Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Kingston

For the period January 1, 2019 through December 31, 2021

Published February 2, 2023

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Office of the Washington State Auditor
Pat McCarthy

February 2, 2023

Board of Commissioners
Port of Kingston
Kingston, Washington

Report on Financial Statements

Please find attached our report on the Port of Kingston's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Port of Kingston
January 1, 2019 through December 31, 2021

Board of Commissioners
Port of Kingston
Kingston, 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 Kingston, as of and for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated January 26, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

We noted certain other matters that we have reported to the management of the Port in a separate letter dated January 26, 2023.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy, State Auditor

Olympia, WA

January 26, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Port of Kingston
January 1, 2019 through December 31, 2021

Board of Commissioners
Port of Kingston
Kingston, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the Port of Kingston, as of and for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Port of Kingston, as of December 31, 2021, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 15 to the financial statements, the Port has elected to change its method of accounting from a special purpose framework to generally accepted accounting principles during the year ended December 31, 2019. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

January 26, 2023

FINANCIAL SECTION

Port of Kingston
January 1, 2019 through December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

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%
Total Assets	10,663,692	10,193,876	469,816	4.61%
Deferred Outflow of Resources	223,137	243,465	(20,327)	-8.35%
Total Assets and Deferred Outflows of Resources	10,886,829	10,437,341	449,488	4.31%
Current Liabilities	267,853	251,561	16,291	6.48%
Noncurrent Liabilities	2,273,432	2,500,740	(227,307)	-9.09%
Total Liabilities	2,541,285	2,752,301	(211,016)	-7.67%
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%
Total Net Position	7,764,911	7,615,709	149,202	1.96%
Total Liabilities, Deferred Inflows of Revenue's and Net Position	$ 10,886,829	$ 10,437,341	449,488	4.31%

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.

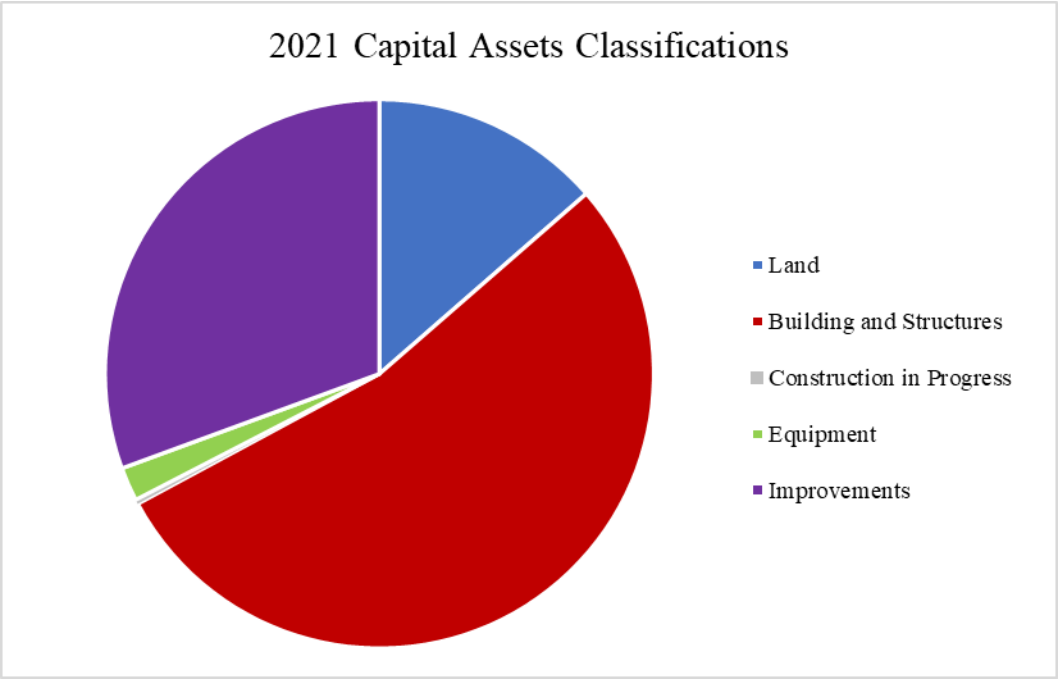
Deferred outflow of resources decreased by $20,327 to $223,137 in 2021.

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



Capital Assets	2021	2020
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
	$ 13,755,754	$ 13,691,967

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%
Total Revenues	3,145,534	2,960,023	185,510	6.27%
Operating Expenses	2,963,807	3,077,882	(114,074)	-3.71%
Nonoperating Expenses	32,524	46,927	(14,403)	-30.69%
Total Expenses	2,996,332	3,124,809	(128,477)	-4.11%
Increase (Decrease) in Net Position	149,202	(164,785)	313,987	-190.54%
Net Position - Beginning	7,615,709	7,780,470	(164,761)	-2.12%
Change in Accounting Principle	0	24	(24)	-100%
Net Position - Ending	$7,764,911	$7,615,709	149,202	1.96%

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, or by telephone at (360) 297-3545.

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, 2020. The discussion and analysis is 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.

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The Port has three Commissioners who are elected to six-year terms and serve as the governing body to the Port. The Port Commission appoint 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 306-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 and concerts and the Kingston Public Market.

USING THE ANNUAL REPORT

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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 debt services from a limited tax general obligation bond (LTGO) issued in 2017 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.

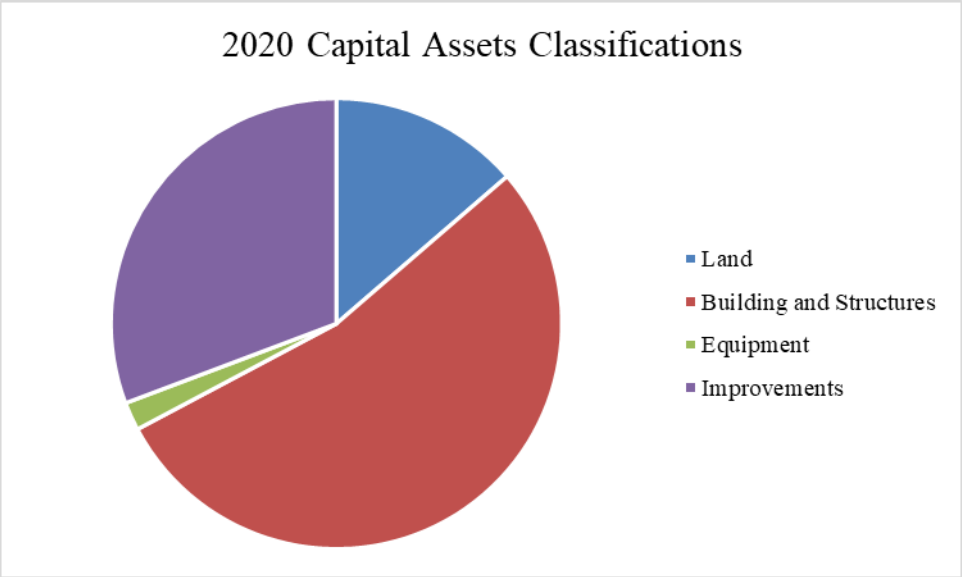
FINANCIAL ANALYSIS – STATEMENT OF NET POSITION

Summary of Statement of Net Position				
	2020	2019	Increase (Decrease)	% Change
Current Assets	$ 2,073,975	$ 1,892,247	181,728	9.60%
Noncurrent Capital Assets	8,119,901	8,655,255	(535,354)	-6.19%
Total Assets	10,193,876	10,547,502	(353,626)	-3.35%
Deferred Outflow of Resources	243,465	93,400	150,065	160.67%
Total Assets and Deferred Outflows of Resources	10,437,341	10,640,902	(203,562)	-1.91%
Current Liabilities	251,561	328,387	(76,826)	-23.39%
Noncurrent Liabilities	2,500,740	2,402,562	98,177	4.09%
Total Liabilities	2,752,301	2,730,949	21,352	0.78%
Deferred Inflows of Resources	69,331	129,483	(60,152)	-46.46%
Net Investment in capital assets	7,299,901	7,775,755	(475,854)	-6.12%
Unrestricted	315,808	4,715	311,093	6597.82%
Total Net Position	7,615,709	7,780,470	(164,761)	-2.12%
Total Liabilities, Deferred Inflows of Revenue's and Net Position	$ 10,437,341	$ 10,640,902	(203,562)	-1.91%

This discussion of the Port's financial statements includes an analysis of major changes in the assets and liabilities for 2020, as well as reviewing changes in revenues and expenses reflected in the financial statements The Port's Net Position decreased by $164,761 or -2.12% in 2020. The Port's net position reflects the Port's net investment in capital assets less outstanding capital debt. The primary emphasis of the Port was to rebuild cash reserves and preserve revenue streams without deferring maintenance. The Port was successful in this regard.

The Port's assets exceeded its liabilities by $7.62 million (net position) as of December 31, 2020.

CAPITAL ASSETS



Capital Assets	2020	2019
Land	$ 1,871,056	$ 1,871,056
Construction in Progress	-	17,000
Buildings and Structures	7,334,040	7,345,892
Equipment	278,383	436,637
Improvements	4,208,489	4,310,805
	$ 13,691,967	$ 13,981,389

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 is done on these financial statements. In 2020, the Port performed bathymetric and sedimentation analysis related to dredging on the Marina adding to the improvements. In addition, the Port removed items that were no longer in use. See Note 4 for details.

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 with original costs of $13.69 million as of December 31, 2020. Capital assets decreased by $289,422 in 2020 (does not include depreciation).

LIABILITIES

The Port's current liabilities as of December 31, 2020, are debts that the Port will repay in 2021. The total current liabilities decreased by $76,826 in 2020. Current liabilities include payments for expenses already incurred and customer deposits.

The Port's long-term liabilities are Kitsap Transit unearned revenue, net pension liability, environmental remediation liability, underground storage tank retirement obligation, and an outstanding General Obligation Bond. As of December 31, 2020, the general obligation debt is $820,000, compared to $879,500 at the end of 2019, reflecting principal payments of $59,500. *See - Notes 7 - Pension Plans; 9 – Long Term Debt; Note 12 – Environmental Remediation Obligation; 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

	2020	2019	Increase (Decrease)	% Change
Marina Operations Revenues	$1,735,711	$2,508,183	(772,472)	-30.80%
Property/Lease Rental Operations Revenues	589,441	831,182	(241,740)	-29.08%
Nonoperating Revenues	634,871	609,388	25,482	4.18%
Total Revenues	2,960,023	3,948,753	(988,730)	-25.04%
Operating Expenses	3,077,882	3,650,885	(573,003)	-15.69%
Nonoperating Expenses	46,927	51,811	(4,884)	-9.43%
Total Expenses	3,124,809	3,702,696	(577,887)	-15.61%
Increase (Decrease) in Net Position	(164,785)	246,057	(410,842)	-166.97%
Net Position - Beginning	7,780,470	831,955	6,948,515	835.20%
Change in Accounting Principle	24	6,702,458	(6,702,434)	-100%
Net Position - Ending	$7,615,709	$7,780,470	(164,761)	-2.12%

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 2020 operating expenses were $3.08 million, a decrease of $573,033 or 15.69% less than the previous year's operating expense levels. The Port's non-operating expenses were $46,927, a decrease of $4,884 from the previous year's non-operating expense levels.

In 2020, the Port's net position decreased by $164,761.

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, or by telephone at (360) 297-3545.

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, 2019. 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.

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 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 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. 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 revenue from services performed for customers and pay for expenses

related to those services. However, ports are municipal governments and collect property tax revenues from the property owners within the Port district. 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 debt services from a limited tax general obligation bond (LTGO) issued in 2017 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 take into account 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 deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund 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 tax receipts, investment income, 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 as reflected on the Statement of Revenues, Expenses, and Changes in Net Position is also included.

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.

One of the questions to be answered by the financial statements would be, "Is the Port as a whole doing better or worse as a result of this year's financial activities?" 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.

In 2019, the decision was made to change the Port's accounting method from CASH to GAAP. Management felt accrual-based accounting is more rigorous and provides a more complete picture of the Port's finances. Ports tend to be capital intensive and complex. For the Commissioners to govern effectively they need to be provided financial information that captures our needs over time, including a P&L (that captures accruals and committed funds), balance sheets, line of business reporting and cash flow models. Cash reporting provides a short-term view that is more of a snapshot as opposed to understanding the revenue, expenses and committed over time.

This change does make it difficult to compare 2018 and 2019 for this report.

There are advantages and disadvantages for both methods. CASH basis accounting requires minimum financial notes, and some find it easier to understand, however it is less transparent and more volatile from year-to-year, making it difficult to analyze trends.

On the other hand, GAAP accounting provides a clearer picture of the Port's overall performance and allows for more consistency when comparing prior periods. It does however create more documentation, and some find it more complex and difficult to understand than CASH basis.

FINANCIAL ANALYSIS – STATEMENT OF NET POSITION

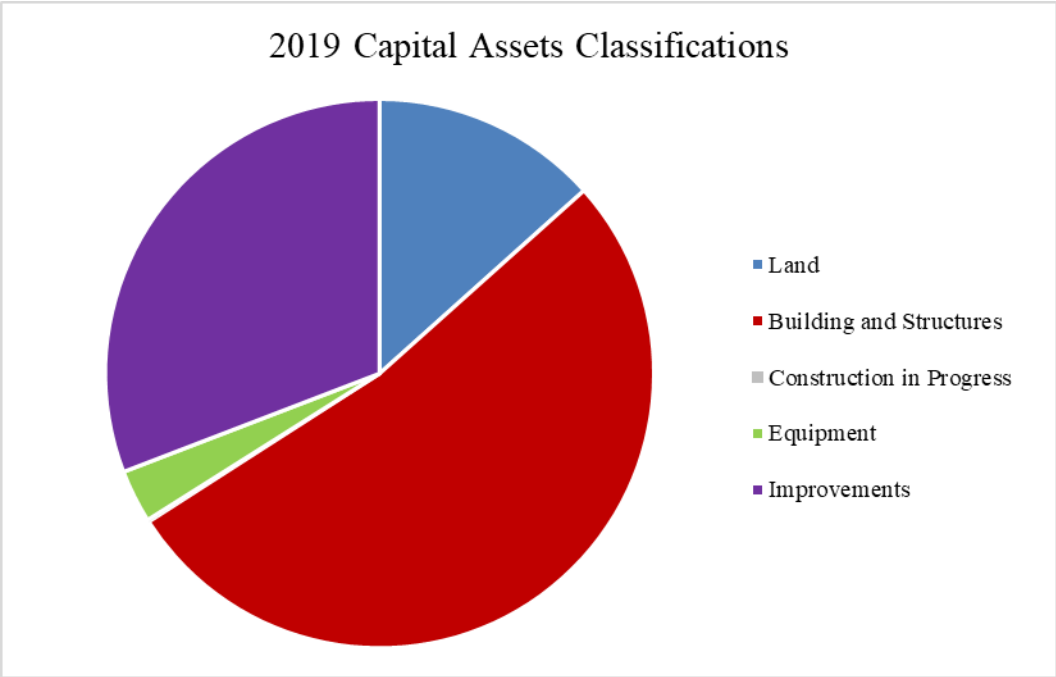
Summary of Statement of Net Position		
		2019
Current Assets	$	1,892,247
Noncurrent Assets/Capital Assets		8,655,255
Total Assets		10,547,502
Deferred Outflow of Resources		93,400
Total Assets and Deferred Outflows of Resources		10,640,902
Current Liabilities		328,387
Noncurrent Liabilities		2,402,562
Total Liabilities		2,730,949
Deferred Inflows of Resoures		129,483
Net investment in capital assets		7,775,755
Restricted		-
Unrestricted		4,715
Total Net Position		7,780,470
Total Liabilities, Deferred Inflows of Revenue's and Net Position	$	10,640,902

ASSETS

The Port's Current Assets increased in 2019, mainly due to the focus of building cash reserves. The Port will continue to increase reserves through increasing revenue and controlling expenses.

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.



Capital Assets		2019
Land	$	1,871,056
Construction in Progress		17,000
Buildings and Structures		7,345,892
Equipment		436,637
Improvements		4,310,805
	$	13,981,389

LIABILITIES

The Port's current liabilities as of December 31, 2019, reflect the accrual of expenses incurred in 2019 and the portion of debt and unearned revenue that will be paid in 2020. It also includes the balance of tenant deposits.

The Port's long-term liabilities consist of unearned revenue, compensated absences, net pension liability, environmental remediation liability, and an outstanding General Obligation Bond.

In January of 2019, the Port entered into a long-term lease with Kitsap Transit. This was recorded as long-term unearned revenue of $1,248,567, with the portion that will be earned in the

next 12-months as a current liability of $24,373. As of 2019, compensated absences no longer include sick leave balances, as it is not paid out upon termination. The compensated absences for 2019 is $21,073.

As of December 31, 2019, the general obligation debt is $879,500 compared to $937,000, reflecting principal payments of $57,500 in 2019.

The Port ended 2019 with a Total Net Position of $7.8 million.

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

Summary of Statement of Revenues, Expenses, and Changes in Net Position		
		2019
Marina Operations Revenues	$	2,508,183
Property/Lease Rental Operations Revenues		831,182
Nonoperating Revenues		609,388
Total Revenues		3,948,753
Operating Expenses		3,650,885
Nonoperating Expenses		51,811
Total Expenses		3,702,696
Increase (Decrease) in Net Position		246,057
Net Position - Beginning		831,955
Change in Accounting Principle		6,702,458
Net Position - Ending	$	7,780,470

The Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of changes in net position. Again, due to the change in accounting method, it only includes 2019.

The Port's 2019 marina operations revenues were $2.51 million. The Port increased permanent moorage rates as part of a three-year rate adjustment program to get rates to the average market rate. Property and lease rental operation revenues were $831,182 and non-operating revenues were $609,388.

The Port's 2019 operating expenses were $3.65 million and non-operating expenses were $51,811.

CONTACTING THE PORT'S FINANCIAL MANAGEMENT

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information, please contact Audra Trainer, Controller, at the Port of Kingston, 25864 Washington Boulevard, Kingston, WA 98346, by e-mail at 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		2,414,633
Noncurrent Assets		
Net pension asset		558,747
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		(6,065,442)
Total Net Capital Assets		7,690,312
Total Assets	$	10,663,692
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pensions		99,327
Deferred outflows - asset retirement obligation		123,810
Total Deferred Outflows	$	223,137

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		267,853
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		2,273,432
Total Liabilities	$	2,541,285
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions		580,634
Total Deferred Inflows	$	580,634
NET POSITION		
Net investment in capital assets		6,930,312
Restricted for net pension asset		121,534
Unrestricted		713,064
TOTAL NET POSITION	$	7,764,911

The accompanying notes are an integral part of this statement.

PORT OF KINGSTON
STATEMENT OF NET POSITION
December 31, 2020

ASSETS		
Current Assets		
Cash and cash equivalents	$	1,959,026
Accounts receivable		8,351
Taxes receivable		5,344
Inventory		29,371
Prepaid expenses		71,883
Total Current Assets		2,073,975
Noncurrent Assets		
Capital Assets		
Capital Assets Not Being Depreciated		
Land		1,871,056
Construction in progress		-
Capital Assets Being Depreciated		
Buildings and structures		7,334,040
Equipment		278,383
Improvements		4,208,489
Less: Accumulated depreciation		(5,572,067)
Total Net Capital Assets		8,119,901
TOTAL ASSETS	$	10,193,876
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pensions		100,916
Deferred outflows - asset retirement obligation		142,549
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	243,465

The accompanying notes are an integral part of this statement.

PORT OF KINGSTON
STATEMENT OF NET POSITION
December 31, 2020

LIABILITIES		
Current Liabilities		
Accounts payable	$	40,367
Warrants payable		9,389
Accrued taxes		42,320
Unearned revenue		17,887
Tenant deposits		57,225
Current portion of long-term unearned revenue		24,373
Current portion of long-term debt		60,000
Total Current Liabilities		251,561
Noncurrent Liabilities		
Compensated absences		29,731
Long-term unearned revenue		1,224,194
Environmental remediation liability		111,000
Asset retirement obligation		164,764
Pension liability		211,051
General obligation bonds		760,000
Total Noncurrent Liabilities		2,500,740
TOTAL LIABILITIES		2,752,301
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions		69,331
Total Deferred Inflows of Resources		69,331
NET POSITION		
Net investment in capital assets		7,299,901
Restricted		-
Unrestricted		315,808
TOTAL NET POSITION	$	7,615,709

The accompanying notes are an integral part of this statement.

PORT OF KINGSTON
STATEMENT OF NET POSITION
December 31, 2019

ASSETS		
Current Assets		
Cash and cash equivalents	$	1,763,507
Accounts receivable		9,255
Taxes receivable		4,601
Inventory		50,718
Prepaid expenses		64,166
Total Current Assets		1,892,247
Noncurrent Assets		
Capital Assets		
Capital Assets Not Being Depreciated		
Land		1,871,056
Construction in progress		17,000
Capital Assets Being Depreciated		
Buildings and structures		7,345,892
Equipment		436,637
Improvements		4,310,805
Less: Accumulated depreciation		(5,326,134)
Total Net Capital Assets		8,655,255
Total Assets	$	10,547,502
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pensions		93,400
Total Deferred Outflows	$	93,400

The accompanying notes are an integral part of this statement.

PORT OF KINGSTON
STATEMENT OF NET POSITION
December 31, 2019

LIABILITIES		
Current Liabilities		
Accounts payable	$	116,614
Warrants payable		25,299
Accrued taxes		49,198
Tenant deposits		53,403
Current portion of long-term unearned revenue		24,373
Current portion of long-term debt		59,500
Total Current Liabilities		328,387
Noncurrent Liabilities		
Compensated absences		21,073
Long-term unearned revenue		1,248,567
Environmental remediation liability		108,000
Pension liability		204,923
General obligation bonds		820,000
Total Noncurrent Liabilities		2,402,562
Total Liabilities	$	2,730,949
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions		129,483
Total Deferred Inflows	$	129,483
NET POSITION		
Net investment in capital assets		7,775,755
Restricted		-
Unrestricted		4,715
TOTAL NET POSITION	$	7,780,470

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

Operating Revenues:		
Marina operations	$	2,223,234
Property operations		658,228
Total Operating Revenues		2,881,462
Operating Expenses:		
General operations		736,202
Maintenance		696,688
General and administrative		1,004,685
Depreciation and amortization		526,233
Total operating expenses		2,963,807
Operating Income (Loss)		(82,345)
Nonoperating Revenues (Expenses):		
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)
Total nonoperating revenues (expenses)		231,547
Increase in Net Position		149,202
Net Position at the beginning of the period		7,615,709
Net position at the end of the period	$	7,764,911

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, 2020

OPERATING REVENUES:	
Marina operations	$1,735,711
Property operations	589,441
Total Operating Revenues	2,325,153
OPERATING EXPENSES:	
General operations	933,198
Maintenance	555,580
General and administrative	1,033,781
Depreciation and amortization	555,322
Total operating expenses	3,077,882
Operating Income (Loss)	(752,729)
NONOPERATING REVENUES (EXPENSES):	
Taxes levied for Port operations:	
Real and personal property taxes	211,859
Timber and leasehold excise taxes	1,410
Grant proceeds	412,765
Gain on capital asset disposals	(17,007)
Investment income	8,838
Election expense	(60)
Interest expense	(26,860)
Environmental remediation expense	(3,000)
Total nonoperating revenues (expenses)	587,944
Decrease in Net Position	(164,785)
Net Position at the beginning of the period	7,780,470
Prior Period Adjustment	24
Net position at the end of the period	$7,615,709

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, 2019

Operating Revenues:		
Marina operations	$	2,508,183
Property operations		831,182
Total Operating Revenues		3,339,365
Operating Expenses:		
General operations		608,050
Maintenance		1,381,025
General and administrative		1,024,440
Depreciation and amortization		637,370
Total operating expenses		3,650,885
Operating Income (Loss)		(311,520)
Nonoperating Revenues (Expenses):		
Taxes levied for Port operations:		
Real and personal property taxes		206,058
Timber and leasehold excise taxes		2,518
Grant proceeds		383,171
Investment income		17,642
Election expense		(2,749)
Interest expense		(28,063)
Environmental remediation expense		(21,000)
Total nonoperating revenues (expenses)		557,577
Increase in Net Position		246,057
Net Position at the beginning of the period		831,955
Change in Accounting Principle		6,702,458
Net position at the end of the period	$	7,780,470

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		103,489
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		219,607
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		(101,725)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments		3,945
Net cash provided by investing activities		3,945
Net increase in cash and cash equivalents		225,316
CASH AND CASH EQUIVALENTS, beginning of year		1,959,028
CASH AND CASH EQUIVALENTS, end of year	$	2,184,344

The accompanying notes are an integral part of this statement.

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

Reconcilation 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		(4,545)
Total adjustments		185,834
Net cash provided by operating activities	$	103,489

The accompanying notes are an integral part of this statement.

PORT OF KINGSTON
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 2,323,416
Payments to suppliers	(1,571,600)
Payments to employees	(1,089,246)
Net cash provided by operating activities	(337,429)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash receipts from real and personal property taxes	211,115
Timber and leasehold taxes	1,410
Other receipts (payments) for other non-operating activities	(60)
Net cash provided by noncapital financing activities	212,465
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments bonds	(59,500)
Interest paid on bonds	(26,860)
Cash received from grants	412,765
Purchase of capital assets	(14,759)
Net cash provided by capital and related financing activities	311,646
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	8,838
Net cash provided by investing activities	8,838
Net increase in cash and cash equivalents	195,519
CASH AND CASH EQUIVALENTS, beginning of year	1,763,507
CASH AND CASH EQUIVALENTS, end of year	$ 1,959,026

The accompanying notes are an integral part of this statement.

PORT OF KINGSTON
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Reconciliation of operating loss to net cash provided by operating activities:	
Net operating loss	(752,729)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation & amortization expense	555,322
Pension negative expense	(64,122)
Other non-cash revenue/expense	(24,349)
Changes in assets and liabilities	
Decrease in accounts receivable	18,791
Decrease in inventory and prepaid expenses	13,630
(Decrease) in accounts payable & other current liabilities	(90,376)
Increase in tenant deposits	3,822
Increase in pension liability	2,582
Total adjustments	415,300
Net cash provided by operating activities	(337,429)

The accompanying notes are an integral part of this statement.

PORT OF KINGSTON
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	3,509,100
Payments to suppliers		(1,920,806)
Payments to employees		(1,109,172)
Net cash provided by operating activities		479,122
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash receipts from real and personal property taxes		207,278
Timber and leasehold taxes		2,518
Other receipts (payments) for other non-operating activities		(2,749)
Net cash provided by noncapital financing activities		207,047
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments bonds		(57,500)
Interest paid on bonds		(28,063)
Cash received from grants		383,171
Purchase of capital assets		(155,548)
Net cash provided by capital and related financing activities		142,060
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments		17,642
Net cash provided by investing activities		17,642
Net increase in cash and cash equivalents		845,871
CASH AND CASH EQUIVALENTS, beginning of year		917,636
CASH AND CASH EQUIVALENTS, end of year	$	1,763,507

The accompanying notes are an integral part of this statement.

PORT OF KINGSTON
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Reconciliation of operating loss to net cash provided by operating activities:		
Net operating loss	$	(311,520)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation & amortization expense		637,370
Pension negative expense		(23,804)
Other non-cash revenue/expense		(22,802)
Change in Accounting Principle		67,026
Changes in assets and liabilities		
Decrease in accounts receivable		198,706
(Increase) in inventory and prepaid expenses		(25,050)
(Decrease) in accounts payable & other current liabilities		(42,734)
Decrease in tenant deposits		(6,168)
Increase in pension liability		8,099
Total adjustments		790,642
Net cash provided by operating activities	$	479,122

The accompanying notes are an integral part of this statement.

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 1/1/2021	Increases	Decreases	Ending Balance 12/31/2021
Capital assets, not being depreciated				
Land	$ 1,871,056	$ -	$ -	$ 1,871,056
Construction in Progress	-	36,688	-	36,688
Total capital assets, not being depreciated	1,871,056	36,688	-	1,907,743
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
Total capital assets being depreciated	11,820,912	37,099	(10,000)	11,848,011
Less: accumulated depreciation	(5,572,067)			(6,065,442)
Total capital assets, being depreciated, net	$ 6,248,845			$ 5,782,569

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.

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:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	**12.97%**	**6.00%**
July – December 2021		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	**10.25%**	**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 2021 were as follows:

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

* 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.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
	100%	

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.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
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

	Liability (or Asset)
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:

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
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	
Total Long-Term Liabilities	$2,585,112	$8,243	$235,755	$2,357,600	$84,167

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
Total General Obligation Bond				$760,000

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 some 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

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 governments. 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. It is administered by a three-member Board of Commissioners, each of whom is 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 GAAP the financial statements present the Port, the primary government, and its component units. Management has considered all potential component units in defining the reporting entity. There were no component units included in the reporting entity.

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. Capital asset purchases are capitalized, and long-term liabilities are reported on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar 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, and depreciation. 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 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 and Net Position

Cash and Cash Equivalents
It is the Port's policy to invest all temporary cash surpluses. On December 31, 2020, cash on hand and short-term residual investments of surplus cash were $1,959,026. This amount is classified on the Statement of Net Position as cash and cash equivalents.

For purposes of the Statement of Cash Flows, the Port considers short-term, highly liquid investments, with maturity of three months or less from the purchase date to be cash equivalents.

Investments - *See Note 2, Deposits and Investments*

Receivables
Taxes receivable consists of property taxes and related interest and penalties. *See Note 3, Property Taxes.*

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 have been recorded net of estimated uncollectible amounts.

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, 2020. As of December 31, 2020, the customer accounts receivable was $8,351.

Amounts Due to and From Other Governments
These accounts include amounts owed from governmental grants and other settlements.

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.

Inventories
Inventories for fuel sales is non-ethanol gasoline and diesel fuel held at the Port's marina fuel dock as of December 31, 2020. Fuel inventory has been valued based on the first-in, first-out or FIFO method of accounting, which approximates the market value.

Capital Assets and Depreciation - *See Note 4, Capital Assets and Depreciation*

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.

Long-term Debt - *See Note 9, Long-Term Liabilities*

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

reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Accrued Liabilities
These accounts consist of accrued wages, accrued employee benefits and taxes.

Unearned Revenue
On December 31, 2020, the Port held $1,266,453 in unearned revenue. This amount represents pre-payments of rent and will be recognized as revenue in future years.

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, 2020, the Port recorded deferred outflows and inflows of resources of $243,465 and $69,331, respectively.

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, 2020, the balance of the fund is $1,097,546.

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

Investments
As of December 31, 2020, 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 since delinquent taxes are considered fully collectible due to a lien affixed to the property after tax is levied.

The Port's current levy for 2020 was $.160504 per $1,000 on an assessed valuation of $1,316,953,667 for a total regular levy of $211,859.

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 and furniture and fixtures 3 to 7 years.

Capital assets activity for the year ended December 31, 2020, was as follows:

	Beginning Balance 1/1/2020	Increases	Decreases	Ending Balance 12/31/2020
Capital assets, not being depreciated				
Land	$ 1,871,056	$ -	$ -	$ 1,871,056
Construction in Progress	17,000		(17,000)	-
Total capital assets, not being depreciated	1,888,056		(17,000)	1,871,056
Capital assets, being depreciated				
Buildings and Structures	7,345,892		(11,852)	7,334,040
Machinery and equipment	436,637		(158,254)	278,383
Marina and other improvements	4,310,805	31,759	(134,074)	4,208,489
Total capital assets being depreciated	12,093,333	31,759	(304,181)	11,820,912
Less: accumulated depreciation	(5,326,134)			(5,572,067)
Total capital assets, being depreciated, net	$ 6,767,199			$ 6,248,845

NOTE 5 - CONSTRUCTION COMMITMENTS

The Port had no active construction projects as of December 31, 2020.

NOTE 6 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 7 - PENSION PLANS

For purposes of measuring the net pension liability or 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.

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	(211,051)
Pension assets	$	-
Deferred outflows of resources	$	100,916
Deferred inflows of resources	$	(69,331)
Pension expense/expenditures	$	22,690

State Sponsored Pension Plans

Substantially all Port's full-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 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 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	**12.86%**	**6.00%**
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	**12.97%**	**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 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2**
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.86%**	**7.41%**
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.97%**	**7.90%**

* For employees participating in JBM, the contribution rate was 19.75%.

The Port's actual PERS plan contributions were $30,327 to PERS Plan 1 and $53,904 to PERS Plan 2/3 for the year ended December 31, 2020.

Actuarial Assumptions

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

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2010. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a

generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values as of 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

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 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 (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, 2020, 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	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 7.4 percent, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$179,851	$143,587	$111,961
PERS 2/3	$419,781	$67,464	($222,668)

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, 2020, the Port reported a total pension liability of $211,051 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$143,587
PERS 2/3	$67,464

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

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	.004009%	.004067%	.000058%
PERS 2/3	.005226%	.005275%	.000049%

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.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with updated procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the Port recognized pension expense as follows:

	Pension Expense
PERS 1	$9,085
PERS 2/3	$13,605
TOTAL	$22,690

Deferred Outflows of Resources and Deferred Inflows of Resources

As of December 31, 2020, 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	$ -	($799)
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$14,696	$ -
TOTAL	$14,696	($799)

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$24,151	($8,455)
Net difference between projected and actual investment earnings on pension plan investments	$ -	($3,426)
Changes of assumptions	$ 961	($46,084)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 33,211	($10,567)
Contributions subsequent to the measurement date	$ 27,897	$
TOTAL	$ 86,220	($68,532)

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$24,151	($8,455)
Net difference between projected and actual investment earnings on pension plan investments	$ -	($4,226)
Changes of assumptions	$ 961	($46,084)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 33,211	($10,567)
Contributions subsequent to the measurement date	$ 42,593	$
TOTAL	$ 100,916	($69,331)

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. 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
2021	($3,628)
2022	($114)
2023	$1,107
2024	$1,836
2025	$ -
Thereafter	$ -
TOTAL	($799)

Year ended December 31:	PERS Plan 2/3
2021	($22,590)
2022	($1,288)
2023	$6,603
2024	$8,613
2025	$890
Thereafter	($2,438)
TOTAL	($10,209)

NOTE 8 - RISK MANAGEMENT

The Port of Kingston is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to self-insure risks individually or 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 RCW 48.62, WAC 200-100, and RCW 39.34, 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. As of August 31, 2020, there are 547 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. 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.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk,” blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber, and automobile physical damage to insured vehicles. Liability coverage limit is $20 million per occurrence and property coverage limit is $800 million 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 minimum one 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 the Pool and are administered in house.

The pool is governed by a Board of Directors consisting 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 conducting the business affairs of Enduris.

Enduris did not have any claim settlements that exceeded the limits in the last 3 years.

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2020	Additions	Reductions	Ending Balance 12/31/2020	Due Within One Year
GO bonds payable	$ 879,500	$ -	$ 59,500	$ 820,000	$ 60,000
Compensated absences	21,073	8,658		29,731	
Net pension liability	204,923	16,701	10,573	211,051	-
Long-term unearned revenue	1,272,940	-	24,373	1,248,567	24,373
Environmental remediation liability	108,000	3,000	-	111,000	-
Asset retirement obligation	-	164,764		164,764	
Total Long-Term Liabilities	$ 2,486,436	$ 193,123	$ 94,446	$ 2,585,113	$ 84,373

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 2020. General obligation bonds currently outstanding are as follows:

Description of Date of Issue	Original Amount	Interest Rate	Maturity	Amount
Limited Tax General Obligation Bond	$ 1,000,000	1.83% - 3.63%	2032	$ 820,000

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

	Principal	Interest	Total
2021	$ 60,000	$ 25,514	$ 85,514
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
2026-2030	350,000	62,197	412,197
2031-2032	159,500	7,255	166,755
TOTALS	$ 820,000	$ 180,900	$ 1,000,900

There were no outstanding revenue bonds or bond reserves as of December 31, 2020.

Net Pension Liability
The net pension liability totaled $211,051 as of December 31, 2020.

Unearned Revenue
In accordance with GAAP 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 2020 was $24,373.

The outstanding balance as of December 31, 2020, is $1,248,567.

Environmental Remediation Liability
Current and long-term environmental remediation liability totaled $111,000 as of December 31, 2020. *See Note 12 – Environmental Remediation Obligation* in the notes for further information.

Asset Retirement Obligation
The Asset Retirement Obligation for our underground storage tanks totaled $164,764.

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
2021	$ 257,271
2022	$ 267,786

2023	$ 277,989
2024	$ 285,823
2025	$ 293,893
Thereafter	$ 3,947,853
TOTALS	$ 5,330,615

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. As of December 31, 2020, the Port's net position did not include a restricted component as no such constraints were in place.

NOTE 12 - ENVIRONMENTAL REMEDIATION OBLIGATIONS

The Port of Kingston is subject to laws and regulations relating to the protection of the environment. The Port's policy is to accrue environmental and cleanup related costs when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. 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 environmental 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, 2020, the amount has been adjusted to $111,000 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. Washington State Department of Ecology (DOE) monitors and regulates the Port's underground storage tanks, including requirements for permanent closure.

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, results in a liability of $164,764. 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 these underground storage tanks, The Port will fund the decommissioning out of current reserves.

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 January 2020, the U.S. Department of Health and Human Services declared a public health emergency for a new strain of coronavirus, COVID-19, a respiratory disease that can result in serious illness or death. In February 2020, Washington State's Governor declared a state of emergency in response to the spread of this deadly new virus. In March 2020, the World Health Organization declared COVID-19 as a global pandemic. In the weeks following the Governor's declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges, and universities, cancelling public events, closing all non-essential business, and mandating that people stay home and stay healthy.

The Port's primary focus during this uncertain time has been ensuring the safety and health of its employees and providing essential services while continuing to be an economic driver in the community. The Port has taken various measures to comply with the Governor's mandates, including the closure of Port offices to the public, implementing remote work arrangements as appropriate, and adopting personnel policies for those who must report to work to provide essential services.

Due to the closures mandated by the Governor, many businesses in the community are experiencing negative financial impacts. Many of the Port's business tenants have made requests for rent relief. The Port of Kingston did not find it necessary to provide rent relief. However, other revenue streams, primarily those tied to recreation, such as parking, may be affected depending on the length of time the pandemic continues to impact us. As such, the full extent of the financial impact to the Port is unknown at this time.

The Port continues to monitor the situation closely and will adjust as required to comply with recommendations of the Center for Disease Control, the Kitsap County Health Department, and the Washington State Governor's office.

NOTE 16 – SUBSEQUENT EVENTS

IDD – Industrial Development District

The Port of Kingston has an important role in sustaining the economic health of Kitsap County. 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.

On December 15, 2021, the commission signed a resolution that authorizes 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. There has been no subsequent activity.

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 delegate 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 GAAP the financial statements present the Port, the primary government, and its component units. Management has considered all potential component units in defining the reporting entity. There were no component units included in the reporting entity.

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 in the month they are earned and expensed in the month incurred. Any cash not received or paid is recorded as an asset or liability on the Statement of Net Position, 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 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, 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 and may require 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

Cash and Cash Equivalents
It is the Port's policy to invest all temporary cash surpluses. On December 31, 2019, the treasurer was holding $1,763,507 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 allocated to the various funds.

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

Investments – *See Note 2, Deposits and Investments*

Receivables

Taxes receivable consists of property taxes and related interest and penalties. *See Note 3, Property 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, 2019.

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 goods and services rendered. As of December 31, 2019, the customer accounts receivable was $9,255.

Amounts Due to and From Other Governments

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

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.

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The costs are recorded as expenditures at the time individual inventory items are (purchased/consumed). Inventories for fuel sales are non-ethanol gasoline and diesel fuel held at the Port's marina fuel dock as of December 31, 2019. Fuel inventory has been valued based on the first-in, first-out or FIFO method of accounting, based on the cost of the fuel when received. The Port maintains a small inventory of retail merchandise to sell to consumers.

Capital Assets and Depreciation

Capital assets, include land, buildings, machinery, capital improvements and construction in process. 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 and booked when projects are completed.

Capital assets 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.

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, 2019, the Port recorded deferred outflows and inflows of resources of $93,400 and $129,483, respectively.

Compensated Absences

Compensated absences represent paid time off that has been earned, for which employees have not been paid, such as vacation. The Port records employee vacation leave benefits as an expense and liability when earned.

Each employee may carry forward 120 hours of vacation hours to the following year. Unused vacation is payable to the employee 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.

Long-term Debt –*See Note 9, Long-Term Liabilities*

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.

Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

Unearned Revenue

On December 31, 2019, the Port held $1,272,940 in unearned revenue. This amount represents pre-payments of rent and will be recognized as revenue in future years.

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 nonrestricted.

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, 2019, the balance of the fund is $878,979.

Deposits

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

Investments

As of December 31, 2019, 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 since delinquent taxes are considered fully collectible due to a lien affixed to the property after tax is levied.

The Port's current levy for 2019 was $.179637 per $1,000 on an assessed valuation of $1,145,289,289 for a total regular levy of $206,122.

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

Note: A chart for capital asset activity is not included as proper records were not available to determine increases and decreases in each category.

NOTE 5 - CONSTRUCTION COMMITMENTS

The Port had $17,000 in construction in progress as of December 31, 2019.

NOTE 6 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 7 - PENSION PLANS

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.

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	(204,923)
Pension assets	$	-
Deferred outflows of resources	$	93,400
Deferred inflows of resources	$	(129,483)
Pension expense/expenditures	$	56,718

State Sponsored Pension Plans

Substantially all of the 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 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 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 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
January – June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	**12.83%**	**6.00%**

July – December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	**12.86%**	**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 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – June 2019		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.83%**	**7.41%**
July – December 2019		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.86%**	**7.90%**

* For employees participating in JBM, the contribution rate was 18.53% to 19.75%.

The Port's actual PERS plan contributions were $28,078 to PERS Plan 1 and $44,347 to PERS Plan 2/3 for the year ended December 31, 2019.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans were determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates were 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.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.

- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of $62.50 per month.

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
	100%	

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.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$193,058	$154,160	$120,412
PERS 2/3	$389,326	$50,762	($227,052)

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

As of June 30, 2019, the Port reported a total pension liability of $204,923 for its proportionate share of the net pension liabilities/assets as follows:

	Liability (or Asset)
PERS 1	$154,160
PERS 2/3	$ 50,763

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

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	.003445%	.004009%	.000564%
PERS 2/3	.004444%	.005226%	.000782%

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 Non-employer Allocations* for all plans.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with updated procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the Port recognized pension expense as follows:

	Pension Expense
PERS 1	$ 33,785
PERS 2/3	$22,933
TOTAL	$56,718

Deferred Outflows of Resources and Deferred Inflows of Resources

As of December 31, 2019, 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	$ -	($10,299)
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$13,527	$ -
TOTAL	$13,527	($10,299)

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$14,543	($10,914)
Net difference between projected and actual investment earnings on pension plan investments	$ -	($73,889)
Changes of assumptions	$ 1,300	($21,298)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 41,393	($13,083)
Contributions subsequent to the measurement date	$ 22,637	$ 0
TOTAL	$ 79,873	($119,184)

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ended December 31, 2020. 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
2020	($2,274)
2021	($5,386)
2022	($1,922)
2023	($718)
2024	$ -
Thereafter	$ -
TOTAL	($10,299)

Year ended December 31:	PERS Plan 2/3
2020	($15,863)
2021	($32,712)
2022	($11,607)
2023	($3,790)
2024	($1,825)
Thereafter	$3,850
TOTAL	($61,948)

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, 2019, there were 547 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 the Pool and share in the self-insured retention. 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. For property losses related to boiler and machinery Enduris is responsible for the first $4,000 of the claim.

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

The pool is governed by a Board of Directors consisting 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 conducting the business affairs of Enduris.

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2019	Additions	Reductions	Ending Balance 12/31/2019	Due Within One Year
Compensated absences	$82,001	$0	$60,928	$21,073	$0
GO bonds payable	937,000	-	57,500	879,500	59,500
Net pension liability	229,732	-	24,809	204,923	-
Long-term unearned revenue	1,297,313	-	24,373	1,272,940	24,373
Environmental remediation liability	87,000	21,000	-	108,000	-
Total Long-Term Liabilities	$2,633,046	$21,000	$167,610	$2,486,436	$83,873

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

Year(s)	Principal	Interest	Total
2020	$ 59,500	$ 26,860	$ 86,360
2021	60,000	25,514	85,514
2022	61,000	24,035	85,035
2023	62,000	22,420	84,420
2024	63,000	20,672	83,672
2025-2029	338,000	73,259	411,259
2030-2032	236,000	15,000	251,000
TOTALS	$ 879,500	$207,760	$1,087,260

There were no outstanding revenue bonds as of December 31, 2019.

Net Pension Liability/Asset

The net pension liability totaled $204,923 as of December 31, 2019.

Unearned Revenue

In accordance with GAAP 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 remaining total of unearned revenue as of December 31, 2019, is $1,272,940.

Environmental Remediation Liability
Current and long-term environmental remediation liability totaled $108,000 as of December 31, 2019.

NOTE 10 - ACCOUNTING FOR LEASES

The Port, as a lessor, enters into operating noncancelable leases with tenants for the use of land and buildings. In addition, some properties are rented on a month-to-month basis. Port procedure is to negotiate all leases at fair market value, considering market conditions, economic factors, property condition, and location, as well as other factors that may impact negotiating lease prices.

Minimum further rental income on non-cancelable operating leases:

Year Ending December 31	Amount
2020	$ 281,940
2021	$ 277,650
2022	$ 256,252
2023	$ 256,252
2024	$ 256,252
Thereafter	$ 3,442,137
TOTALS	$ 4,770,483

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 constrains are externally imposed on their use by contract or agreement or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2019, the Port's Net Position did not include a restricted component as no such constraints were in place.

NOTE 12 – ENVIRONMENTAL REMEDIATION OBLIGATIONS

The Port of Kingston is subject to laws and regulations relating to the protection of the environment. The Port's policy is to accrue environmental and cleanup related costs when it is both probable that a liability has been incurred and when the amount can be reasonably estimated.

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 obligation as of April 4, 2012, was estimated at $87,000. As of December 31, 2019, the Port expensed an additional $21,000, bringing the environmental remediation liability to $108,000.

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 elected to defer implementation until 2020 as provided by GASB 95.

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. Washington Administrative Code (WAC) 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, provide training for certain staff, and to properly close the underground storage tanks when they are no longer needed. The Washington State Department of Ecology (DOE) monitors and regulates the Port's underground storage tanks, including requirements for permanent closure, pursuant Washington Administrative Code (WAC) Chapter 173-360A.

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.

Underground storage tanks typically have estimated useful lives ranging from 30-40 years.

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

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 - ACCOUNTING AND REPORTING CHANGES

The Port changed from CASH basis to GAAP basis in 2019. Management felt accrual-based accounting is more rigorous and provides a more complete picture of the Port's finances. Ports tend to be capital intensive and complex. For the Commissioners to govern effectively they need to be provided financial information that captures our needs over time, including a P&L (that captures accruals and committed funds), balance sheets, line of business reporting and cash flow models. Cash reporting provides a short-term view that is more of a snapshot as opposed to understanding the revenue, expenses and committed over time.

NOTE 16 – SUBSEQUENT EVENTS

COVID-19

In January 2020, the U.S. Department of Health and Human Services declared a public health emergency for a new strain of coronavirus, COVID-19, a respiratory disease that can result in serious illness or death. In February 2020, Washington State's Governor declared a state of emergency in response to the spread of this deadly new virus. In March 2020, the World Health Organization declared COVID-19 as a global pandemic. In the weeks following the Governor's declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges, and universities, cancelling public events, closing all non-essential business, and mandating that people stay home and stay healthy.

The Port's primary focus during this uncertain time has been ensuring the safety and health of its employees and providing essential services while continuing to be an economic driver in the community. The Port has taken various measures to comply with the Governor's mandates, including the closure of Port offices to the public, implementing remote work arrangements as appropriate, and adopting personnel policies for those who must report to work to provide essential services.

Due to the closures mandated by the Governor, many businesses in the community are experiencing negative financial impacts. Many of the Port's business tenants have made requests for rent relief. The Port of Kingston did not find it necessary to provide rent relief. However, other revenue streams, primarily those tied to recreation, such as parking, may be affected depending on the length of time the pandemic continues to impact us. As such, the full extent of the financial impact to the Port is unknown at this time.

The Port continues to monitor the situation closely and will adjust as required to comply with recommendations of the Center for Disease Control, the Kitsap County Health Department, and the Washington State Governor's office.

IDD – Industrial Development District

The Port of Kingston has an important role in sustaining the economic health of Kitsap County. 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.

On December 15, 2021, the commission signed a resolution that authorizes 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. There has been no subsequent activity.

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 date, 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 date, 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.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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