this model for reporting starting in 2003.

Issues Facing the Port of Pasco

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

Marine Security pending requirements would result in an increase in vehicle inspections resulting in higher costs associated with these inspections. The Port is currently without a marine operator. As a result of two major shipping companies who no longer are calling at the Port of Portland, barging of commodities (mostly agricultural) decreased substantially and shifted to trucks and rail primarily to Tacoma.

Federal reimbursement of Law Enforcement Officers, who man the Screening Point at the airport, is on a year to year contract based on the government's ability to get funding. This additional expense of approximately $138,000 would become the Port's responsibility. The Port of Pasco received additional 5-year reimbursable funding through a cooperative agreement with Department of Homeland Security grant in June 2013. However, this additional funding will not fully reimburse the Port for its additional expenses.

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

The Port is presently involved in a soil clean-up proceeding with the Department of Ecology along with other parties at the marine terminal. The Port's current liability is estimated at approximately $541,086. 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.

Financial Highlights

In 2017 the Port's overall operating revenues increase by $1,426,103 or 13% over 2016 business revenue levels. The increase was in airport operations, marine terminal operations and property lease/rental operations.

The Port's overall operating expenses increased in 2017, by $2,504,985 or 15% over 2016 operating expense levels. Of this amount, depreciation expense increased 21%, general operations increased 12% and general and administration operations increased 9%. The Port had overall net loss of $1,606,319 in 2017. Included in this amount is capital contributions of $2,663,414.

Financial Analysis of the Port of Pasco

The Statement of Net Position summarizes the ending balances in Net Position between December 31, 2016 and December 31, 2017 and the net change in years 2016 and 2017. For details refer to the statement of net position note 1, note 12, and note 18 in the notes to the financial statements.

Statement of Net Position	2017	2016	Net Change
Current Assets	$17,768,489	$18,068,220	($299,731)
Noncurrent Assets	$105,630	$48,392	$57,238

Statement of Net Position	2017	2016	Net Change
Net Capital Assets	$126,068,100	$126,758,772	($690,672)
Total Assets	$143,942,219	$144,875,384	($933,165)
Deferred Outflows of Resources	$255,485	$428,995	($173,510)
Current Liabilities	$3,236,051	$3,511,902	($275,851)
Noncurrent Liabilities	$30,228,078	$32,360,445	($2,132,367)
Total Liabilities	$33,464,129	$35,872,347	($2,408,218)
Deferred Inflows of Resources	$422,415	$80,257	$342,158
Invested in Capital Assets, Net of Debt	$97,153,723	$96,872,775	$280,948
Restricted Net Position	$4,800,567	$7,717,773	($2,917,206)
Unrestricted Net Position	$8,356,870	$4,761,228	$3,595,642
Total Net Position	$110,311,160	$109,351,776	$959,384

The Statement of Revenues, Expenses and Changes in Fund Net Position is summarized below for the years ended December 31, 2017 and December 31, 2016.

Statement of Revenues, Expenses and Changes in Fund Net Position	2017	2016	Net Change
Operating Revenues:			
Airport Operations	$8,410,003	$7,327,533	$1,082,470
Marine Terminal Operations	$6,208	$3,530	$2,678
Property lease/rental operations	$2,988,048	$2,647,093	$340,955
Total Operating Revenue	$11,404,259	$9,978,156	$1,426,103
Operating Expenses:			
General Operations	$5,946,149	$5,236,699	$709,450
General & Administrative	$2,982,966	$2,721,531	$261,434
Depreciation	$7,431,507	$5,897,406	$1,534,101
Total Operating Expenses	$16,360,622	$13,855,637	$2,504,985
Operating Income (Loss)	($4,956,363)	($3,877,481)	($1,078,883)
Non-Operating Revenue (Loss)	$686,630	$3,196,612	($2,509,983)
Capital Contributions	$2,663,414	$3,535,824	($872,410)
Change in Net Position	($1,606,319)	$2,854,955	($4,461,274)
Net Position-Beginning of Period	$109,351,776	$106,496,820	$2,854,956
Prior Period Adjustments	$2,565,703	$0	$2,565,703
Net Position-End of Period	$110,311,160	$109,351,775	$959,385

Budgets and Future Events

Each November the Port of Pasco Commissioners adopt a consolidated annual operating budget for the ensuing year.

Capital Asset and Debt Administration

Capital Assets

This table summarizes the year end balances in capital assets for 2017 and 2016 and the change in the year end balances for December 31, 2017. See note 4 in the notes to the financial statements.

Capital Assets	2017	2016	Net Change
Capital Assets, Not Being Depreciated			
Land	$6,417,303	$6,414,609	$2,694
Construction in Progress	$2,986,836	$57,642,279	($54,655,442)
Total Capital Assets, Not Being Depreciated	$9,404,139	$64,056,888	($54,652,748)
Capital Assets, Being Depreciated			
Property	$206,450,635	$154,061,123	$52,389,512
Machinery and Equipment	$5,139,884	$6,005,538	($865,654)
Less Accumulated Depreciation	($94,926,558)	($97,364,777)	$2,438,219
Total Capital Assets Being Depreciated	$116,663,960	$62,701,884	$53,962,076
Total Capital Assets, Net	$126,068,100	$126,758,772	($690,672)

Debt

At December 31, 2017 the Port of Pasco owes $28,914,377 of which $5,179,388 is Long Term General Obligation Bonds and $22,272,520 Long Term Revenue Bonds. Additional debt is on an existing CERB loan of $720,466 borrowed in 2009 to construct an office building for the Port's biggest tenant and a Hanford Area Economic Investment Fund loan of $742,003 to purchase land at the Tri-Cities Airport. See note 8 and note 9 in the notes to the financial statements.

Using the Annual Report

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The basic financial statements include: the statement of net position, the statement of revenues, expenses, and changes in net fund position, and the statement of cash flows. The statement of net position and the statement of revenues, expenses and changes in fund net position provide information about the activities of the Port as a whole, and present a longer-term view of the Port's finances.

The Port of Pasco operates using one fund. All of the Port's operations are accounted for in the General Fund. Special restricted funds are as follows: the Passenger Facilities Charge fund, Customer Facility Charges, and a reserve fund for the 2014 revenue bond.

GASB 34 requires a separate fund financial statement for each Port fund that is supported by a separate debt issue. The Port bond issues are general in nature, and all are "General Obligation" bonds of the Port. Therefore, all the assets and liabilities of the Port are presented in one Proprietary Fund. No allocation of assets or liabilities to particular lines of business is required by GASB and no such information is presented in these financial statements.

A separate Revenues, Expenditures, and Changes in Net Fund Balances is also presented in GASB 34 and in BARS formats for your consideration.

The Port maintains a subsidiary corporation, called the Port of Pasco Economic Development Corporation established pursuant to State law for the purpose of issuing Industrial Revenue Bonds. The financial information is consolidated with other Port financial information in this report.

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

Reporting the Port as a Whole

Our analysis of the Port as a whole begins on the following page. Understanding the financial trend of the Port begins with understanding the Statement of Net Position. Looking at these two reports, you should be able to determine if the Port is better off financially this year than it was in the past.

The statement of net position and the statement of revenues, expenses, and changes in net fund position include all of the assets and liabilities of the Port using the accrual basis of accounting, which is the method used by most private sector businesses. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid by the Port.

These two reports show the Port's net position and the changes to it during 2017. The Port's net position is its assets minus its liabilities. This is one measure of financial position of the Port. Over time, increases or decreases in the Port's net position is a good indicator of whether its financial strength is improving or deteriorating. You need to consider other factors not shown on these two financial reports in order 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.

Since the Port is a Special Purpose government, all of its assets and liabilities are shown in its Proprietary Fund. The Port incurs a substantial amount of governmental activity expense, such as Port management and administration, public facility maintenance, and public meeting expense. However, all of these expenses of the Port are also reported in the Proprietary Fund. This "one fund" model is used in compliance with the rules of GASB 34 which state that separately issued debt and separately classified assets are needed in order for a separate fund to exist. Most of these governmental costs are contained in the General and Administrative cost centers shown on the Port's financial reports.

Fund Financial Statements

The Port's Fund is a "Proprietary Fund" as defined in GASB 34. When the Port charges someone to use property or Port services, the revenue earned is like a business revenue –hence the name "proprietary" fund. The statement of revenues, expenses, and changes in net fund position shown above is the Port's fund based financial statement.

The Port as a Whole

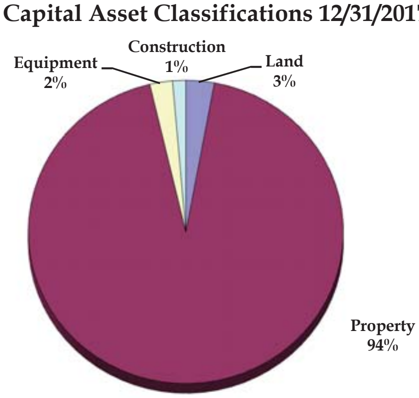
The Port accounts for its activities in a single Proprietary Fund. The discussion below explains the Port's overall financial situation for the year ending 12/31/2017.

The Port's Assets decreased by $690,672 as of 12/31/2017. The book value of the capital asset base increased $53,964,770 in 2017 as a result of improvements to the airport, railway upgrades at Big Pasco Industrial Center and other improvements, net of depreciation. The Port's expenses about $7,431,507 per year in depreciation charges. When the Port invests more than that amount in new capital assets in a year, the book value of the asset base increases. The rate of new capital investment increased in 2017 compared to 2016.

The Port borrowed $1,000,000 in 2014 to purchases land for future runway expansion. The Port invests unused bond proceeds in short term investments. The Port has a capital plan calling for over $10,000,000 in capital projects over the next five years, with major improvements at the airport. In 2014 the Port issued revenue bonds and the rest of the expansion is expected to be funded from tax revenues, port funds, grants or proceeds from sale of property.

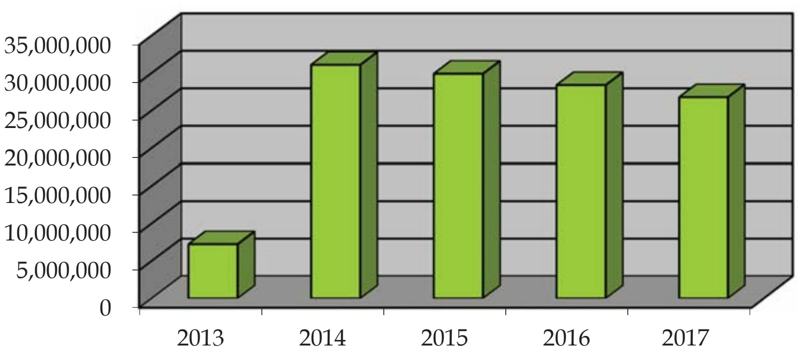
The Port's current liabilities as of 12/31/2017 are debts the Port will repay in 2018. The total current liabilities decreased from $3,511,902 to $3,236,051. The decrease was due to accounts payable at year end being lower by $202,161 compared to 2016.

Port Capital Asset Classifications 12/31/2017



The Port's long term liabilities at 2017-year end were $30,228,078, a decrease of $2,132,368 from 2016 due to a decrease in net pension liability and long-term debt. Accrued environmental liability costs decreased as a result of reassessment of future costs of environmental remediation. The Port has sufficient funds in an account called Marine Terminal currently in Cash and Cash Equivalents, the balance of which is $396,699 which along with continued Environmental operating grants, management believes will be sufficient to cover the Port's share of the remaining clean-up costs.

Port Long-Term Debt as of December 31, 2017



The Port has booked the acquisition of all assets at historical costs on its Statement of Net Position. The Port has received certain grants in aid of construction or acquisition of certain of its assets, including its airport. The contributions received from other governments for these assets are shown as "Contributions" on the Port's statement of revenues, expenses, and changes in net fund position. The Port books depreciation expenses for these contributed assets over the useful life of the asset.

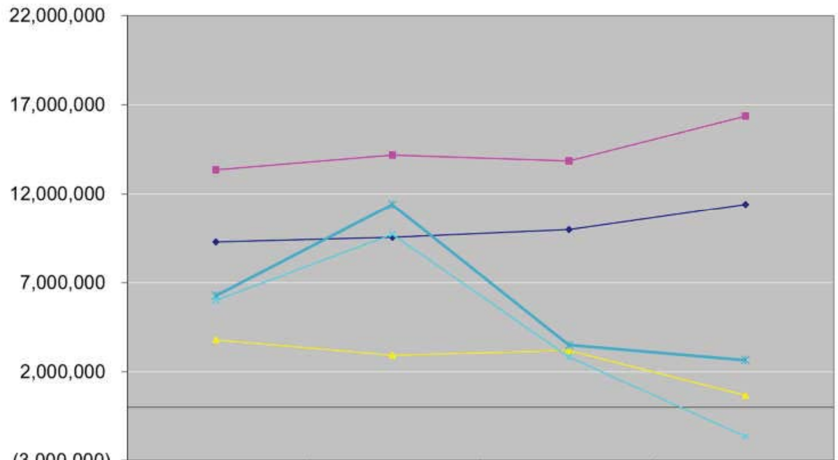
GASB 34 requires the Port to capitalize and depreciate all of the assets owned or controlled by the Port, which is done on these financial statements.

The Port had operating revenues of $11,404,259 in 2017, a 14% increase from 2016. The Port's operating expenses were $16,360,622, an 18% increase from 2016. The Port's change in net position decreased $1,606,319, which includes $2,663,414 in capital grants.

All the functions of the Port are considered in the numbers shown on the next graph, including the cost of general government of the Port district. The capital assets of the Port are also reported in the Port's Proprietary Fund. Unexpended bond proceeds and bonded debt amounts are also reported in the Proprietary Fund.

This aggregation of all of the Port's assets and operations into a single fund is a result of the Port's being a special purpose government that operates as a proprietary fund. Larger Ports may have to report some of their activities in separate funds.

Port Increase (Decrease) in Net Fund Position



	2014	2015	2016	2017
Operating Revenue	9,289,390	9,572,392	9,980,976	11,404,259
Operating Expenses	13,357,098	14,196,847	13,855,637	16,360,622
Nonoperating Revenue (Loss)	3,814,398	2,940,656	3,219,484	686,630
Capital Contributions	6,270,826	11,401,206	3,510,133	2,663,414
Increase (Decrease) in Net Position	6,017,517	9,717,406	2,854,956	(1,606,319)

Contacting the Port's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Port's finances and to show the Port's accountability for the money it receives. If you have questions about this report, or if you need additional financial information, please contact Donna Watts, Director of Finance, at PO Box 769, Pasco, WA 99301 or by phone (509) 547-3378.

Port of Pasco
Statement of Net Position
December 31, 2017

Assets		
Current Assets		
Cash and Cash Equivalents (Note 1 C-1)	$	10,679,906
Accounts Receivable (Net) (Note 1 C-3)	$	892,712
Taxes Receivable (Note 1 C-3 & Note 3)	$	43,227
Due from Other Governments (Note 1 C-4)	$	984,317
Inventories (Note 1 C-5)	$	200
Prepayments and Other Current Assets (Note 1 C-6)	$	367,560
Restricted Cash and Cash Equivalents (Note 1 C-7)	$	4,800,567
Total Current Assets	**$**	**17,768,489**
Noncurrent Assets		
Capital Assets: (Note 1 C-8, Note 4 & Note 5)		
Capital Assets Not Being Depreciated		
Land	$	6,417,303
Construction in Progress	$	2,986,836
Capital Assets Being Depreciated		
Property	$	206,450,635
Equipment	$	5,139,884
Less: Accumulated Depreciation	$	(94,926,558)
Total Capital Assets (Net)	$	126,068,100
Net Pension Asset	$	105,630
Total Noncurrent Assets	**$**	**126,173,730**
Total Assets	**$**	**143,942,219**
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions (Note 1 C-9 & Note 6)	$	255,485
Total Deferred Outflows of Resources	**$**	**255,485**
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Expenses (Note 1 C-12)	$	840,506
Accrued Interest Payable (Note 1 C-12)	$	182,497
Bonds, Notes, and Loans Payable (Note 8)	$	1,619,546
Other Current Liabilities (Note 1 C-12)	$	593,502
Total Current Liabilities	**$**	**3,236,051**

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

Port of Pasco
Statement of Net Position
December 31, 2017

Noncurrent Liabilities		
Compensated Absences (Note 1 C-10)	$	504,695
Bonds, Notes, and Loans Payable (Note 8)	$	27,294,831
Soils Cleanup Liability	$	541,086
Unearned Revenue (Note 1 C-14)	$	90,576
Net Pension Liability (Note 6)	$	1,796,890
Total Noncurrent Liabilities	**$**	**30,228,078**
Total Liabilities	**$**	**33,464,129**
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions (Note 1 C-9 & Note 6)	$	422,415
Total Deferred Inflows of Resources	**$**	**422,415**
Net Position		
Net Investments in Capital Assets	$	97,153,723
Restricted for: (Note 1 C-7 & Note 12)		
Restricted for Debt Service	$	1,827,800
Restricted for PFC Projects	$	1,005,738
Restricted for CFC Projects	$	1,967,029
Unrestricted	$	8,356,870
Total Net Position	**$**	**110,311,160**

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
Year Ended December 31, 2017

Operating Revenues		
Airport Operations	$	8,410,003
Marine Terminal Operations	$	6,208
Property Lease/Rental Operations	$	2,988,048
Total Operating Revenues	**$**	**11,404,259**
Operating Expenses		
General Operations	$	5,946,149
General and Administrative	$	2,982,966
Depreciation	$	7,431,507
Total Operating Expenses	**$**	**16,360,622**
Operating Income (Loss)	**$**	**(4,956,363)**
Nonoperating Revenues (Expenses)		
Interest Income	$	75,696
Tax Levied for General Purposes	$	2,133,001
Passenger Facility Charges	$	1,524,450
Customer Facility Charges	$	621,552
Interest Expense	$	(1,219,627)
Election Expenses	$	(30,734)
Gain (Loss) on Disposal of Assets	$	(2,883,699)
Other Nonoperating Revenues (Expenses)	$	465,991
Total Nonoperating Revenues (Expenses)	**$**	**686,630**
Income (Loss) Before Capital Contributions	**$**	**(4,269,733)**
Capital Contributions	**$**	**2,663,414**
Increase (Decrease) in Net Position	**$**	**(1,606,319)**
Net Position - Beginning of Period	**$**	**109,351,776**
Prior Period Adjustments	**$**	**2,565,703**
Net Position - End of Period	**$**	**110,311,160**

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, 2017

Cash Flows From Operating Activities		
Receipts from Customers	$	11,231,355
Payments to Suppliers	$	(5,012,076)
Payments to Employees	$	(4,556,435)
Net cash provided (used) by operating activities	**$**	**1,662,844**
Cash Flows From Noncapital Financing Activities		
Receipts (Payments) from Nonoperating costs	$	2,071,379
Net Cash Provided (Used) by Noncapital Financing Activities	**$**	**2,071,379**
Cash Flows From Capital and Related Financing Activities		
Principal Paid on Capital Debt	$	(1,473,116)
Interest Paid on Capital Debt	$	(1,119,655)
Receipts from Property Taxes	$	2,135,992
Capital Contributions	$	2,128,747
Purchases of Capital Assets	$	(7,037,236)
Net Cash Provided (Used) by Capital and Related Financing Activities	**$**	**(5,365,268)**
Cash Flows From Investing Activities		
Interest and Dividends	$	75,696
Net Cash Provided by Investing Activities	**$**	**75,696**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**(1,555,349)**
Balances - Beginning of the Year	**$**	**17,035,822**
Balances - End of the Year	**$**	**15,480,473**

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$	(4,956,363)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	$	7,431,507
Changes in Assets and Liabilities:		
Receivables, Net	$	(242,462)
Accounts and Other Payables	$	(649,217)
Accrued Expenses	$	79,379
Net Cash Provided by Operating Activities	**$**	**1,662,844**

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.

A. 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.

The Port of Pasco is a special purpose government and provided a shipping terminal, two industrial parks and an airport to the general public and is supported primarily through user charges.

The Port is governed by an elected three member board. 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.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

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

Funds are accounted for on a cost of services or an economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position (or balance sheets). Their reported fund position is segregated into net investment in capital assets, restricted and unrestricted components of net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. The Port discloses changes in cash flows by a separate statement that presents their operating, noncapital financing, capital and related financing and investing activities.

The Port uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

The Port distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Port's principal ongoing operations. The principal operating revenues of the Port are charges to customers for leasing Port property. The Port also recognizes as operating revenue usage fees. Operating expenses for the Port include the cost of services, administrative expenses, depreciation on capital assets, etc. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

It is the Port of Pasco's policy to invest all temporary cash surpluses. At December 31, 2017 the treasurer was holding $10,679,906 in short-residual investments of surplus cash. This amount is classified on the statement of net position as cash and cash equivalents.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2017 were approximately $10,300,000.

For the 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. See Note C 7.

2. Investments

See Note 2, Deposits and Investments.

3. 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 been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

Receivables have been recorded net of estimated uncollectible amounts. Because property taxes and special assessments are considered liens on property, no estimated uncollectible amounts are established. As of December 31, 2017, the Port had $156,774 in the Allowance for Doubtful Accounts.

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

4. Amounts Due to and from Other Governmental Units

These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes and charges for services.

5. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

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

6. Prepayments and Other Current Assets

Other current assets consist of prepaid expenses. Prepaid expenses total $367,560 for the year ended December 31, 2017.

7. Restricted Assets and Liabilities

These accounts contain resources for construction and debt service, including current and delinquent special assessments receivable. The current portions of related liabilities is shown as Payables from Current Restricted Assets. Specific debt service reserve requirements are described in Note 8, Long-Term Debt.

A new 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.

The restricted assets are composed of the following:

Cash and Investments – Debt Service	$ 1,827,800
Cash and Investments – Passenger Facility Charges	$ 1,005,738
Cash and Investments – Customer Facility Charges	$ 1,967,029
	$ 4,800,567

8. Capital Assets

See Note #4, Capital Assets.

Capital assets, which include property, plant, equipment and infrastructure assets, 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. Interest incurred during construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Port during the current fiscal year was $1,300,015. Of this amount, $80,388 was included as part of the cost of capital assets under construction in connection with Terminal Security Expansion projects.

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

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

Property, plant, and equipment of the Port is depreciated using the using the straight line method with useful lives of 1 to 50 years.

9. 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.

10. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The Port of Pasco records unpaid leave for compensated absences as an expense and liability when incurred.

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

11. Pensions

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

12. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

13. Long-term Debt

See Note 8, Long-Term Debt.

14. Unearned Revenues

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

15. Fund Reserves and Designations

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.

Assets and liabilities shown as current in the accompanying balance sheets exclude current maturities on revenue bonds and accrued interest thereon because debt service funds provided for their payment.

Note 2 – Deposits and Investments

Deposits

Cash on hand as petty cash at December 31, 2017 was $450. The carrying amount of the Port's deposits was $67,708 and the bank balance was $8,333,375.

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

The Port does not have a deposit policy for custodial credit risk. Of the Port of Pasco's total position of $15,480,473 in 2017, $0 is exposed to custodial credit risk because the investments are held for the Port of Pasco by the Franklin Country Treasurer and the Local Government Investment Pool.

Investments

Investments are subject to the following risk.

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

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

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

Investments in Local Government Investment Pool (LGIP)

The Port is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

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

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

The Port had $7,146,648 in the Local Government Investment Pool (LGIP) as of December 31, 2017.

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 taxes are 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 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 2017 was $.29475614 per $1,000 on an assessed valuation of $6,826,198,816 for a total regular levy of $2,012,064 minus adjustments of $1,845 and additional revenue in lieu of property taxes of $122,782, which comes to $2,133,001. In 2016 the regular tax levy was $1,937,094.

Note 4 – Capital Assets

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Our capitalization threshold is $5,000 and the asset has a useful life of 1 or more years, except for personal computers, which are expensed. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. All capital assets are valued at historical costs. For donated assets, where historical cost is not known, the estimated market value at time of acquisition is used.

The Port of Pasco 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 with the applicable account.

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

During 2017, the Port of Pasco capitalized $80,388 of interest costs for funds borrowed to finance the construction of capital assets. The total interest cost for the year was $1,300,015, which includes the capitalized interest cost.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of 1 to 40 years

Capital assets activity for the year ended December 31, 2017 was as follows:

	Beginning Balance 1/1/2017	Increases	Decreases	Ending Balance 12/31/2017
Capital Assets, Not Being Depreciated				
Land	$6,414,609	$34,399	$31,705	$6,417,303
Construction in Progress	$58,177,736	$7,800,398	$62,991,298	$2,986,836
Total Capital Assets, Not Being Depreciated	**$64,592,345**	**$7,834,797**	**$63,023,003**	**$9,404,139**
Capital Assets, Being Depreciated				
Property	$154,061,123	$62,773,858	$10,384,346	$206,450,635
Machinery and Equipment	$6,005,538	$217,441	$1,083,095	$5,139,884
Total Capital Assets Being Depreciated	$160,066,661	$62,991,299	$11,467,441	$211,590,519
Less Accumulated Depreciation For:				
Property	$93,191,977	$7,101,040	$8,882,092	$91,410,926
Machinery and Equipment	$4,172,800	$330,467	$987,635	$3,515,632
Total Accumulated Depreciation	$97,364,777	$7,431,507	$9,869,727	$94,926,558
Total Capital Assets Being Depreciated, net	**$62,701,884**	**$55,559,792**	**$1,597,714**	**$116,663,960**
Total Noncurrent Assets	**$127,294,229**	**$63,394,588**	**$64,620,717**	**$126,068,100**

Note 5 – Construction Commitments

The Port has active construction projects as of December 31, 2017. The projects include: terminal baggage system, airfield ramp design and construction, taxiway realignment design, road design, and parking lot design and construction.

At year-end the district's commitments with contractors are as follows:

Project	Spent to Date		Remaining Commitment	
Terminal Baggage System	$	419,300	$	377,580
Airfield Ramp Design & Construction	$	1,953,471	$	4,079,308
Taxiway Realignment Design	$	203,227	$	271,773
Road Design	$	11,248	$	33,743
Parking Lot Design and Construction	$	457,272	$	50,176
	$	**3,044,519**	**$**	**4,812,579**

Of the committed balance of $4,812,579, the Port will be reimbursed $4,274,674 from grant revenues and the Port will provide the remaining financing from Cash and Cash Equivalents.

Note 6 – Pension Plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2017:

Aggregate Pension Amounts – All Plans		
Pension liabilities	$	(1,796,890)
Pension assets	$	105,630
Deferred outflows of resources	$	255,485
Deferred inflows of resources	$	(422,415)
Pension expense/expenditures	$	83,328

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

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 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January - June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**
July - December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**12.70%**	**6.00%**

* For employees participating in JBM, the contribution rate was 12.26%.

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 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**11.18%**	**6.12%**
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0,18%	
Employee PERS Plan 3		Varies
Total	**12.70%**	**7.38%**

* For employees participating in JBM, the contribution rate was 15.30% for January – June 2017 and 18.45% for July - December 2017.

The Port of Pasco's actual PERS plan contributions were $134,583 to PERS Plan 1 and $153,021 to PERS Plan 2/3 for the year ended December 31, 2017.

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** employers 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 2017. 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 included 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. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	**Employer**	**Employee**
January – June 2017:		
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
Total	**5.23%**	**8.41%**
Ports and Universities	8.41%	8.41%
Administrative Fee	0.18%	
Total	**8.59%**	**8.41%**
July – December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	**5.43%**	**8.75%**
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	**8.93%**	**8.75%**

The Port of Pasco's actual contributions to the plan were $11,025 for the year ended December 31, 2017.

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, 2017, the state contributed $62,155,262 to LEOFF Plan 2.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

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

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.
- For all plans, the average expected remaining service lives calculation was revised.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 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 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, 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%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/ (Asset)

The table below presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 1,276,951	$ 1,048,235	$ 850,118
PERS 2/3	$ 2,016,956	$ 748,655	$ (290,529)
LEOFF 2	$ 22,858	$ (105,630)	$ (210,317)

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, 2017, the Port of Pasco reported a total pension liability of $1,796,890 for its proportionate share of the net pension liabilities as follows:

		Liability
PERS 1	$	1,048,235
PERS 2/3	$	748,655

At June 30, 2017, the Port of Pasco reported a total pension asset of $105,630 for its proportionate share of the net pension liabilities as follows:

		(Asset)
LEOFF 2	$	(105,630)

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

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.023189%	0.022091%	-0.001098%
PERS 2/3	0.024164%	0.021547%	-0.002617%
LEOFF 2	0.008320%	0.007612%	-0.000708%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, 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 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the Port of Pasco recognized pension expense as follows:

	Pension Expense
PERS 1	$ (41,778)
PERS 2/3	$ 132,325
LEOFF 2	$ (7,219)
TOTAL	**$ 83,328**

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, 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	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (39,117)
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 62,876	$ -
TOTAL	$ 62,876	$ (39,117)

PERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 75,856	$ (24,622)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (199,573)
Changes of assumptions	$ 7,952	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 8,572	$ (118,861)
Contributions subsequent to the measurement date	$ 84,390	$ -
TOTAL	$ 176,771	$ (343,056)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,643	$ (4,006)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (23,715)
Changes of assumptions	$ 127	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 5,595	$ (12,521)
Contributions subsequent to the measurement date	$ 5,474	$ -
TOTAL	$ 15,838	$ (40,241)

Deferred outflows of resources related to pensions resulting from the Port of Pasco contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. 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
2018	$ (26,441)
2019	$ 8,348
2020	$ (1,938)
2021	$ (19,086)
2022	$ -
Thereafter	$ -

Year ended December 31:	PERS 2
2018	$ (98,931)
2019	$ (1,846)
2020	$ (34,688)
2021	$ (95,558)
2022	$ (8,544)
Thereafter	$ (11,108)

Year ended December 31:	LEOFF 2
2018	$ (14,079)
2019	$ (717)
2020	$ (4,812)
2021	$ (11,196)
2022	$ 165
Thereafter	$ 761

Note 7 – Short Term Debt

The Port of Pasco currently has no short term debt.

Note 8 – Long Term Debt

A. 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 bother general government and business-type activities and are being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues. The Port is also liable for notes that were entered into for the purchase of land and the construction of buildings and infrastructure. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources.

General obligation bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
LTGO Bonds 2010 - Osprey Pointe Office	2030	3% - 5%	$4,415,000	$180,000
LTGO 2012 Ref. Bonds 2001 & 2004	2024	3% - 4.2%	$2,220,000	$355,000
CERB Loan 2009 - Parsons Building	2024	1.50%	$1,500,000	$23,100
HAEIF Loan 2013 - Land	2028	1.50%	$1,000,000	$59,699

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

Year Ending December 31	Principal	Interest
2018	$734,546	$243,663
2019	$736,396	$222,919
2020	$763,302	$200,419
2021	$550,265	$177,013
2022	$572,286	$157,848
2023 - 2027	$2,255,174	$493,547
2028 - 2032	$975,499	$101,639
Total	**$6,587,468**	**$1,597,048**

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	$860,000
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
2018	$885,000	$938,850
2019	$920,000	$903,450
2020	$960,000	$866,650
2021	$1,005,000	$818,650
2022	$1,060,000	$768,400
2023 - 2027	$6,100,000	$3,031,250
2028 - 2032	$7,480,000	$1,647,763
2033 - 2034	$3,445,000	$208,000
total	**$21,855,000**	**$8,975,013**

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

Note 9 - Changes in Long-Term Liabilities

During the year ended December 31, 2017 the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2017	Additions / Prior Period Adjustment	Reductions	Ending Balance 12/31/2017	Due Within One Year
Bonds Payable:					
General Obligation Bonds	$7,170,997	114,094	$697,623	$6,587,468	$734,546
Revenue Bonds	$22,715,000	$0	$860,000	$21,855,000	$885,000
Premiums	$501,496	$0	$29,587	$471,909	$29,587
Total Bonds Payable	$30,387,493	$114,094	$1,587,210	$28,914,377	$1,649,133
Compensated Absences	$275,779	$228,916	$0	$504,695	$0
Pension/OPEB Obligations	$2,461,997	$0	$665,107	$1,796,890	$0
Soils Clean-Up Liability	$840,784	$0	$299,698	$541,086	$0
Long-Term Liabilities:	**$33,966,053**	**$343,010**	**$2,552,015**	**$31,757,048**	**$1,649,133**

Note 10 – Contingencies and Litigations

The Port of Pasco has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the Port of Pasco will have to make payment. In the opinion of management, the Port's insurance policies and grants are adequate to pay all known or pending claims.

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

Note 11 – Pollution Remediation Obligation

The Port is presently involved in a soils cleanup proceeding with the Department of Ecology along with other parties at the marine terminal. In May of 1996 the Port entered into a settlement which set the terms for the payment of cleanup costs. The agreement requires the Port to pay 37% of all remediation costs. Total remediation costs are estimated at $1,837,772 and the Port's portion of the liability is $679,772. In 2017, updated cleanup estimates include 3 years totals, with scope contingency and sixteen years passive cleanup (compliance monitoring, cleanup demonstration and well closure until 2036). The Port receives 75% reimbursement of their 37% of the cleanup cost from the Washington State Department of Ecology. The grant will expire in 2019. The total liability projected for the Port is $541,086.

Note 12 – Restricted Component of Net Position

Net Assets are generally reserved to indicate that a portion of Net Position have been externally restricted for specific purposes. The amount reserved equals total restricted assets except for amounts intended for payment of current payables and debt proceeds for construction purposes. In 2017, this amount is listed under Restricted Assets in the Position section of the Comparative Statement of Net Position and includes Passenger Facility Charges collected and not expended to date and a restricted Custom Share account.

Note 13 – Risk Management

Port of Pasco is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2017, there are 540 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

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

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

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

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

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

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

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

The Port participants in the State of Washington Labor and Industries workman's compensation program. However, management has elected to become self-insured through the Washington State Employment Security Department on a reimbursement basis. Unemployment claims are processed by the Washington State Employment Security Department. No reserve for self-insurance has been established as the potential liability is not considered to be material to the financial statements.

Note 14 – Segment Information

The Port operates an airport and industrial centers which are primarily financed by user charges. 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 (Landing fees and Parking Lot fees), Airport and Industrial Park Building and Land Rental fees, Marine Terminal User fees (Wharfage and Dockage, and Container Service Fees), Facilities rental fees and Operating Grants or assistance from other governmental entities. Operating expenses are those expenses resulting from the ongoing operations of the Port of Pasco including, but not limited to utilities, repair, maintenance, insurance and other costs of doing business. General and Administrative expenses and Depreciation are included in operating net income but are listed separately. Non-operating revenue and expenses include taxes from operations, interest income and expense, miscellaneous sales, Grants or assistance from other governmental entities for capital expenditures and nonrecurring items such as Sale of property. The key financial data for the year ended December 31, 2017, for these facilities are as follows:

	Industrial Centers	Airport	Total
Operating Revenues	$2,994,256	$8,410,003	$11,404,259
Operating Expenses	($1,846,418)	($4,099,731)	($5,946,149)
General & Admin Expenses	($1,215,299)	($1,767,667)	($2,982,966)
Depreciation Expense	($2,165,351)	($5,266,156)	($7,431,507)
Operating Income (Loss)	($2,232,812)	($2,723,551)	($4,956,363)
Tax Revenues	$2,133,001	$0	$2,133,001
Nonoperating Revenues (Expenses)	$30,329	($1,476,700)	($1,446,371)
Capital Contributions	$72,762	$2,590,652	$2,663,414
Increase (Decrease) in Net Position	$3,280	($1,609,600)	($1,606,319)

	Industrial Centers	Airport	Total
Property, Plant & Equipment Increase (Decrease)	$365,297	($3,494,188)	($3,128,891)
Long Term Liabilities Payable from Operations	$0	$0	($22,715,000)

Note 15 – Formation of Public Corporation

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

2017 Revenues of the Port of Pasco Economic Development Corporation amounted to $0.

The current balance in this account is $12,442.

Note 16 – Other Postemployment Benefit Plans

In addition to the pension benefits described in Note 6, the Port provided post-retirement health care benefits, to retired employees and their spouse, who retire after at least 10 years of service to the Port and qualifies to receive benefits from the Washington State Public Employee Retirement System. As of December 31, 2017, five (5) retirees met this eligibility requirement and sixteen employees are eligible for this benefit upon retirement.

The Port covers an insurance policy for the retirees until they are eligible for Medicare or another medical insurance plan at which time coverage ends. Employer contributions are financed on pay-as-you go basis. Expenditures for post-retirement benefits are included in administrative fringe benefits since this amount is not a significant liability.

During 2017, expenditures of $51,237 were recognized for post-retirement health care. This amount is 5% of our total benefit cost of $1,001,457 and 1% of the total employee payroll costs. Expenditures for 2016 and 2015 were $25,387 and $29,711 respectively.

Note 17 – Contributed Capital

GASB Statement No. 33, *Accounting and Financial Reporting for Non Exchange Transactions,* addresses accounting for non-exchange transactions and was adopted by the Port of Pasco effective January 1, 2001. The statement requires that contributed capital be recognized as revenue in the current year. Prior to adopting GASB Statement No. 33, the Port of Pasco included capital in the equity section on the balance sheet as capital contributions.

Note 18 – Prior Period Adjustments

During the year ended December 31, 2017, errors of $2,335,810 were found related to capitalizing interest costs related to debt during construction, $495,342 were found in recognition of due from other governments, $208,022 were found in recognition of accounts receivable, $143,065 were found in recognition of prepaid expenses, $114,094 were found in recognition of bonds, notes, and loans payable, $41,639 were found in recognition of accrued interest, $535,456 were found in recognition of construction in progress, $8915 were found in recognition of deferred inflows related to pensions, and $290 were found in recognition of deferred outflows related to pensions. The errors were made in fiscal years 2014, 2015 and 2016. The errors have been corrected in the 2017 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 adjustments to the net position is $2,565,704 which restated the December 31, 2016 net position from $109,351,776 to $111,917,479.

Note 19 – Stewardship, Compliance and Accountability

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

Port of Pasco
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.023936%	0.023189%	0.022091%	%	%	%	%	%	%	%
Employer's proportionate share of the net pension liability	$1,252,075	$1,245,359	$1,048,235	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	$1,252,075	$1,245,359	$1,048,235	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll*	$2,623,538	$2,493,340	$2,546,479	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's proportionate share of the net pension liability as a percentage of covered payroll	47.72%	49.95%	41.16%	%	%	%	%	%	%	%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	%	%	%	%	%	%	%

Notes to Schedule:

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

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

Port of Pasco
Schedule of Proportionate Share of the Net Pension Liability
PERS 2\3
As of June 30, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.025203%	0.024164%	0.021547%	%	%	%	%	%	%	%
Employer's proportionate share of the net pension liability	$900,518	$1,216,638	$748,655	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	$900,518	$1,216,638	$748,655	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll*	$2,623,538	$2,493,340	$2,546,479	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's proportionate share of the net pension liability as a percentage of covered payroll	34.32%	48.80%	29.40%	%	%	%	%	%	%	%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	%	%	%	%	%	%	%

Notes to Schedule:

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

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

Port of Pasco
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
As of June 30, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.002535%	0.004160%	0.002576%	%	%	%	%	%	%	%
Employer's proportionate share of the net pension liability	($239033)	($, 49136)	($7089510)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	($239033)	($, 49136)	($7089510)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's Covered employee payroll	$695619814	$69, 3191, 0	$698, 59, 23	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's proportionate share of the net pension liability as a perCenta*e of Covered employee payroll	-1.07%	-7.3, %	-, .78%	%	%	%	%	%	%	%
c lan fidgGary net position as a perCenta*e of the total pension liability	777.52%	705.0, %	771.15%	%	%	%	%	%	%	%

Notes to Schedule:

Pu ntil a fgll 70-year trend is Compiled9*overnments shogld present information only for those years for UhiCh information is available.

Pwovered payroll is the payroll on UhiCh Contribgtions to a pension plan are based (GASB 469par. 8)

Port of Pasco
Schedule of Employer Contributions
PERS 1
As of December 31, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions	$120,471	$126,002	$134,583	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the statutorily or contractually required contributions*	($120,471)	($126,002)	($134,583)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contribution deficiency (excess)	$0	$0	$0	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll*	$2,623,538	$2,493,340	$2,546,479	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	4.59%	5.05%	5.29%	%	%	%	%	%	%	%

Notes to Schedule:

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

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

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

Port of Pasco
Schedule of Employer Contributions
PERS 2/3
As of December 31, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions	$120,476	$131,475	$183,621	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the statutorily or contractually required contributions*	($120,476)	($131,475)	($183,621)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contribution deficiency (excess)	$6	$6	$6	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll*	$2,023,837	$2,453,346	$2,840,495	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	4.72%	8.29%	0.61%	%	%	%	%	%	%	%

Notes to Schedule:

* Until a full 16-year trend is compiled, governments should present information only for those years for which information is available.

* Covered payroll is the payroll on which contributions to a pension plan are based (GASB 72, par. 8)

* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions   that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 72, Par. 7)

Port of Pasco
Schedule of Employer Contributions
LEOFF 2
As of December 31, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions	$120, 47	$1603 6,	$110 465	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8
- ontributions in relation to tCe statutorily or contractually required contributionsh	*$120, 47(	*$1603 6, (	*$110 465(	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8
- ontribution de)iciency *ef cess(	$4	$4	$4	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8
- oxered vayrollh	$60, 620 523	$607 p 20 274	$605 7, 07 9p	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8
- ontributions as a vercentage o) coxered vayroll	4.56%	4.51%	4.72%	%	%	%	%	%	%	%

Notes to Schedule:

hUntil a)ull 148year trend is comviled0goxernments sCould vresent in)ormation only)or tCose years)or wGcC in)ormation is axailable.

h- oxered vayroll is tCe vayroll on wGcC contributions to a vension vlan are based *GASB 360var. 5(

h- ontributions are actual emvloyer contributions to tCe vlan. For PERS 1 tGs includes tCe vortion o) PERS 6/2 and PSERS 6 contributions tCat)und tCe PERS 1 UAAL. - ontributions do not include emvloyer8vaid member contributions *GASB 360Par. 3(

Port of Pasco
Schedule 16
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency Name/Pass Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Footnote Ref
U.S. Department of Transportation							
Department of Transportation Federal Aviation Administration (FAA)	Airport Improvement Program	20.106	3-53-0046-41-2014	$0	$262,894	$262,894	1,2
Department of Transportation Federal Aviation Administration (FAA)	Airport Improvement Program	20.106	3-53-0046-42-2014	$0	$8,091	$8,091	1,2
Department of Transportation Federal Aviation Administration (FAA)	Airport Improvement Program	20.106	3-53-0046-43-2015	$0	$0	$0	1,2
Department of Transportation Federal Aviation Administration (FAA)	Airport Improvement Program	20.106	3-53-0046-44-2017	$0	$2,048,099	$2,048,099	1,2
			Total U.S. Department of Transportation:	**$0**	**$2,319,083**	**$2,319,083**	
U.S. Department of Homeland Security							
Department of Transportation Office of the Secretary (OST) Administration Secretariate	Design In-Line Baggage Handling System	97.075	HSTS04-16-H-CT1017	$0	$269,608	$269,608	1,2
Department of Transportation Office of the Secretary (OST) Administration Secretariate	Inline Baggage Screening System Facility Modification	97.075	70T04018T9CAP1001	$0	$1,961	$1,961	1,2
Department of Transportation Office of the Secretary (OST) Administration Secretariate	Law Enforcement Officer Reimbursement Program	97.075	HSTS02-16-H-SLR651	$0	$112,931	$112,931	1,2
			Total U.S. Department of Homeland Security:	**$0**	**$384,499**	**$384,499**	
U.S. Department of Commerce							
Department of Commerce	EDA Award	11.303	ED16SEA3030004	$0	$50,000	$50,000	1,2
			Total U.S. Department of Commerce:	**$0**	**$50,000**	**$50,000**	
			Total Federal Awards Expended:	**$0**	**$2,753,582**	**$2,753,582**	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

Port of Pasco
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Note 1 - Basis of Accounting

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

Note 2 - Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Port of Pasco's portion, are more than shown.

Note 7 - Indirect Cost Rate

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

Port of Pasco
Tri-Cities Airport
Schedule of Passenger Facility Charges
Collected, Held and Used
For the Year Ended December 31, 2017

Program	Unliquidated PFC Beginning Balance	PFC Revenue Collected	Interest Earned	Expenditures	Ending Balance Unliquidated PFC
Quarter ended March 31, 2017					
Application #10 14-10-C-00-PSC	$ 257,859	$ 341,269.80	$ 2,067.16	$ -	$ 601,196
Quarter ended June 30, 2017					
Application #10 14-10-C-00-PSC	$ 601,196	$ 394,485	$ 2,883	$ 405,153	$ 593,410
Quarter ended September 30, 2017					
Application #10 14-10-C-00-PSC	$ 593,410	$ 390,220	$ 745,272	$ -	$ 1,728,902
Quarter ended December 31, 2017					
Application #10 14-10-C-00-PSC	$ 1,728,902	$ 401,122	$ 3,267	$ 1,127,553	$ 1,005,738
Year Ended December 31, 2017					
Application #10 14-10-C-00-PSC	$ 257,859	$ 1,527,097	$ 753,489	$ 1,532,706	$ 1,005,738

Port of Pasco
Tri-Cities Airport
Notes to the Schedule of Passenger Facility Charges
Collected, Held and Used
For the Year Ended December 31, 2017

Note 1 – Basis of Accounting

This schedule is prepared generally on the same basis of accounting as the Port's financial statements. However, while the Port uses the full or modified-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, the PFC revenues presented represent only those revenues actually received for the quarter reported. PFC revenues not received prior to the end of each quarter are not accrued and are reported as revenues of the subsequent reporting period.

Note 2 – Program Costs

The amounts shown as current year revenues and expenses represent only the Passenger Facility Charges portions of the project costs. Entire project costs may be more than shown.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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