

# **PORT OF KINGSTON**

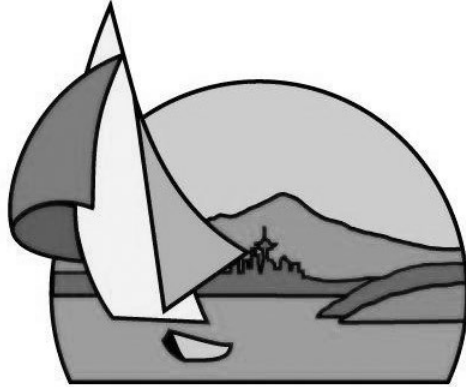
## 2021 Annual Report

For the Fiscal Year Ended December 31, 2021

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# **PORT OF KINGSTON**

## Commissioners

Steve Heacock	Commissioner
Laura Gronnvoll	Commissioner
Mary McClure	Commissioner

## Port Officers

Greg Englin	Executive Director
Audra Trainer	Controller/Port Auditor

# Port of Kingston 2021 Annual Report

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PORT OF KINGSTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Port of Kingston (the Port's) financial performance provides an overview of the Port's financial activities for the fiscal year ended December 31, 2021. The discussion and analysis are designed to assist the reader in focusing on the significant financial issues and activities of the Port and to identify any significant changes in financial position. Please read it in conjunction with the Port's financial statements.

The Port is a Special Purpose Municipal Government, created in 1919 under provision of the Revised Code of Washington (RCW Title 53). The Port is independent from other local and state governments. Ports exist to build infrastructure and promote economic development and tourism within their districts. Ports are often, though not always, involved in transportation activities.

The Port has three Commissioners who are elected to six-year terms and serve as the governing body to the Port. The Port Commission appoints an Executive Director to manage Port operations and a Port Auditor (currently the Controller) to manage the Port's finances, and legal counsel. The Port Commission has hired an outside firm Chmelik, Sitkin & Davis, to represent the Port.

Kitsap County serves as treasurer and levies and collects property taxes on behalf of the Port as determined by the Commission. These tax revenues go to support public access improvements, provide financing for land acquisition and development (including environmental costs) and to pay for debt service payments for limited tax general obligation bonds.

The Port serves as a major transportation hub for the Washington State Ferries and Kitsap Transit Ferry systems and leases property to those agencies. The Port also operates a 311-slip marina, a 335-stall parking lot, two-lane boat ramp, 440' fishing pier, fuel dock, the Mike Wallace Marina Park, North Beach area, and leases commercial buildings. The Port also serves as a venue for events, concerts, and the Kingston Public Market.

USING THE ANNUAL REPORT

Governmental accounting falls under the control of the Governmental Accounting Standards Board (GASB). All functions of the Port are considered in the numbers shown in the following pages, including the cost of general government of the Port District. Since the Port is a Special Purpose government, all 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 expenses. All of these expenses are reported in the Proprietary Fund. The "one fund" model is used in compliance with the rules of GASB 34, which state that separately issued debt and separately issued classified assets are needed for a separate fund to exist. Most of the governmental costs are contained in the General and Administrative cost centers shown on the Port's financial reports. Since the Port is comprised of a single enterprise fund, no fund level financial statements are included.

Ports perform their accounting and financial reporting of their activities very much like a business. The Port prepares an income statement, manages operations, and plans for capital investments. Ports collect revenues from services performed for customers and pay for expenses related to those services. However, ports are municipal governments, as such ports may collect property tax revenues from the property owners within the Port district. These tax revenues may go to support the capital investments made by the Port. Often, ports will use tax revenues to pay for debt incurred to construct facilities used to support Port functions. Sometimes, ports may use a portion of their tax revenue to pay for operating expenses. The Port of Kingston uses its tax revenue to pay for capital improvements, to supplement the cost of public amenities, and to promote economic development and tourism.

The financial statements provide a broad view of the Port's operations in a manner similar to a private-sector business. The financial statements consider all revenues and expenses connected with the fiscal year even if the cash has not been received or paid.

The Statement of Net Position (also known as the Balance Sheet) presents the Port's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in the Port's net position may serve as a useful indicator of whether the financial position of the Port is improving or declining.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Port's net position changed during the year. Revenues less expenses, when combined with other nonoperating items such as investment income, tax receipts, and interest expense, results in a net increase or decrease in the Port's net position for the year.

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

The notes to the financial statements provide additional information that may not be readily apparent from the actual financial statements. The notes to the financial statements can be found immediately following the financial statements.

Changes in net position and cash flows are two ways to measure the financial position of a Port. An increase in the Port's net position due to its operations indicate an improved financial position.

## FINANCIAL ANALYSIS – STATEMENT OF NET POSITION

Summary of Statement of Net Position				
	2021	2020	Increase (Decrease)	% Change
Current Assets	\$ 2,414,633	\$ 2,073,975	340,657	16.43%
Noncurrent Assets/Capital Assets	8,249,059	8,119,901	129,158	1.59%
<b>Total Assets</b>	<b>10,663,692</b>	<b>10,193,876</b>	<b>469,816</b>	<b>4.61%</b>
Deferred Outflow of Resources	223,137	243,465	(20,327)	-8.35%
<b>Total Assets and Deferred Outflows of Resources</b>	<b>10,886,829</b>	<b>10,437,341</b>	<b>449,488</b>	<b>4.31%</b>
Current Liabilities	267,853	251,561	16,291	6.48%
Noncurrent Liabilities	2,273,432	2,500,740	(227,307)	-9.09%
<b>Total Liabilities</b>	<b>2,541,285</b>	<b>2,752,301</b>	<b>(211,016)</b>	<b>-7.67%</b>
Deferred Inflows of Resources	580,634	69,331	511,303	737.48%
Net Investment in capital assets	6,930,312	7,299,901	(369,588)	-5.06%
Restricted	121,534	-	121,534	
Unrestricted	713,064	315,808	397,256	125.79%
<b>Total Net Position</b>	<b>7,764,911</b>	<b>7,615,709</b>	<b>149,202</b>	<b>1.96%</b>
<b>Total Liabilities, Deferred Inflows of Revenue's and Net Position</b>	<b>\$ 10,886,829</b>	<b>\$ 10,437,341</b>	<b>449,488</b>	<b>4.31%</b>

This discussion of the Port's financial statements includes an analysis of major changes in the assets and liabilities for 2021, as well as reviewing changes in revenues and expenses reflected in the financial statements. The Port's net position increased by \$149,202 or 1.96% in 2021, which shows that the Port of Kingston performed better in 2021 than in 2020. The primary emphasis of the Port was to rebuild cash reserves and preserve revenue streams without deferring maintenance. The Port's cash and equivalents increased by \$225,316, while total current assets increased by \$340,657 in 2021. Non-current assets increased by \$129,158, which is due to the net pension asset, as one of the Port's pension plans is fully funded. *See Note 7, Pension Plans* for more information.

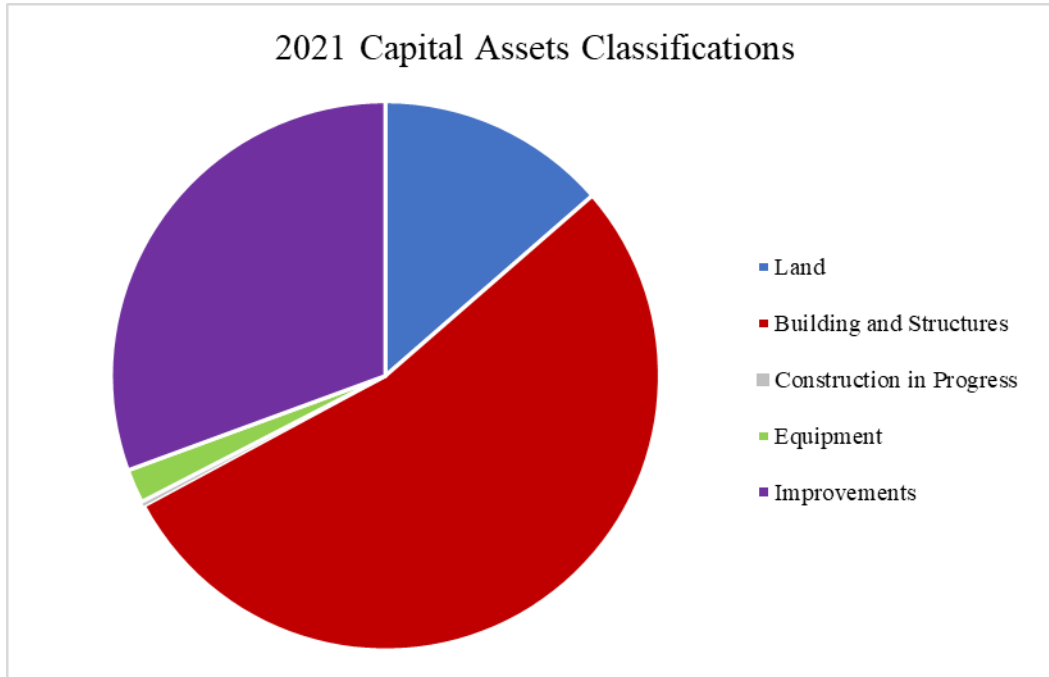
Deferred outflow of resources decreased by \$20,327 to \$223,137 in 2021.

The Port's current liabilities increased \$16,291 to \$267,853. Noncurrent Liabilities decreased \$227,307 due to the net pension liability as one of the Ports pension plans is fully funded and principal payments to the LTGO Bond of \$60,000.

Deferred inflows of resources increased by \$511,303 to \$580,634, due to the increase in net pension asset and decrease in net pension liability, as discussed above.

Net investment of capital assets decreased by \$369,588 to \$6.93 million. The Port had a restricted net position of \$121,534 as a result of the net pension asset, adjusted by the associated deferred outflows and inflows. The Port’s assets exceeded its liabilities by 7.76 million (net position) as of December 31, 2021.

CAPITAL ASSETS



<u>Capital Assets</u>	<u>2021</u>	<u>2020</u>
Land	\$ 1,871,056	\$ 1,871,056
Construction in Progress	36,688	-
Buildings and Structures	7,365,281	7,334,040
Equipment	274,241	278,383
Improvements	4,208,489	4,208,489
	<u>\$ 13,755,754</u>	<u>\$ 13,691,967</u>

The Port has booked the acquisition of all assets at historical costs on its Statement of Net Position. GASB 34 requires the Port to capitalize and depreciate all assets owned or controlled by the Port, which are shown on these financial statements.

The Port’s capital assets are classified in the following categories: land, construction in progress, building and structures, machinery and equipment, and other improvements. Marina and other improvements include assets such as docks, breakwaters, roads, and landscaping. *See Note 4, Capital Assets and Depreciation*, in the Notes to the Financial Statements for more information.

The Port maintained capital assets of \$13.8 million as of December 31, 2021.

LIABILITIES

The Port’s current liabilities as of December 31, 2021, are debts that the Port will repay in 2022. The total current liabilities increased by \$16,291 in 2021. Current liabilities include payments for expenses already incurred and customer deposits.

The Port’s long-term liabilities are Kitsap Transit unearned revenue, compensated absences, net pension liability, environmental remediation liability, asset retirement obligation, and an outstanding General Obligation Bond. As of December 31, 2021, the general obligation debt is \$760,000, compared to \$820,000 at the end of 2020, reflecting principal payments of \$60,000. *See Note 9 – Long Term Debt Notes 7, Pension Plans; and Note 13, Underground Storage Tank Retirement Obligation;* in the Notes to the Financial Statements for more information.

FINANCIAL ANALYSIS – REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Summary of Statement of Revenues, Expenses, and Changes in Net Position				
	2021	2020	Increase (Decrease)	% Change
Marina Operations Revenues	\$2,223,234	\$1,735,711	487,523	28.09%
Property/Lease Rental Operations Revenues	658,228	589,441	68,787	11.67%
Nonoperating Revenues	264,071	634,871	(370,800)	-58.41%
<b>Total Revenues</b>	<b>3,145,534</b>	<b>2,960,023</b>	<b>185,510</b>	<b>6.27%</b>
Operating Expenses	2,963,807	3,077,882	(114,074)	-3.71%
Nonoperating Expenses	32,524	46,927	(14,403)	-30.69%
<b>Total Expenses</b>	<b>2,996,332</b>	<b>3,124,809</b>	<b>(128,477)</b>	<b>-4.11%</b>
<b>Increase (Decrease) in Net Position</b>	<b>149,202</b>	<b>(164,785)</b>	<b>313,987</b>	<b>-190.54%</b>
Net Position - Beginning	7,615,709	7,780,470	(164,761)	-2.12%
Change in Accounting Principle	0	24	(24)	-100%
<b>Net Position - Ending</b>	<b>\$7,764,911</b>	<b>\$7,615,709</b>	<b>149,202</b>	<b>1.96%</b>

The Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of changes in net position.

The Port’s 2021 marina operations revenues were \$2.22 million, an increase of \$487,523 or 28.09% greater than the previous year. The increase is primarily due to marina rate increases, based on an in-house marina rate survey. This survey is completed on an annual basis to ensure that our rates remain competitive. Property and lease rental operation revenues were \$658,228, an increase of \$68,787 or 11.67% greater than the previous year. Parking revenue, specifically the daily parking, increased from the prior year.



Revenue from our fuel dock has increased in 2021. Management is tracking fuel inventory using the First in First Out (FIFO) method and pricing appropriately.

The Port's 2021 non-operating revenues were \$264,071, a decrease of \$370,800, or 58.41% less than the previous year.

The Port's 2021 operating expenses were \$2.96 million, a decrease of \$114,074, or -3.71% less than the previous year's operating expense levels. The Port's non-operating expenses were \$32,524, a decrease of \$14,403 from the previous year.

On September 22, 2021, the Port adopted goals in its Comprehensive Scheme of Harbor Improvements (also referred to as the Comprehensive Plan) including provisions to ensure that there is an adequate and appropriate level of infrastructure to support a growing economy. The Commission approved a resolution for the Port of Kingston to create an Industrial Development District (IDD) in the Port District.

#### CONTACTING THE PORT'S FINANCIAL MANAGEMENT

This 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 Audra Trainer, Controller, at the Port of Kingston, 25864 Washington Boulevard, Kingston, WA 98346, by e-mail at [audrat@portofkingston.org](mailto:audrat@portofkingston.org), or by telephone at (360) 297-3545.

PORT OF KINGSTON  
STATEMENT OF NET POSITION  
December 31, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,184,344
Accounts receivable	91,296
Taxes receivable	6,542
Inventory	50,751
Prepaid expenses	81,700
Total current assets	<u>2,414,633</u>

Noncurrent Assets

Net pension asset	558,747
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Capital Assets

Capital Assets Not Being Depreciated

Land	1,871,056
Construction in progress	36,688

Capital Assets Being Depreciated

Buildings and structures	7,365,281
Equipment	274,241
Improvements	4,208,489
Less: Accumulated depreciation	<u>(6,065,442)</u>
Total Net Capital Assets	<u>7,690,312</u>

Total Assets	<u>\$ 10,663,692</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pensions	99,327
Deferred outflows - asset retirement obligation	<u>123,810</u>
Total Deferred Outflows	<u>\$ 223,137</u>

*The accompanying notes are an integral part of this statement.*

PORT OF KINGSTON  
STATEMENT OF NET POSITION  
December 31, 2021

LIABILITIES

Current Liabilities

Accounts payable	\$ 44,720
Accrued taxes	54,219
Unearned revenue	21,597
Tenant deposits	63,150
Current portion of long-term unearned revenue	23,167
Current portion of long-term debt	61,000
Total Current Liabilities	<u>267,853</u>

Noncurrent Liabilities

Compensated absences	30,855
Long-term unearned revenue	1,207,461
Environmental remediation liability	114,000
Asset retirement obligation	168,883
Pension liability	53,234
General obligation bonds	699,000
Total Noncurrent Liabilities	<u>2,273,432</u>

Total Liabilities	<u>\$ 2,541,285</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pensions	<u>580,634</u>
Total Deferred Inflows	<u>\$ 580,634</u>

NET POSITION

Net investment in capital assets	6,930,312
Restricted for net pension asset	121,534
Unrestricted	<u>713,064</u>
TOTAL NET POSITION	<u>\$ 7,764,911</u>

*The accompanying notes are an integral part of this statement.*

PORT OF KINGSTON  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Operating Revenues:</u>	
Marina operations	\$ 2,223,234
Property operations	658,228
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Total Operating Revenues	2,881,462
	<hr/>
<u>Operating Expenses:</u>	
General operations	736,202
Maintenance	696,688
General and administrative	1,004,685
Depreciation and amortization	526,233
	<hr/>
Total operating expenses	2,963,807
	<hr/>
Operating Income (Loss)	(82,345)
	<hr/>
<u>Nonoperating Revenues (Expenses):</u>	
Taxes levied for Port operations:	
Real and personal property taxes	221,124
Timber and leasehold excise taxes	3,691
Grant proceeds	28,170
Gain on capital asset disposals	7,141
Investment income	3,945
Election expense	(4,010)
Interest expense	(25,514)
Environmental remediation expense	(3,000)
	<hr/>
Total nonoperating revenues (expenses)	231,547
	<hr/>
Increase in Net Position	149,202
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Net Position at the beginning of the period	7,615,709
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Net position at the end of the period	\$ 7,764,911
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*The accompanying notes are an integral part of this statement.*

PORT OF KINGSTON  
STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,790,213
Payments to suppliers	(1,482,096)
Payments to employees	(1,204,628)
Net cash provided by operating activities	<u>103,489</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash receipts from real and personal property taxes	219,926
Timber and leasehold taxes	3,691
Other receipts (payments) for other non-operating activities	(4,010)
Net cash provided by noncapital financing activities	<u>219,607</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sales of assets	7,141
Principal payments bonds	(60,000)
Interest paid on bonds	(25,514)
Cash received from grants	28,170
Purchase of capital assets	(51,521)
Net cash provided by capital and related financing activities	<u>(101,725)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	<u>3,945</u>
Net cash provided by investing activities	<u>3,945</u>
Net increase in cash and cash equivalents	225,316
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,959,028</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u><u>2,184,344</u></u>

*The accompanying notes are an integral part of this statement.*

PORT OF KINGSTON  
STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021

Reconciliation of operating loss to net cash provided by operating activities:	
Net operating loss	\$ (82,345)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation & amortization expense	526,233
Pension negative expense	(201,067)
Other non-cash revenue/expense	(38,265)
Changes in assets and liabilities	
(Increase) in accounts receivable	(79,235)
(Increase) in inventory and prepaid expenses	(31,197)
(Decrease) in accounts payable & other current liabilities	7,985
Increase in tenant deposits	5,925
(Decrease) in pension liability	<u>(4,545)</u>
Total adjustments	<u>185,834</u>
Net cash provided by operating activities	<u>\$ 103,489</u>

*The accompanying notes are an integral part of this statement.*

PORT OF KINGSTON  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Port was incorporated in 1919 and operates under the laws of the State of Washington applicable to a port district as a municipal corporation under the provisions of Chapter 53 of the Revised Code of Washington (RCW). The Port is a special purpose government and provides marina and related facilities to the public and is supported primarily through user charges.

The Port is independent from other local or state governments and operates within district boundaries which include the northeast corner of Kitsap County. A three-member Board of Commissioners administer it, each of whom are elected to a six-year term. The Board of Commissioners delegates authority to an Executive Director and administrative staff who conduct the operations of the Port of Kingston. Kitsap County levies and collects taxes and issues warrants for payment of expenditures on the Port's behalf.

As required by generally accepted accounting principles the financial statements present the Port the primary government, and its component units. Management has considered all potential components units in defining the reporting entity. The Industrial Development District discussed in *Note 1 E. 15* meets the criteria for a component unit. However, the District is still in the process of establishment and has had no activity in the audit period.

B. Basis of Accounting and Reporting

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

The Port's financial statements are reported using the economic resources measurement focus and the full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and related items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

All assets and all liabilities (whether current or non-current) associated with their activity are included on the statements of net position. 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 on a separate statement that presents its operating, non-capital financing, capital and related financing and investing activities.

The Port distinguishes between operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and facilities in connection with the Port's principal ongoing operations. The principal operating revenues of the Port are charges to customers for marina operations, fuel sales, parking, land, and building lease revenue. Operating expenses for the Port include general operations, maintenance, general and administrative, cost of goods sold (COGS), and depreciation on Capital Assets. Revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The Port receives federal and state grants for both capital reimbursement as well as operating grants for specific purposes. Operating grants and related expenses are accounted for as non-operating revenues and expenses while capital grants are accounted for as capital contributions increasing the net position of the Port.

#### C. Use of Estimates

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

#### D. Significant Risks and Uncertainties

The Port is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, security, and natural disasters, as well as regulations and changes in law of federal, state, and local governments.

#### E. Assets, Liabilities, Fund Balance, and Net Position

##### 1. Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2021, the treasurer was holding \$2,184,344 in short-term investments of surplus cash. This amount is classified on the Statement of Net Position as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

The Port established a designated investment fund to cover the cost of marina replacement in the future. The fund was initially established with \$1,500,000 and \$210,000 per year is required to be transferred into the account annually. As of December 31, 2021, the balance of the fund is \$1,258,892.



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

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 Taxes.*

Property taxes and special assessments are considered liens on property, no estimated uncollectible amounts are established for these items. The Port does not estimate any uncollectible amounts as of December 31, 2021.

Customer accounts receivable consists of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Receivables consist of amounts owed on open accounts from private individuals or organizations for good and services rendered. As of December 31, 2021, the customer accounts receivable was \$91,296.

4. Amounts Due to and From Other Governments

These accounts include amounts owed from governmental grants and other settlements.

5. Prepaid Expenses

Prepaid expenses represent amounts paid in advance for items of future benefit. The amount reported on the statement of net position primarily consists of prepaid insurance for the Port's property and general liability coverage.

6. 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/consumed). The reserve for inventory is equal to the (average/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 for fuel sales is non-ethanol gasoline and diesel fuel held at the Port's marina fuel dock as of December 31, 2021. Fuel inventory has been valued based on the first-in, first-out or FIFO method of accounting, which approximates the market value. The Port maintains a small inventory of retail merchandise to sell to consumers.

7. Capital Assets and Depreciation – *(See Note 4, Capital Assets)*

Capital assets, which include property, plant, equipment, and infrastructure assets. Capital assets are defined by the Port as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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 is not capitalized.

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

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

- Building and improvements 10 to 50 years,
- machinery and equipment 3 to 20 years,
- and software, furniture, and fixtures 3 to 7 years.

8. Deferred Inflows/Outflows of Resources

In accordance with GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, the Port reports separate sections for these items on the Statement of Net Position. Deferred outflows represent a consumption of net assets that applies to a future period(s); conversely, deferred inflows represent an acquisition of net assets that applies to a future period(s). As of December 31, 2021, the Port recorded deferred outflows and inflows of resources of \$223,137 and \$580,634, respectively.

9. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation leave. The Port records employee leave benefits as an expense and liability when earned.

Each employee may carry forward 160 hours of vacation pay to the following year. Unused vacation pay is payable upon separation, retirement, or death.

Sick leave may accumulate up to 1,000 hours for all regular full and part time employees and 40 hours for seasonal and extra help employees. No accrual is made for sick pay as it expires if unused.

10. Long-term Debt – *(See Note 9, Long-Term Liabilities)*

11. Pensions

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

For purposes of calculating restricted net position related to the net pension asset, the Port includes the net pension asset and the related deferred outflows and deferred inflows.

12. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

13. Unearned Revenue

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

On December 31, 2021, the Port held \$1,252,225 in unearned revenue. This amount represents pre-payments of rent and will be recognized as revenue in future years.

14. Net Position Classification

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted. The Port's Statement of Net Position reports \$121,534 of restricted net position for pension asset as per Note 7, *Pension*. None of the restricted net position is restricted by enabling legislation.

15. IDD – Industrial Development District

A central purpose of the Port is to create economic development and provide employment opportunities that strengthen the local economy. Port infrastructure provides a foundation that supports Kitsap County's marine-related commercial and recreational sectors and also as a transportation hub for the Olympic Peninsula.

In recognition of the key economic development role played by port districts, the Washington State Legislature adopted Chapter 53.25 RCW authorizing the establishment of Industrial Development Districts (IDD). Formation of an IDD provides a port district with specific powers, including special additional taxing authority, to facilitate development and redevelopment of lands within the boundaries of the IDD. Chapter 53.25 RCW was originally adopted in 1955 and amended in 1957 to allow multiple levy periods.

The Port of Kingston has never used this statutory authority. The Port Commission could establish an Industrial Development District (IDD) in the event this commission or future commissions decides to exercise their authority to issue a levy.

In 2021, the commission signed a resolution that would authorize establishment of an IDD and define the boundaries of the IDD. The resolution merely affirms the Commission's intent to create an IDD but does not, in and of itself, impose any new

taxes. Instead, the Commission (and subsequent commissions) will determine how much (if any) should be levied and collected in the future.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### Treasury Function

At the direction of the Port Auditor, the Kitsap County Treasurer is responsible for the execution and administration of the Port's deposit and investment accounts, based on the Port's management and investment decisions. A Commission resolution provides general guidance and policy direction for all investments of the Port funds. This resolution, in combination with the state statutes and the Treasurer's investment policy, serves as a template for the investment of all Port funds.

The Port established a designated investment fund to cover the cost of marina replacement in the future. The fund was initially established with \$1,500,000 and \$210,000 per year is required to be transferred into the account annually. As of December 31, 2021, the balance of the fund is \$1,258,892.

### Deposits

The Port has established a direct banking service with Columbia Bank for all cash and check deposits.

### Investments

As of December 31, 2021, the Port had no investments measured at fair value.

### Investments in Kitsap County Investment Pool (KCIP)

The Port is a participant in the Kitsap County Investment Pool (KCIP), an external investment pool. The county reports its investment in the Pool at the fair value amount, which is the same as the value of the Pool per share. Fair value is determined using quoted market prices from the county's safekeeping agent, Key Bank, and with Bloomberg, an online financial services system.

The KCIP was established in 1987 pursuant to RCW 36.29, which authorizes the County Treasurer to invest the funds of participants. The Pool operates in accordance with Kitsap County's Investment Policy which was established by the Kitsap County Finance Committee (KCFC). The KCFC consists of the County Treasurer, County Auditor, and Chair of the Board of County Commissioners.

The KCIP is not registered with the Securities and Exchange Committee (SEC) as an investment company. KCFC performs oversight of the Pool's performance. There are no legally binding guarantees for the KCIP. Authorized investments for the KCIP are the same as investments held outside the Pool and are defined in the Kitsap County Treasurer's Office Investment Policy.

Kitsap County Investment Policy applies to all available cash assets of the county and to funds under the management of the County Treasurer as defined under RCW 36.29.020. The Policy's primary objective is the preservation of capital, followed by liquidity and return.

The responsibility for managing the pool resides with the County Treasurer. KCIP consists of funds invested on behalf of the county and other special purpose districts within the county, such as schools, fire, ports, and library districts.

The KCIP only invests in the types of securities authorized for investment by RCW 36.29.020, which include, but are not limited to, Treasury and Agency securities, municipal bonds of Washington state or local bonds of Washington state with one of the three highest ratings of a national rating agency at the time of investment, certificates of deposit with qualified public depositories within statutory limits as promulgated by the Public Deposit Protection Commission at the time of investment, and the Washington State Local Government Investment Pool.

The value of the KCIP is reviewed by the County Treasurer monthly and the County Finance Committee quarterly.

Earnings distributions, including any realized transactions in the Pool are distributed monthly and calculated on the average daily balance of the participant's account. The Kitsap County Treasurer, by law, is the treasurer of most governments within the county, including schools, fire departments, ports, and library districts.

### NOTE 3 – PROPERTY TAXES

The Kitsap County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed (at/after) the end of each month to the Port by the County Treasurer.

Property taxes are recorded as revenue when received. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Port's current levy for 2021 was \$.158430 per \$1,000 on an assessed valuation of \$1,373,615,183 for a total regular levy of \$217,892.

The Port may levy up to \$.45 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 Port may also levy taxes at a lower rate.

### NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Capital assets are assets with initial individual cost of more than \$5,000 and an estimated useful life greater than 1 year. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. All capital assets are valued at historical cost (or estimated historical cost, where historical cost is not known/or estimated market value for donated assets).

The Port has acquired certain assets with funding provided by federal and state financial assistance programs. Depending on the terms of the agreements involved, the 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 account.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives using the straight-line method. Building and improvements are assigned lives of 10 to 50 years; machinery and equipment 3 to 20 years, and software, furniture, and fixtures 3 to 7 years.

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

	Beginning Balance			Ending Balance
	1/1/2021	Increases	Decreases	
Capital assets, not being depreciated				
Land	\$ 1,871,056	\$ -	\$ -	\$ 1,871,056
Construction in Progress	-	36,688	-	36,688
<b>Total capital assets, not being depreciated</b>	<b>1,871,056</b>	<b>36,688</b>	<b>-</b>	<b>1,907,743</b>
Capital assets, being depreciated				
Buildings and Structures	7,334,040	31,241		7,365,281
Machinery and equipment	278,383	5,858	(10,000)	274,241
Marina and other improvements	4,208,489			4,208,489
<b>Total capital assets being depreciated</b>	<b>11,820,912</b>	<b>37,099</b>	<b>(10,000)</b>	<b>11,848,011</b>
<b>Less: accumulated depreciation</b>	<b>(5,572,067)</b>			<b>(6,065,442)</b>
<b>Total capital assets, being depreciated, net</b>	<b>\$ 6,248,845</b>			<b>\$ 5,782,569</b>

#### NOTE 5 - CONSTRUCTION COMMITMENTS

The Port had no active construction projects as of December 31, 2021.

#### NOTE 6 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

#### NOTE 7 - PENSION

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit

payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating the restricted net position related to the net pension asset, the Port includes the (net pension asset only/net pension asset and the related deferred outflows and deferred inflows/net pension asset and related deferred inflows).

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

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (53,234)
Pension assets	\$ 558,747
Deferred outflows of resources	\$ 99,327
Deferred inflows of resources	\$ (580,634)
Pension expense/expenditures	\$ (118,437)

### State Sponsored Pension Plans

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

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

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

Or the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

### Public Employee's Retirement System (PERS)

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

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

Contributions

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

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.97%</b>	<b>6.00%</b>
July – December 2021		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.25%</b>	<b>6.00%</b>

\* 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 2021 were as follows:

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

Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>

\* For employees participating in JBM, the contribution rate was 15.90%.

The Port's actual PERS plan contributions were \$31,069 to PERS Plan 1 and \$51,849 to PERS Plan 2/3 for the year ended December 31, 2021.

### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020, Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods

outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.

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

### **Discount Rate**

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA’s assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

### **Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA’s) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA’s and their target asset allocation to simulate future investment returns at various future times.

### **Estimated Rates of Return by Asset Class**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20.00%	2.20%

Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
	<b>100%</b>	

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

	<b>1% Decrease (6.4%)</b>	<b>Current Discount Rate (7.4%)</b>	<b>1% Increase (8.4%)</b>
PERS 1	\$90,686	\$53,234	\$20,571
PERS 2/3	(\$159,176)	(\$558,747)	(\$887,793)

### Pension Plan Fiduciary Net Position

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

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

At June 30, 2021, the Port's reported its proportionate share of the net pension liabilities as follows

	<b>Liability (or Asset)</b>
PERS 1	\$53,234
PERS 2/3	(\$558,747)

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

	<b>Proportionate Share 6/30/20</b>	<b>Proportionate Share 6/30/21</b>	<b>Change in Proportion</b>
PERS 1	.004067%	.004359%	.000292%
PERS 2/3	.005275%	.005609%	.000334%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021, are used as the basis for determining each employer's proportionate share of the

collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

### Pension Expense

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

	Pension Expense
PERS 1	\$1,024
PERS 2/3	(\$119,461)
TOTAL	(\$118,437)

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

PERS Plan 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	\$ -	(\$59,071)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$14,978	\$ -
TOTAL	\$14,978	(\$59,071)

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$27,138	(\$6,850)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	(\$466,981)
Changes of assumptions	\$ 817	(\$39,680)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 30,715	(\$8,051)

Contributions subsequent to the measurement date	\$ 25,680	\$
TOTAL	\$ 84,349	(\$521,562)

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$27,138	(\$6,850)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	(\$526,053)
Changes of assumptions	\$ 817	(\$39,680)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 30,715	(\$8,051)
Contributions subsequent to the measurement date	\$ 40,658	\$
TOTAL	\$ 99,327	(\$580,634)

Deferred outflows of resources related to pensions resulting from the Port contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows

Year ended December 31:	PERS Plan 1
2022	(\$15,648)
2023	(\$14,339)
2024	(\$13,558)
2025	(\$15,526)
2026	\$ -
Thereafter	\$ -
TOTAL	(\$59,071)

Year ended December 31:	PERS Plan 2/3
2022	(\$121,389)
2023	(\$112,999)
2024	(\$110,680)

2025	(\$118,942)
2026	(\$24)
Thereafter	\$1,140
TOTAL	(\$462,893)

NOTE 8 - RISK MANAGEMENT

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

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

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

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on property loss.

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

unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

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

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

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance 01/01/2021	Additions	Reductions	Ending Balance 12/31/2021	Due Within One Year
Compensated absences	\$29,731	\$1,124		\$30,855	-
GO bonds payable	820,000	-	60,000	760,000	61,000
Net pension liability	211,051	-	157,817	53,234	-
Long-term unearned revenue	1,248,566	-	17,938	1,230,628	23,167
Environmental remediation liability	111,000	3,000	-	114,000	-
Asset retirement obligation	164,764	4,119		168,883	
<b>Total Long-Term Liabilities</b>	<b>\$2,585,112</b>	<b>\$8,243</b>	<b>\$235,755</b>	<b>\$2,357,600</b>	<b>\$84,167</b>

Long-Term Debt

The Port issues general obligation bonds to finance the acquisition or construction of capital assets. The Port did not issue additional general obligations debt in 2021. General obligation bonds currently outstanding are as follows:

Description and Date of Issue	Original Amount	Interest Rate	Maturity	Amount
Limited Tax General Obligation Bond, 2017	\$1,000,000	1.83%-3.63%	2032	\$760,000
<b>Total General Obligation Bond</b>				<b>\$760,000</b>

The annual debt service requirements for limited tax general obligation bonds are as follows:



	Principal	Interest	Total
2022	\$ 61,000	\$ 24,035	\$ 85,035
2023	62,000	22,420	84,420
2024	63,000	20,672	83,672
2025	64,500	18,806	83,306
2026	65,000	16,823	81,823
2027-2031	363,500	50,415	413,915
2032	81,000	2,214	83,214
TOTALS	\$ 760,000	\$ 155,386	\$ 915,386

There were no outstanding revenue bonds or bond reserves as of December 31, 2021.

#### Net Pension Liability/Asset

The net pension asset totaled \$505,513 as of December 31, 2021. *See Note 7 for further discussion of the net pension liability/asset and related deferred outflows and inflows of resources.*

#### Unearned Revenue

In accordance with generally accepted accounting principles for regulated businesses, the Port recognized unearned revenue receipts of \$1,300,000 in 2018 that are being recognized as earned over a 35-year period. These receipts resulted from a 35-year long pier and facilities lease agreement between the Port and Kitsap Transit. The yearly amount the Port recognized for 2021 was \$17,939.

The outstanding balance as of December 31, 2021, as follows: \$1,230,628.

#### Environmental Remediation Liability

Current and long-term environmental remediation liability totaled \$114,000 as of December 31, 2021. *See Notes 12 – Pollution Remediation Obligation* for further information.

#### Asset Retirement Obligation

The Asset Retirement Obligation for our underground storage tanks totaled \$168,883.

#### NOTE 10 - ACCOUNTING FOR LEASES

The Port enters into operating leases with tenants for the use of properties like buildings, land, and terminal under noncancelable operating leases. As the leased properties involved are in part used by the internal Port operations, it is not reasonably determined to segregate the value of the assets associated with producing minimum rental income from the value of the assets associated with an entire facility.

Minimum further rental income on noncancelable operating leases:

Year Ending December 31	Amount
2022	267,786
2023	277,989
2024	285,823
2025	293,893
2026	302,205
Thereafter	3,645,586
TOTALS	5,073,282

#### NOTE 11 - RESTRICTED COMPONENT OF NET POSITION

Net Position is segregated into three components: net investment in capital assets, restricted, and unrestricted. Items are categorized as restricted when constraints are externally imposed on their use by contract or agreement or imposed by law through constitutional provisions or enabling legislation.

The Port's Statement of Net Position reports \$121,534 of restricted net position for pension asset per *Note 7, Pension*. Note of the restricted net position is restricted by enabling legislation.

#### NOTE 12 – ENVIRONMENTAL REMEDIATION OBLIGATIONS

In November 2006, the Government Accounting Standards Board issued GASB No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The provisions of this Statement are effective for fiscal periods beginning after December 15, 2007.

The Port's property has known underground contaminants resulting from the presence of a former underground fuel storage tank. The site is listed by the Department of Ecology as a Voluntary Cleanup Site. The governmental agencies having jurisdiction over the property are not requiring remediation of the site or removal of contaminated soil at this time, but such action will likely be required in the future if the property is developed further.

The Port's estimate of its pollution remediation obligations as of April 4, 2012, was estimated at \$87,000 and an assumption of \$3,000 annual increases was adopted by the Port Commission. The Port commission has set aside cash reserves for this amount by resolution on the same date. As of December 31, 2021, the amount has been adjusted to \$114,000 per the projected schedule.

The Port's liability could change over time due to changes in the cost estimates, changes in technology, and changes in governing laws and regulations.

#### NOTE 13 - UNDERGROUND STORAGE TANK RETIREMENT OBLIGATION

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement are effective for fiscal periods beginning after June 15, 2018. The Port adopted this standard in 2020.

The Port owns and operates two fuel facilities, a fuel dock at the marina and a fuel station at the end of the fishing pier which is extended onto a barge facility. The fuel dispensers are supplied by two 12,000 gallon, double walled, dielectric-coated underground storage tanks (UST) that were installed in June 2007. The Washington Administrative Code (WAC) Chapter 173-360A requires owners and operators to monitor the tanks for leakage, provide insurance coverage for all leakage, submit to periodic testing of the tanks and monitoring equipment, and provide training to staff. The Washington State Department of Ecology (DOE) monitors and regulates underground storage tanks, including requirements for permanent closure, pursuant Washington Administrative Code (WAC) Chapter 173-360A.

The Port has chosen to measure the ARO based on the cost estimate for decommissioning and removing one 20,000-gallon gasoline underground storage tank, prepared by DH Environmental, Inc. in October 2019, for the Port of Seattle. The estimate totaled \$82,382. Multiplying by the 2 smaller tanks the Port owns, resulting in a liability of \$164,764 for 2020. This amount will be reviewed annually to account for the effects of inflation or deflation, and to consider any factors significantly affecting the estimate, such as, changes in technology, changes in legal or regulatory requirements, and changes to the type of equipment or services that may be used to decommission the underground storage tanks.

GASB 83 is retroactive to the date of the internal obligating event in June of 2007 and is effective over the life of the underground storage tanks. The tanks originally had a 20-year estimated life, which will be reevaluated in 2023. Underground storage tanks typically have estimated useful lives ranging from 30-40 years.

The Port has pollution liability coverage with Mid-Continent Casualty Company. This policy covers \$1,000,000 per pollution incident with \$1,000,000 Annual Aggregate.

Upon retirement of those underground storage tanks, The Port will fund the decommissioning out of current reserves or the Capital Projects Fund.

The ARO liability for 2021 totaled \$168,883.

#### NOTE 14 – CONTINGENCIES AND LITIGATION

In the opinion of management, the Port (insurance policies and/or self-insurance reserves) are adequate to pay all known or pending claims.

The Port participates in several federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for

reimbursement to grantor agencies for expenditures disallowed under the terms of the grant. Port management believes that such disallowances, if any, will be immaterial.

#### NOTE 15 – COVID 19 PANDEMIC

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

The Port's primary focus during these uncertain times has been to ensure the safety and health of its employees, while providing essential services and to continue to be an economic driver in the community. The Port proactively implemented safety measures in 2020 and continued to follow CDC Guidelines throughout 2021. The Port purchased in-home COVID-19 tests for all staff. Any employee that showed signs or symptoms of COVID or had been in contact with someone that tested positive, were directed to take a test prior to returning to work. If they tested positive, they were directed to notify their manager immediately and follow the current CDC Guidelines. Per the Port Closure Pay Policy established in 2020, the employee would receive closure pay in lieu of sick leave.

Revenue streams such as parking, are slowly coming back but have not yet reached pre-COVID levels. Management continues to monitor the situation for any operational or financial effects and is ready to respond appropriately as needed

## REQUIRED SUPPLEMENTARY INFORMATION

The Port of Kingston is presenting Required Supplementary Information (RSI) to meet the minimum financial reporting requirements and is an integral part of the accompanying financial statements. RSI generally includes schedules, statistical data, and other information.

### Schedule of Proportionate Share of the Net Pension Liability Public Employees' Retirement System Plan 1 As of June 30, 2021

	2019	2020	2021
Employer's proportion of the net pension liability (asset)	.004009%	.004067%	.004359%
Employer's proportionate share of the net pension liability	\$154,160	\$143,587	\$53,234
Employer's covered employee payroll	\$575,877	\$613,546	\$682,646
Employer's proportionate share of the net pension liability as a percentage of covered employee liability	27%	23%	8%
Plan fiduciary net position as a percentage of the total pension asset	67.12%	68.64%	88.74%

### Schedule of Employer Contributions As of December 31, 2021

	2019	2020	2021
Statutorily or contractually required contributions	\$28,078	\$30,327	\$31,069
Contributions in relation to the statutorily or contractually required contributions	\$28,078	\$30,327	\$31,069
Contribution deficiency (excess)	\$0.00	\$ 0.00	\$ 0.00
Covered employer payroll	\$571,823	\$680,602	\$734,414
Contributions as a percentage of covered employee payroll	5%	4%	4%

#### Notes to Schedule:

Factors that significantly affect trends in the amount reported in the schedule include changes in benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions such as the discount rate. DRS allocates a portion of contributions from the PERS 2/3 to PERS 1 to fund its unfunded actuarially accrued liability.

\*This schedule will be built prospectively until it contains 10 years of data.

The Port of Kingston is presenting Required Supplementary Information (RSI) to meet the minimum financial reporting requirements and is an integral part of the accompanying financial statements. RSI generally includes schedules, statistical data, and other information.

Schedule of Proportionate Share of the Net Pension Liability  
Public Employees' Retirement System Plan 2/3  
As of June 30, 2021

	2019	2020	2021
Employer's proportion of the net pension liability (asset)	.005226%	.005275%	.005609%
Employer's proportionate share of the net pension liability/(asset)	\$50,763	\$67,464	(\$558,747)
Employer's covered employee payroll	\$575,877	\$613,546	\$682,646
Employer's proportionate share of the net pension liability as a percentage of covered employee liability	9%	11%	(82%)
Plan fiduciary net position as a percentage of the total pension asset	97.77%	97.22%	120.29%

Schedule of Employer Contributions  
As of December 31, 2021

	2019	2020	2021
Statutorily or contractually required contributions	\$44,347	\$53,904	\$51,849
Contributions in relation to the statutorily or contractually required contributions	\$44,347	\$53,904	\$51,849
Contribution deficiency (excess)	\$0.00	\$0.00	\$0.00
Covered employer payroll	\$571,823	\$680,602	\$734,414
Contributions as a percentage of covered employee payroll	8%	7%	7%

Notes to Schedule:

Factors that significantly affect trends in the amount reported in the schedule include changes in benefit terms, changes in the size or composition of the population covered by the benefit terms,

or the use of different assumptions such as the discount rate. DRS allocates a portion of contributions from the PERS 2/3 to PERS 1 to fund its unfunded actuarially accrued liability.

\*This schedule will be built prospectively until it contains 10 years of data.