Annual Financial Report

For the Year Ended
December 31, 2020

UNAUDITED

BOARD OF PORT COMMISSIONERS

Steven D. Burke , President

Colleen M. McAleer , Vice President

Connie L. Beauvais , Secretary

INTRODUCTION

The Port is a special-purpose municipality providing marina, airport and marine terminal services, as well as industrial property leases, and fostering economic activity within the district. The Port of Port Angeles was approved by Clallam County voters in 1922 and established in 1923. The Port is independent from other local or state governments and operates within the Clallam County district boundaries. It is administered by a three-member Board of Commissioners. In 2014 the public voted to change the term of office for new elected Commissioners to a four-year term instead of a six-year term. The Commission delegates authority to an Executive Director to manage the operations of the Port. The Port is supported primarily through operating revenues (user charges, marine terminal tariffs, rental rates, and fees). Property tax revenue is used for funding debt service payments on capital projects and funding a community partner program in which the Port provides funding for small economic development projects within Clallam County. Any remaining property tax revenue is added to the capital improvement fund.

This section contains the Port of Port Angeles' Management Discussion and Analysis (MD&A) of financial activities and performance for the calendar year ended December 31, 2020, and December 31, 2019. It provides an introduction to the Port's 2020 financial statements. Information contained in this MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and the notes.

The notes 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. Additionally, other factors not shown on the financial reports should be evaluated to assess the Port's true financial condition, such as changes in the Port's tax base and the condition of the Port's asset base.

Overview of the Financial Statements

The financial section of the annual report consists of three parts:

- Management's Discussion and Analysis (MD&A)
- Financial Statements, which includes:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
- Notes to the Financial Statements

The financial statements in the annual report illustrate whether the Port's financial position has improved as a result of the year's activities. Following is a brief discussion of the various statements.

- Statement of Net Position reflects the Port's financial position at year-end. It presents information on all of the Port's assets, deferred outflows, liabilities and deferred inflows, with the difference between the total of assets and deferred outflows and the total of liabilities and deferred inflows reported as Net Position. The value of Net Position represents a specific point in time. Over time, increases or decreases in Net Position may serve as an indicator of whether the financial position of the Port is improving or deteriorating.
- Statement of Revenues, Expenses, and Changes in Net Position reflects changes in the Port's financial position (Net Position) during the current year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows. This statement presents changes in Net Position from income or loss from operations as well as non-operating revenues and expenses, capital contributions and extraordinary items.
- Statement of Cash Flows reflects the net increases or decreases in cash from the following activities: Operating Activities, which includes a reconciliation of cash flows from operating activities to net income (loss) from operations; Noncapital Financing Activities; Capital and Related Financing Activities; Investing Activities.

FINANCIAL HIGHLIGHTS

Year Ended December 31, 2020

- Change in Net Position: The ending net position (assets and deferred outflows that exceed liabilities and deferred inflows) was $73.16 million, which was a decrease of ($1.00) million from 2019. Operating revenues increased by $0.17 million or 1.95% most of which can be attributed to increase in Airport operations. Operating expense also increased by 17% or $1.75 million. The Port was directly affected by the following global economic factors: the displacement of west coast logs exported to China by less expensive logs originating from Europe (an ongoing massive timber salvage program); devaluation of China's currency; increase in ocean shipping rates; and the ongoing U.S – China trade dispute.
- Assets: Total assets of the Port were $84.04 million, which was a decrease of ($4.26) million. Capital assets (land, buildings, improvements and equipment), net of accumulated depreciation, comprised $51.94 million or 62% of total assets. Cash and investments totaled $14.76 million or 18% of total assets with $0.54 million classified as restricted (custodial account, environmental reserve, contractor's retainage and customer deposits/prepaids). Non-current assets decrease mainly due to a sale of investments of $4.00 million to purchase a Certificate of Deposit that is listed as a Current Asset.
- Liabilities: The Port's total liabilities decreased (21.5%) or ($2.96 million) from 2019. Total debt (current & non-current) decreased by ($3.39) million or (50.8 %) due to the payoff of two LTGO Bonds. In addition, employee leave benefits liability decreased by ($0.09) million, long-term debt decreased ($3.30) million, and pension liability decreased ($0.06 million).
- Deferred Inflows and Outflows: In 2020, the Port recognized a decrease in deferred inflows ($0.28) million and an slight increase in deferred inflows of ($0.02) million as a result of the GASB 68 pension reporting guidance which recognizes timing differences in payments relating to the liability associated with the state pension program. GASB 68 is discussed further in Note 12 – Pension Plans.

Year Ended December 31, 2019

- Change in Net Position: The ending net position (assets and deferred outflows that exceed liabilities and deferred inflows) was $74.16 million, which was an increase of $2.73 million from 2018. This is primarily due to the $2.26 million increase from net non-operating activities (taxes, operating grants, environmental expenses and revenues), and $0.19 million increase of capital grant contributions offset by the ($1.68 million) decrease from 2018 operating gain and the 2019 $1.96 million increase from January 1, 2018 Adjusted Net Position. Operating revenues decreased overall by ($2.14 million) or (19.0%) most of which can be attributed to reduced Marine Terminal and Log Handling operations. The Port was directly affected by the following global economic factors: the displacement of west coast logs exported to China by less expensive logs originating from Europe (an ongoing massive timber salvage program); devaluation of China's currency; increase in ocean shipping rates; and the ongoing U.S – China trade dispute.
- Assets: Total assets of the Port were $88.3 million, which was an increase of $2.71 million. Capital assets (land, buildings, improvements and equipment), net of accumulated depreciation, comprised $66.7 million or 76% of total assets. Cash and investments totaled $19.5 million or 22% of total assets with $0.66 million classified as restricted (custodial account, environmental reserve, contractor's retainage and customer deposits/prepaids), The $2.94 million cash and investment increase is mostly due to environmental settlements reached in 2019, after completion of ongoing litigation spanning back multiple years.
- Liabilities: The Port's total liabilities decreased (0.4%) or ($0.06) million from 2018. The result of 2019 activity, while minimal, is comprised of larger variances between categories. Current Liability grant payable – environmental, decreased ($0.59 million) with a transfer to Unearned Revenue, Noncurrent Liabilities as a result of further usage definition from the grantor. Unearned revenue, noncurrent liabilities also increased due to an environmental legal settlement dependent on costs spent, before reimbursement takes place. In addition, environmental remediation liability

decreased by ($0.07) million, long-term debt increased $0.37 million, and pension liability decreased ($0.29) million.

- Deferred Inflows and Outflows: In 2019, the Port recognized a slight increase in deferred outflows and an increase in deferred inflows of $0.07 million as a result of the GASB 68 pension reporting guidance which recognizes timing differences in payments relating to the liability associated with the state pension program. GASB 68 is discussed further in Note 12 – Pension Plans.

Condensed Comparative Financial Data

The Statement of Net Position reflects the Port's financial position at year-end. It includes all Port assets and liabilities at a specific point in time. Changes in Net Position may serve as an indicator of whether the financial position of the Port is improving or deteriorating.

STATEMENT OF NET POSITION	2020	2019	2018	Increase (Decrease) 2020-2019	Increase (Decrease) 2019-2018
Current Assets	$ 17,594,847	$ 17,204,276	$ 14,172,167	$ 390,571	$ 3,032,109
Noncurrent Assets	66,445,643	71,095,690	71,417,394	(4,650,047)	(321,704)
Total Assets	**84,040,490**	**88,299,966**	**85,589,561**	**(4,259,476)**	**2,710,405**
Deferred Outflows of Resources	**328,753**	**306,921**	**270,387**	**21,832**	**36,534**
Current Liabilities	1,782,674	1,971,370	2,471,582	(188,696)	(500,212)
Noncurrent Liabilities	9,052,236	11,825,893	11,381,415	(2,773,657)	444,478
Total Liabilities	**10,834,910**	**13,797,263**	**13,852,997**	**(2,962,353)**	**(55,734)**
Deferred Inflows of Resources	**374,532**	**654,051**	**582,661**	**(279,519)**	**71,390**
Net Investment in Capital Assets	62,741,185	59,943,954	60,591,894	2,797,231	(647,940)
Restricted for Environmental	13,080	56,595	62,315	(43,515)	(5,720)
Unrestricted Net Position	10,405,536	14,155,023	10,770,081	(3,749,487)	3,384,942
Total Net Position	**$ 73,159,801**	**$ 74,155,572**	**$ 71,424,290**	**$ (995,772)**	**$ 2,731,282**

In 2020, Current Assets increased by $0.39 million from year end 2019. The increase is mostly due to accounts receivable of CARB loan of $0.75 million.

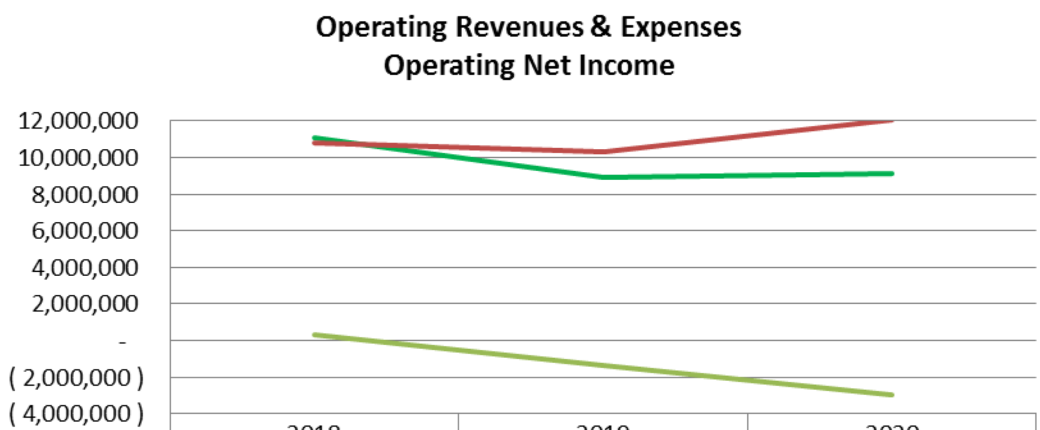
Noncurrent Assets decreased by ($4.65) million in comparison to 2019. The decrease is due to a called investment of ($4.00) million which was reinvested in a Certificate of Deposit that is a Current Asset.

The Statement of Revenues, Expenses and Changes in Net Position reflects changes in the Port's financial position during the year (in contrast to the Net Position statement which is a snapshot on December 31, 2020. This statement presents the inflows of revenues and outflows of expenses.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	**2020**	**2019**	**2018**	**Increase (Decrease) 2020-2019**	**Increase (Decrease) 2019-2018**
Operating Revenues					
Marine Terminals	$ 2,974,357	$ 2,872,277	$ 3,785,936	$ 102,080	$ (913,659)
Marine Trades	602,040	564,271	461,827	37,769	102,444
Log Handling	698,893	868,434	2,163,905	(169,541)	(1,295,471)
Airports	1,673,464	1,522,627	1,701,943	150,837	(179,316)
Marinas & Launch Ramps	3,055,078	3,004,091	2,854,155	50,987	149,936
Property Rentals	97,153	95,322	101,680	1,831	(6,358)
Total Operating Revenues	**9,100,985**	**8,927,022**	**11,069,446**	**173,963**	**(2,142,424)**
	-	-	-	-	-
NonOperating Revenues	**1,982,508**	**4,616,565**	**2,039,459**	**(2,634,057)**	**2,577,106**
Total Revenues	**11,083,493**	**13,543,587**	**13,108,905**	**(2,460,094)**	**434,682**
	-	-	-	-	-
Operating Expenses					
Marine Terminals	3,152,384	1,576,467	1,490,755	1,575,917	85,712
Marine Trades	647,096	528,597	487,721	118,499	40,876
Log Handling	1,487,066	1,559,359	2,334,418	(72,293)	(775,059)
Airports	1,639,555	1,936,943	1,518,767	(297,388)	418,176
Marinas & Launch Ramps	2,278,253	2,031,326	2,124,696	246,927	(93,370)
Property Rentals	179,939	90,110	202,816	89,829	(112,706)
Depreciation	2,681,169	2,591,810	2,624,636	89,359	(32,826)
Total Operating Expenses	**12,065,462**	**10,314,612**	**10,783,809**	**1,750,850**	**(469,197)**
NonOperating Expense	**450,844**	**817,913**	**498,115**	**(367,069)**	**319,798**
Total Expenses	**12,516,306**	**11,132,525**	**11,281,924**	**1,383,781**	**(149,399)**
Income (Loss) before Capital Contributions	**(1,432,813)**	**2,411,063**	**1,826,981**	**(3,843,876)**	**584,082**
		(1)			
Capital Contributions	437,042	320,219	129,885	116,823	190,334
Increase in Net Position	**(995,771)**	**2,731,282**	**1,956,866**	**(3,727,053)**	**774,416**
Net Position - January 1	74,155,572	71,424,290	71,331,355	2,731,282	92,935
Cumulative change in acct standards	-	-	(1,863,931)	-	1,863,931
Net Position - Adjusted	74,155,572	71,424,290	69,467,424	2,731,282	1,956,866
Net Position - December 31	**$ 73,159,801**	**$ 74,155,572**	**$ 71,424,290**	**$ (995,771)**	**$ 2,731,282**

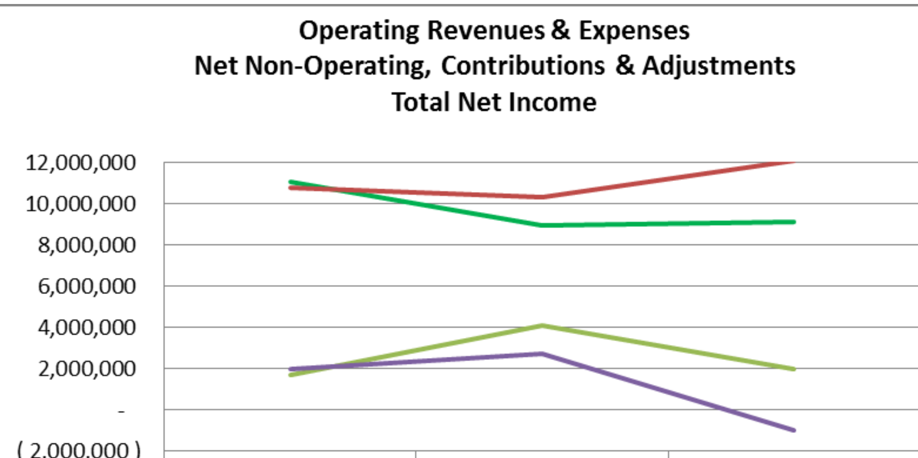
Summary of Operating and Non-Operating Activity

The operating functions of the Port include: Marine Terminals (dockage, wharfage, service and facilities, security fees); Marine Trades (boatyard fees, equipment rental, travel lift and travel lift pier fees); Log Handling (fees for handling logs, such as sorting, bundling, stacking, staging, loading and rafting; and equipment rental fees for movement by both land and water); Airport operations and industrial properties on airport land; Marinas and Boat Launch Ramps; and Property Rentals (land and structure rent that is not associated with another operating function). The operating functions of the Port are considered in the following graph.



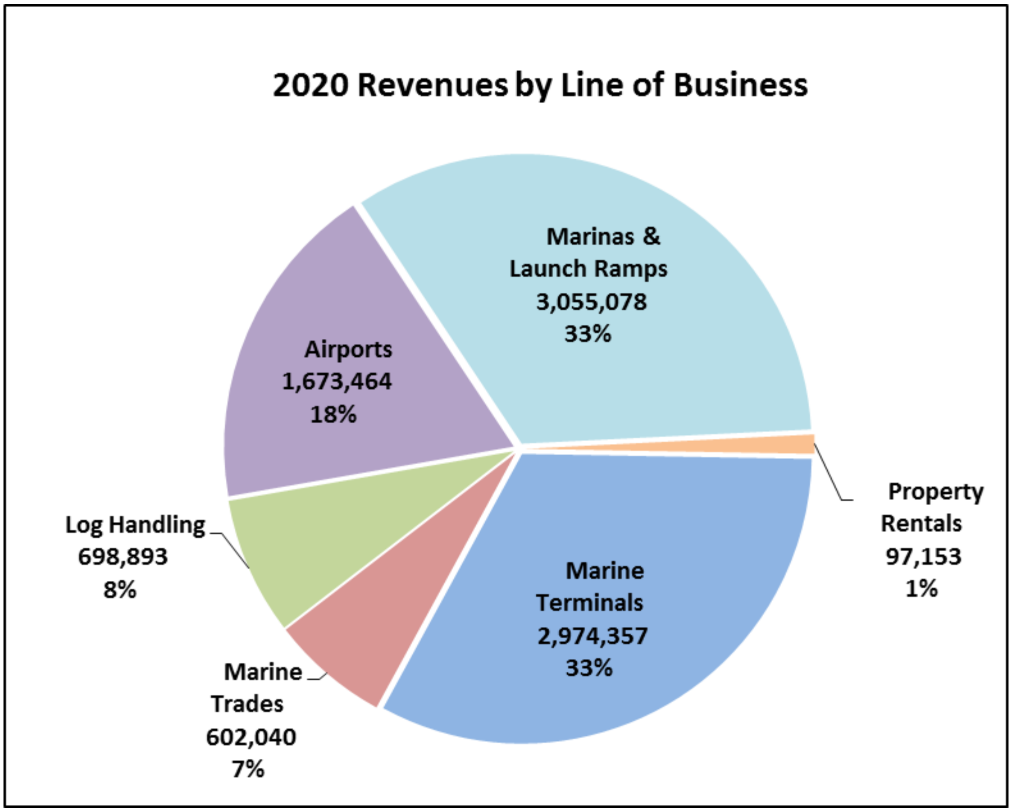
	2018	2019	2020
Operating Revenues	11,069,446	8,927,022	9,100,985
Operating Expenses	10,783,809	10,314,612	12,065,462
Net Operating Income (Loss)	285,637	(1,387,590)	(2,964,477)

The non-operating functions of the Port include: property, timber and other tax revenues; investment earnings; operating grants; legacy environmental expenses, grants and insurance recoveries; and bond issue costs and interest expense. There are also capital contributions from capital grants. Occasionally there are special and extraordinary items and prior period adjustments. The operating and non-operating functions of the Port are considered in the following graph.

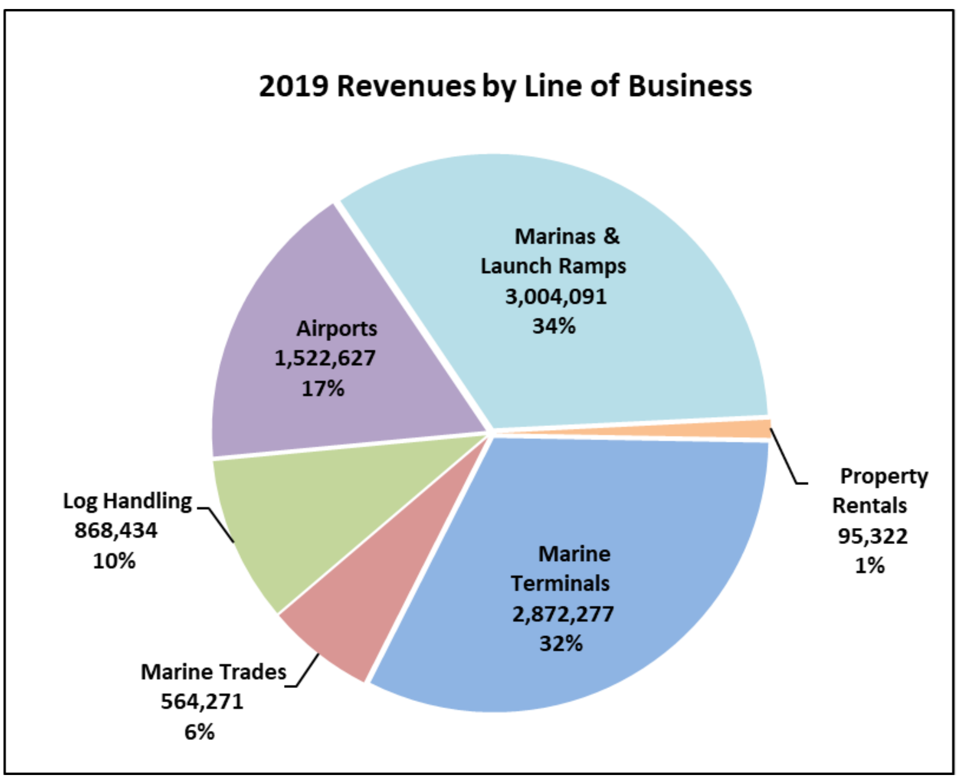


	2018	2019	2020
Operating Revenues	11,069,446	8,927,022	9,100,985
Operating Expenses	10,783,809	10,314,612	12,065,462
Net Non-Operating, Contributions & Adjustments	1,671,229	4,118,872	1,968,706
Total Net Income (Loss)	1,956,866	2,731,282	(995,771)

In 2020, the primary sources of revenue were from Marine Terminals, Marinas, Airport Operations and the Airport industrial properties totaling 85% of total operating revenue.



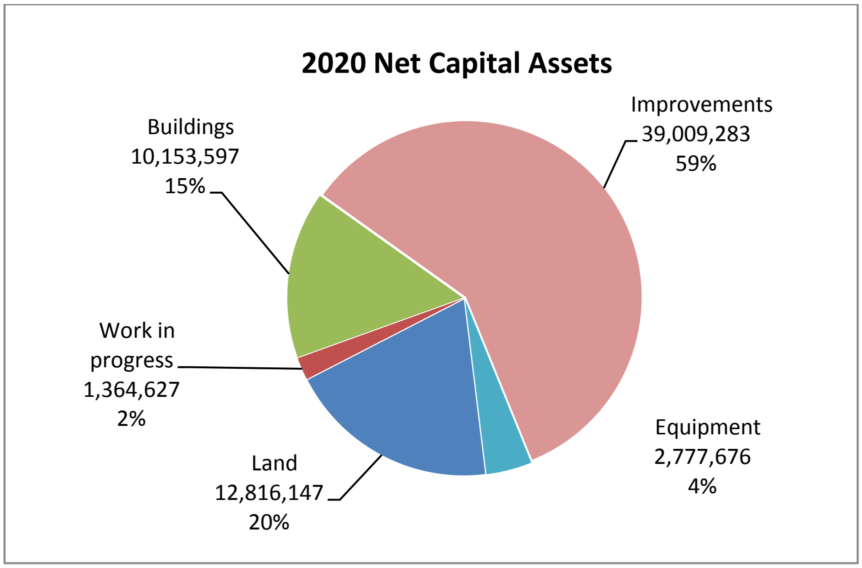
In 2019, the primary sources of revenue were from Marine Terminals, Marinas, Airport Operations and the Airport industrial properties totaling 83% of total operating revenue.



CAPITAL ASSETS

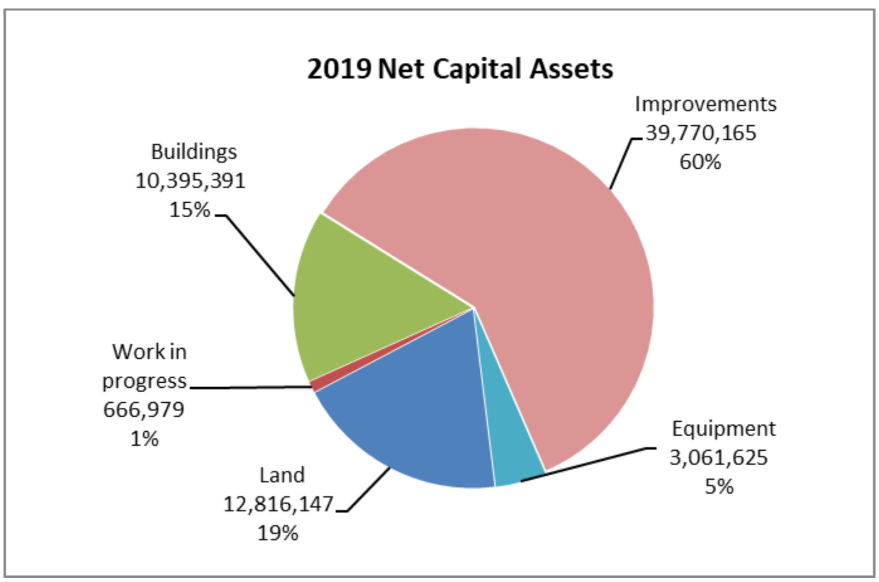
Year Ended December 31, 2020

In 2020, the Port's net capital assets decreased by ($1.29) million (after depreciation) or (2.4%) to 2019. The majority of the decrease is due to depreciation expense increasing in 2020 due to the large assets capitalized in 2019. Work in progress increased $0.70 million in 2020.



Year Ended December 31, 2019

In 2019, the Port's net capital assets increased by $5.02 million (after depreciation) or 10% over 2018. The completion of two capital projects account for most of the increase. Improvements to the Marine Terminal stormwater treatment project and construction of the Marine Trades area washdown facility were placed into service. The impact of this is illustrated by the increase in depreciable assets and the decrease in work in process. Capitalized amount for each in 2019 were $2.8 million and $2.2 million, respectively.



Net Capital Assets and Change in Year-End Balances

Capital Assets	2020	2019	2018	Net Change 2020 - 2019	Net Change 2019 - 2018
Land	$ 12,816,147	$ 12,816,147	$ 12,816,147	$ -	$ -
Work in progress	1,364,627	666,980	5,904,786	697,647	(5,237,806)
Buildings	10,153,596	10,395,390	10,423,298	(241,794)	(27,908)
Improvements	39,009,283	39,770,165	34,746,332	(760,882)	5,023,833
Equipment	2,777,676	3,061,625	3,035,304	(283,949)	26,321
Total	$ 66,121,329	$ 66,710,307	$ 66,925,867	$ (588,978)	$ (215,560)

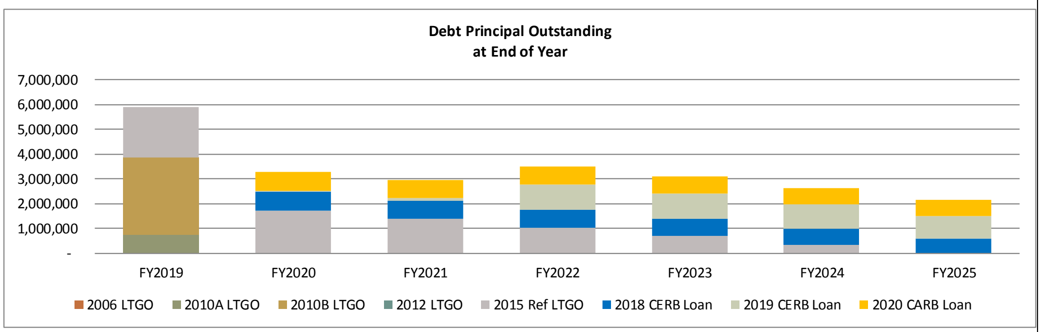
See Note 4 for increases and decreases in capital assets and depreciation.

Continue on to next page for Debt Administration

Debt Administration

Year Ended December 31, 2020

As of December 31, 2020, the Port had total debt outstanding of $3.28 million, with $357k due within one year. On December 1, 2020, LTGO 2010A & 2010B were paid off early for a reduction in debt of ($3.87) million. Original maturity was scheduled for December 2030. In July 2018, the Port was awarded a $765k Washington State Community Economic Revitalization Board (CERB) Loan for the Marine Trades Area. The loan proceeds are disbursed on a cost reimbursement basis and are contingent on continued adherence to loan award requirements. Loan repayment, as instructed by the CERB Board, will begin in January 2021 and then annually. A second Loan from the CERB Board was awarded in January 2019 for improvements to the Cofferdam Barge Facility. The loan amount awarded is $1.02 million with a contract ending date of October 2023. The second CERB Loan is also structured on a cost reimbursement basis. As of December 31, 2020, $55k of the $1.02 million loan proceeds have be reimbursed for this project. Loan repayment is currently scheduled to begin in 2022. In April 2020, the Port was awarded a $750k, 2% fixed interest, 20-year term loan from Washington State Department of Transportation, Community Aviation Revitalization Board (CARB). The loan proceeds have been utilized for expenditures of the William R. Fairchild International Airport Utility Expansion capital project. During 2020, the Port made total bond debt principal payments of $4.19 million (which includes the 2010A& B LTGO payoff), resulting in a 12-31-2020 remaining balance due of $1.71 million. The CERB loans have terms of 20 years, with current scheduled payoff by Q3 2040. The CARB loan is set for final payment in January 2041. The Port uses property taxes for debt service payments. Based on property taxes exceeding current debt payments, the Port estimates the excess property taxes would cover an additional $21.37 million of non-voted general obligation debt. The non-voted debt capacity of the Port was $24.66 million as of December 31, 2020.



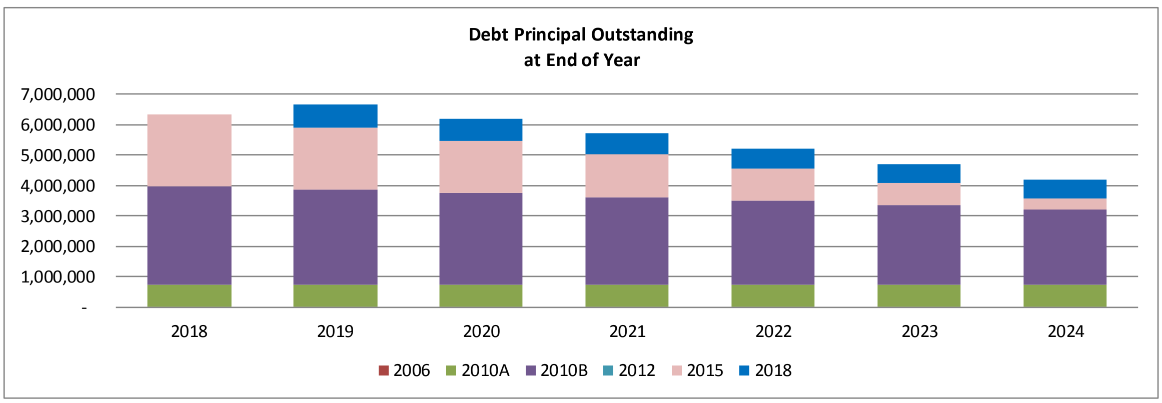
Debt Outstanding (at end of year)

Bond/Loan Name	Project Name	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
2006 LTGO	PABH	------------see 2015 Refunding LTGO-------						
2010A LTGO	Composite Mfg-Site	760,000	Paid off Dec 2020					
2010B LTGO	Composite Mfg-Bldg	3,110,000	Paid off Dec 2020					
2012 LTGO	25 Projects 1993-98	Paid off Dec 2016						
2015 Ref LTGO	Refunded 2006 PABH	2,035,899	1,714,800	1,384,420	1,050,169	707,714	357,505	-
2018 CERB Loan	MTA Washdown Facility		765,000	738,650	706,310	673,324	639,678	605,359
2019 CERB Loan	LY Cofferdam Barge Facility		54,995	100,000	1,020,000	1,020,000	971,027	918,931
2020 CARB Loan	FIA Utility Extension		750,000	750,000	719,132	687,648	655,533	622,776
	Total Principal Outstanding	**5,905,899**	**3,284,795**	**2,973,070**	**3,495,612**	**3,088,686**	**2,623,743**	**2,147,067**
	Decrease/(Increase) in Principal	426,807	2,621,104	311,725	(522,542)	406,926	464,943	476,676
		-	-	-	-	-	-	-

Bond/Loan Name	Project Name	Original Principal	Fiscal Years (FY) 2021 thru 2041 Remaining Principal Pymts	Maturity
2006 LTGO	PABH	4,995,000	------------see 2015 Refunding-------	
2010A LTGO	Composite Mfg-Site	760,000	------------Paid off Dec 2020---------	
2010B LTGO	Composite Mfg-Bldg	3,435,000	------------Paid off Dec 2020---------	
2012 LTGO	25 Projects 1993-98	1,830,000	------------Paid off Dec 2016---------	
2015 Ref LTGO	Refunded 2006 PABH	3,251,350	1,714,800	Dec 1, 2025
2018 CERB Loan	MTA Washdown Facility	765,000	765,000	Jan 31, 2040
2019 CERB Loan	LY Cofferdam Barge Facility	1,020,000	1,020,000	Jul 31, 2040
2020 CARB Loan	FIA Utility Extension	750,000	750,000	Jan 1, 2041
		16,806,350	4,249,800	

Year Ended December 31, 2019

At December 31, 2019, the Port had general obligation bond debt outstanding (excluding premium/discount) of $5.1 million, of which $441k is due within one year. In July 2018, the Port was awarded a $765k Washington State Community Economic Revitalization Board (CERB) Loan for the Marine Trades Area. The loan proceeds are disbursed on a cost reimbursement basis and are contingent on continued adherence to loan award requirements. Loan repayment, as instructed by the CERB Board, will begin in January 2021 and then annually. A second Loan from the CERB Board was awarded in January 2019 for improvements to the Cofferdam Barge Facility. The loan amount awarded is $1.02 million with a contract ending date of October 2023. The second CERB Loan is also structured on a cost reimbursement basis. Repayment will not begin until project completion. As of December 31, 2019, $29k has been spent on this project. During 2019 the Port made bond debt principal payments of $427k. The terms of the debt vary by issue, with interest rates ranging from 2.29% to 7.50%. The debt with the 7.50% interest rate is eligible for a rate subsidy, making the effective rate 3.375%. The general obligation bonds will be fully amortized at the end of 2030. The CERB loans have terms of 20 years, with the first loan having a final payoff in January 2040 and the second to be determined after project completion. The Port uses property taxes for debt service payments. Based on property taxes exceeding current debt payments, the Port estimates the excess property taxes would cover an additional $10.6 million of non-voted general obligation debt. The non-voted debt capacity of the Port was $13.2 million at December 31, 2019.



Debt Outstanding (at end of year)		2018	2019	2020	2021	2022	2023	2024
2006	PABH	------------see 2015 Refunding-------						
2010A	Composite Mfg-Site	760,000	760,000	760,000	760,000	760,000	760,000	760,000
2010B	Composite Mfg-Bldg	3,220,000	3,110,000	2,990,000	2,870,000	2,740,000	2,605,000	2,465,000
2012	25 Projects 1993-98	Paid off Dec 2016		-	-	-	-	-
2015	Refunded 2006 PABH	2,352,706	2,035,899	1,714,800	1,384,420	1,050,169	707,714	357,505
2018	CERB MTA Washdown Fac		765,000	733,515	701,400	668,643	635,231	601,151
	Total Principal Outstanding	**6,332,706**	**6,670,899**	**6,198,315**	**5,715,820**	**5,218,812**	**4,707,945**	**4,183,656**
	Decrease/(Increase) in Principal	417,099	(338,193)	472,584	482,495	497,008	1,007,875	1,035,157
		-	-	-	-	-	-	-

		Original Principal	**2020 thru 2040 Remaining Principal Pymts**	**Maturity**
2006	PABH	4,995,000	------------see 2015 Refunding-------	
2010A	Composite Mfg-Site	760,000	760,000	Dec 1, 2030
2010B	Composite Mfg-Bldg	3,435,000	3,110,000	Dec 1, 2029
2012	25 Projects 1993-98	1,830,000	------------Paid off Dec 2016-------	
2015	Refunded 2006 PABH	3,251,350	2,035,899	Dec 1, 2025
2018	CERB MTA Washdown Fac	765,000	765,000	Jan 31, 2040
		15,036,350	6,670,899	

See Note 10 for additions and reductions in long-term liabilities.

PORT OF PORT ANGELES
STATEMENT OF NET POSITION
As of December 31, 2020 and December 31, 2019

	2020	2019
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 13,715,533	$ 13,630,895
Restricted Cash & Cash Equivalents	538,550	661,174
Investments	500,000	1,175,000
Accounts Receivable, net of allowance	1,529,250	547,971
Contracts, Notes & Insurance Receivable, current	463,932	512,321
Prepayments and Other Current Assets	453,429	434,258
Grants receivable	307,542	163,293
Taxes Receivable	86,611	79,364
Total Current Assets	**17,594,847**	**17,204,276**
NONCURRENT ASSETS		
Investments	7,900	4,080,737
Depreciable Assets, Net of Accumulated Depreciation	51,940,556	53,227,181
Land	12,816,147	12,816,147
Work in Progress	1,364,627	666,979
Other Noncurrent Assets:		
Contracts & Note Receivable, net of current portion	316,413	304,646
Total Noncurrent Assets	**66,445,643**	**71,095,690**
TOTAL ASSETS	**84,040,490**	**88,299,966**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pensions	293,301	273,688
Deferred Outflows - OPEB	35,452	33,233
	328,753	**306,921**
CURRENT LIABILITIES		
Accounts Payable	169,661	163,229
Accrued Expenses	421,460	412,288
Customer Deposits & Prepaid Revenues	147,933	124,283
Contracts Payable	452,451	382,910
Grant Payable	-	115,353
Custodial Account	49,510	149,600
Long-Term Debt, current portion	356,730	438,339
Long-Term Payable, current portion	39,525	44,525
Environmental Remediation, current portion	74,500	74,375
OPEB, current portion	70,904	66,468
Total Current Liabilities	**1,782,674**	**1,971,370**
NONCURRENT LIABILITIES		
Long-Term Debt	2,928,065	6,232,129
Long-Term Payable	97,858	129,983
Environmental Remediation	328,000	211,000
Employee Leave Benefits	425,660	511,697
Other Post Employment Benefits	2,984,782	2,343,177
Pension Liability	948,621	1,013,319
Unearned Revenue	1,339,250	1,384,588
Total NonCurrent Liabilities	**9,052,236**	**11,825,893**
TOTAL LIABILITIES	**10,834,910**	**13,797,263**
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pensions	344,131	616,182
Deferred gain on bond refunding	24,446	29,418
Deferred Inflow - Blackball Harbor Area Lease	5,955	8,451
	374,532	**654,051**
NET POSITION		
Net Investment in Capital Assets	62,741,185	59,943,954
Restricted for Environmental	13,080	56,595
Unrestricted Net Position	10,405,536	14,155,023
TOTAL NET POSITION	**$ 73,159,801**	**$ 74,155,572**

The Accompanying Notes Are An Integral Part Of This Statement

PORT OF PORT ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended December 31, 2020 and December 31, 2019

	2020	2019
OPERATING REVENUES		
Marine Terminals	$ 2,974,357	$ 2,872,277
Marine Trades	602,040	564,271
Log Handling	698,893	868,434
Airports	1,673,464	1,522,627
Marinas & Launch Ramps	3,055,078	3,004,091
Property Rentals	97,153	95,322
Total Operating Revenues	**9,100,985**	**8,927,022**
OPERATING EXPENSES		
General Operations	5,279,262	4,542,936
Maintenance	1,634,980	1,357,789
General and Administrative	2,470,051	1,822,077
Depreciation	2,681,169	2,591,810
Total Operating Expenses	**12,065,462**	**10,314,612**
OPERATING INCOME (LOSS)	**(2,964,477)**	**(1,387,590)**
NONOPERATING REVENUES (EXPENSES)		
Ad Valorem Taxes (general tax levy)	1,580,760	1,537,007
Taxes from Timber & Leasehold Interest	142,293	167,324
Passenger Facility Charges	882	1,869
Investment Income	258,573	405,332
Interest Expense	(260,713)	(240,486)
Election Expense	-	(15,596)
Increase (Decrease) in Fair Value of Investments	(72,732)	(39,930)
Non-Capital Grants	200,778	529
Environmental Remediation Revenue (Expense)	(250,260)	(172,009)
Gain (loss) on retirement of Capital Assets	-	(81,013)
Miscellaneous Revenue (Expense)	(67,917)	2,235,625
Net NonOperating Revenues (Expenses)	**1,531,664**	**3,798,652**
INCOME (LOSS)		
Before Capital Contributions	**(1,432,813)**	**2,411,063**
Capital Contributions	437,042	320,219
INCREASE IN NET POSITION	**(995,771)**	**2,731,282**
	-	-
Net Position - January 1	74,155,572	71,424,290
Cumulative effect of change in acct standards	-	-
Net Position Adjusted	74,155,572	71,424,290
NET POSITION - December 31	**$ 73,159,801**	**$ 74,155,572**

The Accompanying Notes Are An Integral Part Of This Statement

PORT OF PORT ANGELES
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2020 and December 31, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$8,092,346	$9,339,990
Less: Cash paid to suppliers and employees	(9,191,929)	(8,576,727)
Net Cash Provided (Used) by Operating Activities	**(1,099,583)**	**763,263**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes received	1,573,513	1,536,164
Timber and leasehold taxes received	142,293	167,324
Cash received from operating grants	169,217	(62,746)
Cash rec'd (paid) for environmental remediation expenses	(236,413)	(182,225)
Other NonOperating revenues (expenses)	(67,917)	2,220,028
Net Cash Provided by (Used in) Noncapital Financing	**1,580,693**	**3,677,545**
CASH FLOWS FROM CAPITAL & RELATED FINANCING		
Cash received from Passenger Facility Fees	882	1,869
Capital contributions from grants	209,001	258,442
Acquisition and construction of capital assets	(2,022,651)	(2,262,842)
Principal paid on capital debt	(3,385,673)	370,882
Interest paid on capital debt	(289,232)	(240,531)
Net Cash Provided by (Used in) Capital & Financing Activities	**(5,487,673)**	**(1,872,180)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	5,175,000	3,530,000
Purchase of investments	(500,000)	(3,500,000)
Interest received on investments & unrealized gain/loss	293,577	411,916
Net Cash Provided (Used) by Investing Activities	**4,968,577**	**441,916**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**(37,986)**	**3,010,544**
Cash and cash equivalents at beginning of year	14,292,069	11,281,524
CASH & CASH EQUIVALENTS END OF YEAR	**14,254,083**	**14,292,068**
RECONCILIATION OF (A) OPERATING INCOME TO (B) NET CASH PROVIDED BY OPERATING ACTIVITIES		
(a) Operating Income	(2,964,477)	(1,387,590)
(b) Net Cash Provided by Operating Activities		
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,681,169	2,591,810
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(1,008,639)	412,968
(Increase) Decrease in Inventories & Prepayments	(43,962)	(40,303)
Increase (Decrease) in Accounts & Other Payables	1,432	(141,382)
Increase (Decrease) in Other Accrued Expenses	27,582	(33,053)
Increase (Decrease) in Other Liabilities	207,312	(639,187)
NET CASH OPERATING ACTIVITIES	**(1,099,583)**	**763,263**
NON-CASH INVESTING & FINANCING ACTIVITIES		
Increase (Decrease) in Fair Value of Investments	(72,732)	(39,930)

The Accompanying Notes Are An Integral Part Of This Statement

FIDUCIARY FUNDS

Custodial Funds are used to report fiduciary activities that are not required to be reported in pension and other employee benefit trust funds, investment trust funds, or private-purpose trust funds. The Port's custodial funds are comprised of the following:

1. The first account reflects the liability for net monetary assets held by the Port in its capacity as a custodian per the Participation Agreement for the Western Port Angeles Harbor ("Group") signed April 14, 2013. The agreement designates the Port of Port Angeles as the Group's "Cashier". The agreement terminates upon receipt of a certification by Department of Ecology that the work under the Agreed Order for the Remedial Investigation and Feasibility Study has been satisfactorily completed (*See Note 15. Pollution Remediation Obligations for more information.)* The Port does not have the authority to make independent decisions with the money for the benefit of the Group. Per the agreement, the Cashier's actions are directed by the voting results of the Group, such as to collect partner contributions and to pay consultant invoices.
2. The second account reflects the liability for net monetary assets held by the Port subject to a court order regarding disbursements of settlement funds related to the K-Ply site. Funds were set aside by the court for the Port to pay ongoing costs related to monitoring the clean-up site. Any funds remaining after the Washington State Department of Ecology determination of no further action required must be returned to K-Ply Insurers.

PORT OF PORT ANGELES

STATEMENT OF FIDUCIARY NET POSITION

As of December 31, 2020

	Custodial Funds
CURRENT ASSETS:	
Restricted Cash & Cash Equivalents	$ 332,455
Accounts Receivable, net of allowance	
Total Current Assets	**332,455**
TOTAL ASSETS	**332,455**
CURRENT LIABILITIES	
Accounts Payable	87,080
Environmental Remediation, current portion	
Total Current Liabilities	**87,080**
NONCURRENT LIABILITIES	
Unearned Revenue	245,374
Total NonCurrent Liabilities	**245,374**
TOTAL LIABILITIES	**332,455**
NET POSITION	
Restricted for Environmental	332,455
TOTAL NET POSITION	**$ 332,455**

Port of Port Angeles
Notes to Financial Statements
For the Year Ended December 31, 2020

1. Summary of significant accounting policies

The financial statements of the Port have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments (US-GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In June 2015, the Governmental Accounting Standards Board issued GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. GASB 75 supersedes or amends the following GASB Statements: 45, 57 and 74. The Port implemented GASB 75 for the year ended December 31, 2018. See Note 17 - Other Disclosures, Prior Period Adjustment for the net result of recording previous Net OPEB Liability.

The significant policies are described below.

Reporting Entity
The Port is a municipal corporation of the State of Washington created in 1923 under provisions of the Revised Code of Washington (RCW) 53.04.010 et seq. The Port has geographic boundaries coextensive with Clallam County, Washington and its home office is situated on the Port Angeles harbor.

The Port is independent from Clallam County government and is administered by a three-member Board of Commissioners elected by Clallam County voters. The Commission delegates administrative authority to an Executive Director to manage operations of the Port. Clallam County does levy and collect taxes on behalf of the Port. Clallam County provides no funding to the Port. Additionally, Clallam County does not hold title to any of the Port's assets, nor does it have any right to the Port's surpluses.

The Port provides docks and wharves for waterborne commerce as well as marina and airport facilities. The Port also owns and manages significant industrial properties.

The Industrial Development Corporation (IDC), a public corporation, is authorized to facilitate the issuance of tax-exempt non-recourse revenue bonds to finance industrial development within the corporate boundaries of the Port. Revenue bonds issued by the Corporation are payable from revenues derived as a result of the industrial development facilities funded by the revenue bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than industrial facilities for which they are used.

The IDC is governed by the Port's three member Port Commission. The IDC's account balances and transactions are included as a blended unit within the Port's financial statements. Separate financial statements of the individual component unit discussed above can be obtained from the Port administrative offices at 338 West First Street in Port Angeles, WA

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

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

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

Operating and Non-Operating Revenues and Expenses

The Port classifies as Operating those revenues and expenses that result from providing services and producing and delivering goods in connection with the Port's principal ongoing operations. Revenues from Marine Terminals, Marine Trades (haul-out pier and boatyard), Log Handling services, Airports, Marinas, and Property Rentals are charges for use of the Port's facilities or services and are reported as operating revenues. Expenses associated with these same divisions, such as cost of services, business and economic development, administrative expenses, and depreciation on capital assets, are reported as operating expenses.

Other revenues and expenditures not meeting the definition of operating revenues and expenses described above, including ad valorem tax levy revenues, timber tax revenues, investment earnings, grants and all other revenues and expenses generated from non-operating sources are classified as non-operating. Environmental compliance or remediation expenses that are not part of current ongoing business operations or cannot be capitalized are treated as non-operating expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates also affect the reported amounts of revenues and expenses during the reporting period.

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, collective bargaining disputes, federal, state and local government regulations, and changes in law. The Port also faces a concentration of credit risk wherein a significant portion of the Port's business is transacted with entities in the forest products industry.

Grants-in-Aid Assets

The Port periodically receives federal and state grants-in-aid funds for construction of certain facilities. Grants are recognized as capital contributions in the accounting period when they become measurable and available. Depreciation on all assets, including grant funded assets, is shown in the Statement of Revenues, Expenses and Net Position.

Ad Valorem Taxes (Property Taxes)

Ad valorem taxes received by the Port are recognized as revenue based upon the annual amount levied by the Port Commissioners and recorded by Clallam County Assessor. These taxes may be used for the acquisition or construction of facilities, for the retirement of general obligation bonds which were issued for the acquisition or construction of facilities, or for general Port operations. The Commissioners have directed that property taxes be used for non-operating expenses.

Capital Assets and Depreciation

The Port's policy is to capitalize all asset additions with a value of $5,000 or more and with an estimated useful life of at least five years. Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Major repairs include expenditures with a value in excess of $10,000 and increase the useful life of the repaired asset by at least five years. Maintenance, repairs, and minor renewals which maintain assets in their current operating condition are recorded as an operating expense.

Prior to 2013 the Port's policy was to capitalize all asset additions greater than $1,000 and with an estimated useful life of more than five years. Existing assets at the time of the policy change will continue under the prior policy.

All capital assets (land, the cost of infrastructure, facilities and equipment) are valued at historical cost, or estimated historical cost where historical cost is not known. Donated capital assets from developers and customers are recorded at the acquisition value at the date of donation.

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

When an asset is sold, retired or otherwise disposed of, the original cost of the property and the cost of installation, less salvage, are removed from the Port's capital asset accounts, the accumulated depreciation related to the property sold is removed from the accumulated depreciation account, and the net gain or loss on disposition is credited or charged to income.

Depreciation

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of 5 to 50 years. The following useful lives are used in computing depreciation:

Capital Asset Class	Useful Life
Buildings	5 years to 33 years
Improvements	5 years to 50 years
Machinery and Equipment	5 years to 20 years

Allocation of Expenses

For the purposes of financial reporting, the Port allocates the costs of general and administrative departments to the lines of business they support. The cost associated with Administration, Business and Economic Development, and Maintenance is assigned to Marine Terminals, Marinas, Marine Trades, Log Handling, Airports, and Property Rentals.

In 2014 the Port adopted the Modified Total Direct Cost (MTDC) method of allocations. In late 2013, the US Federal Government issued regulations specifying the overhead allocation methodology to be used in Federal grant awards and audits. The methodology selected was Modified Total Direct Cost (MTDC) and it is required for all federal grant reporting starting January 1, 2015. The Port reviewed MTDC and determined it to be a better overhead cost allocation model and adopted it starting in fiscal year 2014. MTDC allocates overhead based on the proportional amount of direct expense from each line of business less any expenses that need to be excluded in order to "avoid a serious inequity in the distribution of indirect costs." The MDTC methodology is now required for financial reporting of FAA grants received by Port, and the Port has chosen to implement that methodology across all lines of business.

Prior to 2014, the Port used an allocation method that allocated general and administrative costs based on the proportional amounts of revenues and expenses within the lines of business. Expenses were allocated to specific operations using 50% of the ratio of operations revenues to total operating revenues plus 50% of the ratio of operations expenses to total operating expenses.

Continue on to next page for Cash Equivalents

Cash Equivalents

General operating cash equivalent includes all unrestricted amounts. It is the Port's policy to invest all temporary cash surpluses. For financial statement purposes, the Port considers all short-term investments, which primarily consist of financial institution deposits and investments in government pools to be cash equivalents on the Statement of Net Position

Cash Equivalents	Dec 31, 2020	Dec 31, 2019
General Operating	$ 13,715,533	$ 13,630,895
Other Restricted Assets	538,551	661,174
Total	$ 14,254,084	$ 14,292,069

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

Investments

The Port used quoted market prices to estimate the fair value of all investments. All unrealized gains and losses on investments were included as a change in the fair value of investments reported in the prior and current years.

See Note 2 for a schedule of Deposits and Investments.

Restricted Cash & Investments

In accordance with bond resolutions and certain related agreements, separate restricted accounts are required to be established. The assets held in these funds are restricted for specific uses, including environmental mitigation, prepaid operating expenses, customer deposits, retainage on capital asset construction and various other categories. The Restricted Assets are composed of the following:

Restricted Assets	Dec 31, 2020	Dec 31, 2019
Cash & Investments (Harbor Group Account)	$ 62,590	$ 206,195
Cash & Investments (Environmental Reserve)	269,865	297,973
Customer Deposits & Prepaids	147,933	124,284
Contractor's Retainage	58,163	32,722
Total	**$ 538,551**	**$ 661,174**

See Note 2 for a schedule of Deposits and Investments at Fair Value.

Accounts Receivable, Net of Allowance

Customer accounts receivable consist of amounts owed for moorage, rental agreements, marine terminal services, log yard services and other goods and services from private individuals or organizations including amounts owed for which billings have not been prepared. Receivables have been recorded at net of estimated uncollectible accounts. Management determines the allowance for uncollectible accounts by identifying delinquent accounts and by using historical experience applied to an aging of accounts. An accounts receivable is written off when deemed uncollectible. Recoveries of an accounts receivable previously written off are recorded against the reserve account when received.

Allowance for Uncollectible Accounts	Dec 31, 2020	Dec 31, 2019
Based on delinquent accounts and historical experience	$ 31,062	$ 10,644

Contracts, Notes and Insurance Receivables

Other receivables include contracts for the sale of real estate, notes for tenant improvements, long-term agreements for the repayment of rent and insurance receivables primarily related to environmental investigations and remediation.

Notes & Insurance Receivables	Dec 31, 2020	Dec 31, 2019
Rent Repayment Agreement, current	$ 6,000	$ 12,239
Insurance Receivables	457,932	500,082
Total Notes & Insurance Receivables	**$ 463,932**	**$ 512,321**

Taxes Receivable

Taxes receivable consists of property taxes and related interest and penalties. Because property taxes and special assessments are considered liens on property, no estimates for uncollectable amounts are established. Taxes receivable also include the Port's share of Timber Tax and Leasehold Excise tax distributions.

See Note 3 for more information on Property Taxes.

Grants Receivables, Amounts Due To and From Other Governments

These accounts include amounts due to or from other governments for grants, entitlements, and loans from other governmental entities. A Schedule of Financial Assistance, which provides a listing of all federal and state assistance programs in which the Port participates and summarizes the Port's grant transactions, is available upon request.

Prepayments and Other Current Assets

Prepayments include insurance policy premiums. Other current assets consist of accrued interest on investments and inventories. Inventories are valued at cost, which approximates net realizable value, using the first-in first-out method (FIFO).

Employee Leave Benefits

The Port accrues unpaid vacation and sick leave benefits as earned. Benefits are payable upon termination, resignation, or retirement. Vacation leave, which may be accumulated up to two times the annual vacation amount (annual vacation accrual is 10 to 30 days depending on years of service), is paid at the rate of 100%. Annual sick leave accrual is 96 hours (12 days) for full time employees. Sick leave may be accumulated based on employee status. The annual cash out to VEBA (Voluntary Employees Beneficiary Association - a tax-free post-retirement medical expense account) helps to limit the amount of liability for employee leave benefits. (Represented by ILWU: 400 hours with up to 100 hours annual cash out to VEBA at 75%; Represented by Teamsters: 400 hours with up to 100 hours annual cash out to VEBA at 75%; Non-represented: 300 hours with up to 100 hours annual cash out to VEBA at 75%.) There is no limit on sick leave accrual. Sick leave is paid out at the rate of 75% upon termination. Part time employees accrue 1 hour sick leave for every 40 hours worked. The maximum rollover hours for part time employees is 40 hours. Part time employees do not participate in VEBA and are not eligible for cash out of benefits.

Employee Leave Benefit Liabilities	Dec 31, 2020	Dec 31, 2019
Unpaid vacation and sick leave	$ 468,060	$ 561,997

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.

Deferred Outflows/Inflows

Deferred Outflows and Inflows for pension liabilities are shown on the Statement of Net Position and represent the Port's contributions subsequent to the reporting period, as well as changes in actuarial assumptions reported by the Department of Retirement Systems. See Note 12.

Deferred Outflows on OPEB represent the Ports contributions subsequent to the reporting period. See Note 13.

Deferred Inflows gain on bond refunding is a result of refunding bonds that had not reached maturity. Previously the gain was amortized over the life of the bond.

2. Deposits and Investments

Deposits

The Port's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The PDPC (established under Chapter 39.58 of the Revised Code of Washington) constitutes a multiple financial institution collateral pool. Pledged securities under the PDPC collateral pool are held by the PDPC agent in the name of the collateral pool. In accordance with GASB criteria, PDPC protection is of the nature of collateral, not of insurance.

The Washington State Local Government Investment Pool (LGIP) is operated by the Washington State Treasurer which operates it in a 2a-7-like manner even though it is not subject to SEC regulation. The LGIP is not rated and is subject to annual audits by the Washington State Auditor's Office.

Investments

The Port Commission has authorized the Port Treasurer to invest in savings or time deposits in designated public depositories, obligations of the United States or its agencies, obligations of Local and State governments that are rated "A" or higher, and other limited investments. With the exceptions of certain reserve fund investments, the investment policy generally limits the maximum maturity of any security purchased to five years. Investments are purchased through broker relationships with all securities purchased held in the Port's name at a third-party custodian.

Deposits & Investments at Fair Value	Dec 31, 2020	Dec 31, 2019
Unrestricted: Cash & Cash Equivalent		
Cash Operations: Financial Institution Deposits	$ 1,809,887	$ 1,669,302
Investments:		
Financial Institution Deposits	1,093,340	955,039
WA State Local Gvnt Invtmt Pool (LGIP)	2,812,257	11,006,554
Financial Instruments (CDs, etc.)	8,000,049	-
Unrestricted Cash & Cash Equivalents	**13,715,533**	**13,630,895**
Restricted: Cash & Cash Equivalent		
Custodial Account - Harbor Group	62,590	206,195
Environmental Reserve Money Market	269,865	297,973
Customer Deposits & Prepaids, Contractor Retainage	206,096	157,006
Restricted Cash & Cash Equivalents	**538,551**	**661,174**
Total Cash & Cash Equivalents	**14,254,084**	**14,292,069**
Unrestricted Investments		
U.S. Agency Securities	-	1,999,820
Municipal Bond Investments located in WA State	507,900	3,255,917
Investments	**507,900**	**5,255,737**
Total Cash, Cash Equivalents & Investments	**$ 14,761,984**	**$ 19,547,806**

Of the listed investments, cash and cash equivalents are protected by the Federal Deposit Insurance Corporation (FDIC) or the Public Deposit Protection Commission (PDPC). The US Agencies are guaranteed by the US government. The municipal bond investments (Ports, Utility Districts, School Districts) are rated “A” and “AA” by Moody’s.

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the Port would not be able to recover the value of the investment or collateral securities. To minimize this risk, the Port’s policy requires that all security transactions are settled “delivery versus payment.” This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the Port’s safekeeping custodian. Of the Port’s total investment position in 2020 and 2019, no funds are exposed to custodial collateral risk because the investments are held by the Port’s brokerage firm, which is also the counterparty in those securities.

Investments Measured at Fair Value

The Port measures and reports investments at fair value using the valuation input hierarchy established by generally accepted account principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3: Unobservable inputs for an asset or liability

At December 31, 2020, the Port of Port Angeles had the following investments measured at fair value:

December 31, 2020	Fair Value Measurements Using			
Investments by Fair Value Level	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
City of Yakima WA GO Rev Bond		507,900		507,900
Total Investments by Fair Value Level	**-**	**507,900**	**-**	**507,900**

At December 31, 2019, the Port of Port Angeles had the following investments measured at fair value:

December 31, 2019	Fair Value Measurements Using			
Investments by Fair Value Level	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Energy NW WA Electric Revenue Bond		1,004,100		1,004,100
Port of Benton WA LTGO Bonds		118,832		118,832
Port of Moses Lake WA LTGO Bonds		61,126		61,126
Federal Farm Credit Bank		999,480		999,480
Federal Home Loan Bank		1,000,340		1,000,340
Douglas County WA School Dist GO Bonds		2,071,860		2,071,860
Total Investments by Fair Value Level	**-**	**5,255,737**	**-**	**5,255,737**

The table below identifies the type of investments, concentration of investments in any one issuer, and maturities of the port investment portfolio as of December 31, 2020:

December 31, 2020	Maturities (in Years)					
Investment Type	Fair Value	Less than 1	1 to 3	More than 3	Total	% of Total Portfolio
City of Yakima WA GO Rev Bond	507,900	507,900			507,900	4.09%
Umpqua Bank Investment Account	1,041,955	1,041,955			1,041,955	8.39%
First Federal Bank Money Market	51,386	51,386			51,386	0.41%
WA Local Govt Investment Pool*	2,812,257	2,812,257			2,812,257	22.65%
First Federal Bank CD	4,000,000	4,000,000			4,000,000	32.22%
1st Security Bank CD	4,000,049		4,000,049		4,000,049	32.22%
Total	**12,413,547**	**8,413,498**	**4,000,049**	**-**	**12,413,547**	**100.00%**
Percentage of Total		**67.78%**	**32.22%**	**0.00%**		

The table below identifies the type of investments, concentration of investments in any one issuer, and maturities of the port investment portfolio as of December 31, 2019:

December 31, 2019	Maturities (in Years)					
Investment Type	Fair Value	Less than 1	1 to 3	More than 3	Total	% of Total Portfolio
Energy NW WA Electric Revenue Bond	1,004,100	1,004,100			1,004,100	5.83%
Port of Benton WA LTGO Bonds	118,832	118,832			118,832	0.69%
Port of Moses Lake WA LTGO Bonds	61,126	61,126			61,126	0.36%
Federal Farm Credit Bank	999,480		999,480		999,480	5.81%
Federal Home Loan Bank	1,000,340		1,000,340		1,000,340	5.81%
Douglas County WA School Dist GO Bonds	2,071,860			2,071,860	2,071,860	12.03%
Umpqua Bank Investment Account	955,039	955,039			955,039	5.55%
WA Local Govt Investment Pool*	11,006,554	11,006,554			11,006,554	63.93%
Total	**17,217,330**	**13,145,650**	**1,999,820**	**2,071,860**	**17,217,330**	**100.00%**
Percentage of Total		**76.35%**	**11.62%**	**12.03%**		

The table below identifies the credit risk of the Port investment portfolio as of December 31, 2020:

December 31, 2020		Moody's Equivalent Credit Rating							
Investment Type	Fair Value	Aa2	Aa1	AA+	AA	AAA	A1	A+	No rating
City of Yakima WA GO Rev Bond	507,900							507,900	
Umpqua Bank Investment Account	1,041,955								1,041,955
First Federal Bank Money Market	51,386								51,386
WA Local Govt Investment Pool*	2,812,257								2,812,257
First Federal Bank CD	4,000,000								4,000,000
1st Security Bank CD	4,000,049								4,000,049
Total	**12,413,547**	**-**	**-**	**-**	**-**	**-**	**-**	**507,900**	**11,905,647**

The table below identifies the credit risk of the Port investment portfolio as of December 31, 2019:

December 31, 2019		Moody's Equivalent Credit Rating							
Investment Type	**Fair Value**	**Aa2**	**Aa1**	**AA+**	**AA**	**AAA**	**A1**	**A+**	**No rating**
Energy NW WA Electric Revenue Bond	1,004,100		1,004,100						
Port of Benton WA LTGO Bonds	118,832						118,832		
Port of Moses Lake WA LTGO Bonds	61,126						61,126		
Federal Farm Credit Bank	999,480					999,480			
Federal Home Loan Bank	1,000,340					1,000,340			
Douglas County WA School Dist GO Bonds	2,071,860					2,071,860			
Umpqua Bank Investment Account	955,039								955,039
WA Local Govt Investment Pool*	11,006,554								11,006,554
Total	**17,217,330**	**-**	**1,004,100**	**-**	**-**	**4,071,680**	**179,957**	**-**	**11,961,593**

*The fair value of the investments in the Washington State Local Government Investment Pool is the same as the amortized cost of the pool shares.

3. Property Taxes

The Clallam County Treasurer acts as an agent to collect property taxes levied for all taxing authorities within the county. The Port District has the same boundaries as Clallam County.

Property Tax Calendar	
January 1	Taxes levied and become enforceable lien against properties
February 14	Tax bills mailed
April 30	First of two equal installment payments is due
May 31	Assessed property value established for next year's levy at 100 % of market value
October 31	Second installment due

Property taxes are recorded as a receivable and revenue when levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. State law allows for the sale of property for failure to pay taxes. Prior year tax levies were recorded using the same principle, and delinquent taxes are evaluated annually.

The Port may levy up to $0.45 per $1,000 of assessed valuation for general governmental services. Washington State Constitution and RCW 84.55.010 limits the growth of regular property taxes to one percent per year, before adjustments for new construction. If the assessed valuation changes, the levy rate will change to maintain the regular levy. For example, if the valuation decreases, the levy rate increases and vice versa. The levy rate is applied to the prior year assessed valuation (AV).

Property Taxes	2020	2019
Regular Levy rate per $1,000 of AV	$0.159160	$0.169248
Assessed Valuation (AV) for prior year	$9,863,835,562	$9,041,260,634
Total Regular Levy	$1,569,838	$1,530,215

The Port may also levy taxes at less than a one percent per year increase. The difference of what could have been levied with a one percent increase (the highest lawful levy) and the lower amount that the Port levies is considered "banked". The Port has banked capacity because it did not levy the one percent increase in prior years and it has not requested to increase its levy by more than one percent to use its banked capacity.

Banked Capacity	Dec 31, 2020	Dec 31, 2019
Did not levy 1%: 2009, 2010, 2012, 2014, 2017, 2018	$56,234	$60,516

The amount of banked capacity usually changes each year because the highest lawful levy and the actual levy are recalculated.

Per the Port's bond covenants, the Port agreed to provide information on property tax collections. Per state law, property tax due dates are as follows: the entire tax, or first half, must be made on or before April 30. Delinquent interest, calculated on the total amount due, begins May 1 for late payments. The second half is payable on or before October 31, becoming delinquent on November 1. The following table shows the tax collection record of the Port.

				Amount Collected *(including adjustments)*			
	Taxable Assessed		Tax Levy	Dollars		Percent	
Year	Value (AV) Prior Year	Levy Rate per $1,000 AV	(including adjustments)	Year of Levy	As of 12/31/2020	Year of Levy	As of 12/31/2020
2020	9,863,835,562	0.159160	1,569,883	1,546,669	1,546,669	**98.5%**	**98.5%**
2019	9,041,260,634	0.169248	1,530,215	1,510,168	1,514,057	**98.7%**	**98.9%**

4. Capital Assets and Depreciation

See Note 1 for accounting policies on Capital Assets and Depreciation.

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

	Dec. 31, 2019	Increases	Decreases	Dec. 31, 2020
Capital Assets not being depreciated:				
Land	12,816,147	-	-	12,816,147
Work in Progress	666,980	1,918,704	1,221,057	1,364,627
Total Capital Assets Not being Depreciated	**13,483,127**	**1,918,704**	**1,221,057**	**14,180,774**
Capital Assets being depreciated:				
Buildings	20,811,512	225,106	-	21,036,618
Improvements	78,268,089	1,167,149	-	79,435,238
Machinery/Equip	8,150,324	2,290	-	8,152,614
Total Capital Assets being Depreciated	**107,229,925**	**1,394,545**	**-**	**108,624,470**
Less: Accumulated Depreciation				
Buildings	10,416,122	466,900	-	10,883,022
Improvements	38,497,924	1,928,031	-	40,425,955
Machinery/Equip	5,088,699	286,239	-	5,374,938
Total Accumulated Depreciation	**54,002,746**	**2,681,170**	**-**	**56,683,915**
Total Capital Assets being Depreciated less Accum Depr	**53,227,179**	**(1,286,625)**	**-**	**51,940,556**
Total Net Capital Assets	**66,710,306**	**632,079**	**1,221,057**	**66,121,329**

Capital assets activity for the year ended December 31, 2019 was as follows:

	Dec. 31, 2018	Increases	Decreases	Dec. 31, 2019
Capital Assets not being depreciated:				
Land	12,816,147	-	-	12,816,147
Work in Progress	5,904,786	2,541,244	7,779,050	666,980
Total Capital Assets Not being Depreciated	**18,720,933**	**2,541,244**	**7,779,050**	**13,483,127**
Capital Assets being depreciated:				
Buildings	20,397,442	414,070	-	20,811,512
Improvements	71,434,808	6,833,281	-	78,268,089
Machinery/Equip	7,993,676	419,835	263,187	8,150,324
Total Capital Assets being Depreciated	**99,825,926**	**7,667,186**	**263,187**	**107,229,925**
Less: Accumulated Depreciation				
Buildings	9,974,146	466,829	24,853	10,416,122
Improvements	36,688,476	1,809,448	-	38,497,924
Machinery/Equip	4,958,373	312,455	182,129	5,088,699
Total Accumulated Depreciation	**51,620,995**	**2,588,733**	**206,982**	**54,002,746**
Total Capital Assets being Depreciated less Accum Depr	**48,204,932**	**5,078,454**	**56,205**	**53,227,179**
Total Net Capital Assets	**66,925,865**	**7,619,698**	**7,835,256**	**66,710,306**

Continue on to next page for Construction Commitments

Construction Commitments

The Port has several active construction projects. At year-end, the Port's commitments with contractors were as follows:

Construction Commitments as of December 31, 2020:

	Project	Spent thru Dec 31, 2020	Remaining Commitment
1	T3 Dredging	$ 1,204,063	$ 690,164
2	LY Stormwater	295,091	131,006
3	LY Cofferdam Improvements	480,435	223,525
4	LY Archaeological Survey and Testing	146,870	33,130
5	FIA Runway Rehab	183,823	184,996
6	FIA Building Improvement Phase 1	18,559	47,441
7	PABH E Parking Lot	10,171	19,329
8	PABH Fuel Float Replacement	150,016	27,796
	Total	**$ 2,489,029**	**$ 1,357,386**

Construction Commitments as of December 31, 2019:

	Project	Spent thru Dec 31, 2019	Remaining Commitment
1	MT T1 Emergency Electrical Repair	28,500	2,900
2	MTA Site Design & Replacement	18,269	231,731
3	LY Stormwater	121,682	180,016
4	LY Cofferdam Improvements	180,313	129,687
5	FIA Sewer Extension	1,942	48,054
6	FIA Runway Rehab	82,197	15,680
7	PABH E Parking Lot	4,811	24,689
	Total	**$ 437,715**	**$ 632,756**

5. Stewardship, Compliance, and Accountability

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

6. Leasing activities

The Port, as a lessor, enters into operating leases with tenants for the use of a significant portion of industrial and marine terminal land under lease terms of 1 to 30 years. 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.

The Port currently has approximately 90 lease arrangements ranging in monthly payments between $1 and $11,484 with either fixed increases, Consumer Price Index rent escalation clauses, or market rate rent escalation clauses. Approximately 61 percent of the leases include contract terms allowing one to five lease extensions in 1 to 5-year terms.

Minimum future rental revenue on operating leases is as follows:

Operating Leases

Dec 31, 2020	Minimum Future Revenue	Dec 31, 2019	Minimum Future Revenue
2021	1,634,095	2020	1,334,537
2022	1,332,512	2021	903,127
2023	1,273,996	2022	671,278
2024	1,205,591	2023	613,696
2025	955,757	2024	541,116
2026-2030	3,459,460	2025-2029	1,621,807
2031-2035	1,107,188	2030-2034	980,811
2036-2040	687,140	2035-2039	744,718
2041-2042	143,073	2040-2042	338,647
TOTAL	**$11,798,812**	**TOTAL**	**$7,749,737**

The Port leases a Canon Copier, a Pitney Bowes Postage Machine, and a Xerox Printer under a non-cancelable operating lease. The future minimum lease payments for these leases are as follows:

Dec 31, 2020	Minimum Future Payments		Dec 31, 2019	Minimum Future Payments	
2021		6,989	2020		6,989
2022		5,035	2021		6,989
2023		854	2022		5,035
2024		-	2023		854
2025		-	2024		-
Total	**$**	**12,878**	**Total**	**$**	**19,868**
Xerox & Canon expire in 2022			Xerox & Canon expire in 2022		

Continue on to next page for Other Noncurrent Assets

7. Other Noncurrent Assets: Contracts & Notes Receivables

Contracts and notes receivable consist of the following:

	Dec 31, 2020	Dec 31, 2019
Rent Repayment Agreement	322,413	316,884
Less: Current portion	6,000	12,239
Rent Repayment Noncurrent portion	$316,413	$304,645
Total Noncurrent Contracts & Notes Receivable	**$316,413**	**$304,645**

- At Dec 31, 2020, tenant repayment period begins in 2021, last 10 years of 13 year lease per agreement.
- At Dec 31, 2019, deferred rent continues at less than the full monthly rate. The last deferral will be booked in 2020 when tenant repayment period begins, last 8 years of 11 year lease per agreement.

8. Current Liabilities – Custodial Accounts

The Port currently has two custodial accounts:

1. The first account reflects the liability for net monetary assets held by the Port in its capacity as a custodian per the Participation Agreement for the Western Port Angeles Harbor (“Group”) signed April 14, 2013. The agreement designates the Port of Port Angeles as the Group’s “Cashier”. The agreement terminates upon receipt of a certification by Department of Ecology that the work under the Agreed Order for the Remedial Investigation and Feasibility Study has been satisfactorily completed (*See Note 15. Pollution Remediation Obligations for more information.)* The Port does not have the authority to make independent decisions with the money for the benefit of the Group. Per the agreement, the Cashier’s actions are directed by the voting results of the Group, such as to collect partner contributions and to pay consultant invoices.
2. The second account reflects the liability for net monetary assets held by the Port subject to a court order regarding disbursements of settlement funds related to the K-Ply site. Funds were set aside by the court for the Port to pay ongoing costs related to monitoring the clean-up site. Any funds remaining after the Washington State Department of Ecology determination of no further action required must be returned to K-Ply Insurers.

	Dec 31, 2020	Dec 31, 2019
Western PA Harbor Group Account	$ 62,590	$ 206,195
K-Ply Account	$ 269,865	$ 297,973

For the Western Port Angeles Harbor Group, the Custodial Account balance reflects the total of both the external Group participants as well as the Port portion. Group activity (agreed upon contributions & vendor work paid) is tracked for each Participant. The Port’s contributed share (net Group activity) as well as the other Group participants, is reflected in restricted cash. *(See note 15. Pollution Remediation Obligations for more information).*

9. Accrued Liabilities

These accounts consist primarily of payroll related liabilities (accrued wages, payroll taxes, employee benefits), estimate of current portion of employee leave benefits (vacation, sick), excise taxes (leasehold and business and occupation), bond interest, and other accrued expenses (audit fees, boatyard agency bonus).

	Dec. 31, 2020	Dec. 31, 2019
Payroll, Taxes & Benefits	$ 153,836	$ 154,291
Employee Leave Benefits (current)	42,400	50,300
Excise Taxes (Leasehold, B & O)	155,455	138,980
Bond Interest	6,307	24,717
Other Accrued Expenses	42,700	44,000
Other Accrued Liabilities	**$ 400,698**	**$ 412,288**

10. Long-Term Liabilities

Long-term liabilities activity for the year ended December 31, 2020 was as follows:

	Interest Rate	Series Matures	January 2020	Additions	Reductions	December 2020	Due Within One Year
General Obligation (GO) Bonds:							
December 2010 - A	7.50	2030	$ 760,000	$ -	$ 760,000	$ -	$ -
December 2010 - B	4.00 - 5.00	2029	3,110,000	-	3,110,000	-	-
October 26, 2015	2.29	2025	2,035,899	-	321,099	1,714,800	330,380
GO Bonds			5,905,899	-	4,191,099	1,714,800	330,380
(Discount)/Premium			(30,363)	-	(30,363)	-	-
Net GO Bonds			5,875,536	0	4,160,736	1,714,800	330,380
Long Term Loans:							
WA State Dept of Commerce,							
CERB Loans	2.00	2040	794,931	25,064	-	819,995	26,350
WA State Dept of Transportation,							
CARB Loan	2.00	2041	-	750,000	-	750,000	-
Net Long Term Loans			794,931	775,064	-	1,569,995	26,350
Total Long-Term Debt			**$ 6,670,467**	**$ 775,064**	**$ 4,160,736**	**$ 3,284,795**	**$ 356,730**

In addition to the above liabilities that are known and measurable, the following estimated liabilities are included in long term liabilities on the Statement of Net Position.

	January 2020	Net Changes Additions (Reductions)	December 2020	Due Within One Year
Estimated Long-Term Liabilities:				
Environmental Remediation	$ 285,375	$ 117,125	$ 402,500	$ 74,500
Unearned Revenue - Environmental	1,384,588	(45,337)	1,339,250	-
Other Post Employment Benefits	2,409,645	646,041	3,055,686	70,904
Pension Liability	1,013,319	(64,698)	948,621	-
Employee Leave Benefits	561,977	(93,917)	468,060	42,400
Total Estimated Long-Term	**$ 5,654,904**	**$ 559,214**	**$ 6,214,117**	**$ 187,804**

For more information see Note 1 on Employee Leave Benefits, see Note 13 on Other Post Employment Benefit Plans (OPEB), and see Note 15 on Pollution Remediation Obligations.

Long-term liabilities activity for the year ended December 31, 2019 was as follows:

	Interest Rate	Series Matures	January 2019	Additions	Reductions	December 2019	Due Within One Year
General Obligation (GO) Bonds:							
December 2010 - A	7.50	2030	$ 760,000	$ -	$ -	$ 760,000	$ -
December 2010 - B	4.00 - 5.00	2029	3,220,000	-	110,000	3,110,000	120,000
October 26, 2015	2.29	2025	2,352,707	-	316,808	2,035,899	321,099
GO Bonds			6,332,707	-	426,808	5,905,899	441,099
(Discount)/Premium			(33,123)	-	(2,760)	(30,363)	(2,760)
Net GO Bonds			6,299,584	0	424,048	5,875,536	438,339
Long Term Loans:							
WA State Dept of Commerce,							
CERB Loans	2.00	2040	-	794,931	-	794,931	-
Long-Term Debt			**$ 6,299,584**	**$ 794,931**	**$ 424,048**	**$ 6,670,467**	**$ 438,339**

In addition to the above liabilities that are known and measurable, the following estimated liabilities are included in long term liabilities on the Statement of Net Position.

	January 2019	Net Changes Additions (Reductions)	December 2019	Due Within One Year
Estimated Long-Term Liabilities:				
Environmental Remediation	$ 278,375	$ 7,000	$ 285,375	$ 74,375
Unearned Revenue - Environmental	455,317	929,271	1,384,588	-
Other Post Employment Benefits	2,795,133	(385,488)	2,409,645	66,468
Pension Liability	1,302,974	(289,655)	1,013,319	-
Employee Leave Benefits	576,056	(14,059)	561,997	50,300
Total Estimated Long-Term	**$ 5,407,855**	**$ 247,069**	**$ 5,654,924**	**$ 191,143**

For more information see Note 1 on Employee Leave Benefits, see Note 13 on Other Post Employment Benefit Plans (OPEB), and see Note 15 on Pollution Remediation Obligations.

Continue on to next page for General Obligation Debt

General Obligation Debt & Loans

The aggregate debt service on general obligation debt & loans, as of December 31, 2020, was as follows:

Year		Principal		Interest		Total
2021	$	356,730	$	60,031	$	416,761
2022		397,458		61,476		458,934
2023		404,825		126,175		531,000
2024		467,044		63,868		530,913
2025		476,676		53,512		530,188
2026-2030		632,576		189,905		822,481
2031-2035		698,415		124,066		822,481
2036-2040		771,107		51,374		822,481
2041-2045		44,968		0		44,968
Total	**$**	**4,249,800**	**$**	**730,406**	**$**	**4,980,206**

The aggregate debt service on general obligation debt as of December 31, 2019, was as follows:

Year		Principal		Interest		Total
2020	$	472,584	$	269,847	$	742,431
2021		482,495		257,064		739,559
2022		497,008		243,456		740,464
2023		510,867		229,297		740,164
2024		524,290		214,712		739,001
2025-2029		3,088,407		759,210		3,847,617
2030-2034		874,731		84,819		959,550
2035-2039		220,518		13,404		233,922
Total	**$**	**6,670,900**	**$**	**2,071,809**	**$**	**8,742,708**

On April 1, 2006, the Port issued $4,995,000 of Limited Tax General Obligation bonds with coupon rates between 4.00% and 4.75%. Proceeds from these bonds partially funded a major renovation of the Port Angeles Boat Haven. This renovation was completed in 2008. Proceeds were also used to refund bonds that were used for approximately 25 projects in the 1993-1998 Capital Improvement Plan. These bonds were refinanced on October 26, 2015 with the 2015 Refunding LTGO bonds (see below).

On December 22, 2010, the Port issued $4,195,000 of Limited Tax General Obligation bonds. Proceeds from these bonds were used to expand facilities at the Port's Composite Manufacturing Campus. Bond series A is eligible for a Federal rate subsidy thereby reducing the stated 7.50% interest rates to approximately 3.375%. Both bond series A & B were paid off early on December 1, 2020.

On June 1, 2012, the Port issued $1,830,000 of Limited Tax General Obligation bonds with a coupon rate of 2.00%. Proceeds were used to refund (refinance) series 2002B LTGO bonds (the 2002B bonds were used to refund the callable portion of 1992 LTGO bonds; the 1992 bonds were used for improvements at airports, marinas and waterfront areas as part of the Ports 1993-1995 capital projects). The 2012 refunding resulted in present value savings of approximately $170,000. The 2012 LTGO matured December 2016.

On October 26, 2015, the Port issued $3,251,350 of Limited Tax General Obligation bonds with a coupon rate of 2.29%. Proceeds were used to refund (refinance) 2006 LTGO bonds (the 2006 bonds were used to fund a major renovation of the Port Angeles Boat Haven and to refund bonds that were used for approximately 25 projects in the 1993-1998 Capital Improvement Plan). The 2015 refunding resulted in present value savings of approximately $300,000.

On July 26, 2018 the Port was awarded a 20-year $765,000 Loan, @ 2.00% fixed interest rate, from the Washington State Community Economic Revitalization Board (CERB – pronounced 'curb'). The loan is to aid the Port in financing the cost of the Marine Trades Center Washdown Facility. Loan proceeds are disbursed on a cost reimbursement basis and are contingent on continued adherence to loan award requirements. Loan repayment will begin in January 2021 and will continue annually thereafter.

On January 17, 2019, the Port was awarded an additional Washington State Community Economic Revitalization Board loan for the Log Yard Cofferdam Barge Facility Improvements. The Log Yard cofferdam is a vertical bulkhead that allows for transload of logs to and from barge vessels. The $1,020,000 loan has a 20-year term and a 2.0% fixed interest rate with proceeds issued on a cost reimbursement basis. The Port is required to pay 50% of expenditures which equates to a total project cost of approximately $2.0 million.

On April 6, 2020, the Port was awarded a $750,000 2% fixed interest rate, 20-year loan, from the Washington State Department of Transportation, Community Aviation Revitalization Board (CARB). The CARB loan proceeds were used for the William R. Fairchild International Airport Utility Expansion, which facilitates future hangar development.

The bonds referenced above are subject to federal tax arbitrage regulations. The Port is required to comply with certain requirements of the Internal Revenue Code of 1986, after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances, and the requirement to comply with arbitrage rebate requirements to the extent applicable to the Bonds. The Port's outstanding bond issues qualified for the small issuer exemption with respect to arbitrage rebate. The Port has covenanted in the Bond Resolution to comply with those applicable requirements.

Limitation of Indebtedness

Revised Code of Washington (RCW) 39.36 and 53.36 provide that non-voted general obligation debt cannot be incurred in excess of 0.25 percent assessed value of the taxable property in the port district.

	Dec 31, 2020	Dec 31, 2019
Assessed Valuation (AV) for prior year	$ 9,863,835,562	$ 9,041,260,634
.75% General Purpose Limit	73,978,767	67,809,455
.25% Non-Voted Limit	24,659,589	22,603,152
Outstanding Non-Voted Debt	3,284,795	6,670,899
Non-Voted Debt Capacity	**$ 21,374,794**	**$ 15,932,253**

11. Passenger facility charges

In 1993, the Commission of the Port of Port Angeles authorized Port management to proceed with application to the Federal Aviation Administration (FAA) for the right to impose passenger facility charges (PFCs) on enplaned passengers at the Port's airport facility. The PFCs generate revenue to be used by the Port for projects eligible under the federal legislation permitting the imposition of PFCs. PFCs collected by the Port are recognized as revenue in the period which they are collected. The Port reinstituted PFCs of $3.00 per passenger, effective September 1, 1996; extension of PFC #3 collections was approved in 1997 for $105,000; PFC #4 collections was approved in 1998 for $122,650; PFC #5 collections was approved in 2000 for $211,683; PFC #6 collections was approved in 2003 for $313,484; and PFC #7 collections was approved in 2008 for $191,838; PFC #8 collections was approved in 2012 for $161,209.

12. Pension Plans

Year Ended December 31, 2020

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2020:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ 948,621
Pension assets	$ -
Deferred outflows of resources	$ 293,301
Deferred inflows of resources	$ (344,131)
Pension expense/expenditures	$ (18,218)

State Sponsored Pension Plans

Substantially all Port of Port Angeles 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 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 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state 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 services. 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 Fund 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%	0.00%
Administrative Fee	0.18%	0.00%
Total	**12.86%**	**6.00%**
PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	0.00%
Administrative Fee	0.18%	0.00%
Total	**12.97%**	**6.00%**

* Employees participating in the Judicial Benefit Multiplier program had a contribution rate of 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) time 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 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 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 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 CPI), capped at three percent annually and 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 earning 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 rate 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, that 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 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%**
September – December 2019		
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%**

* Employees participating in the Judicial Benefit Multiplier, the contribution rate was 19.75%.

The Port's actual PERS plan contributions were $127,529 to PERS Plan 1 and $210,618 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 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019 to June 30, 2020, reflecting each plan's normal cost (using entry-age cost method), assumed interest and actual benefit payments.

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

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

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

- 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 at 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	20.0%	2.20%
Tangible Assets	7.0%	5.10%
Real Estate	18.0%	5.80%
Global Equity	32.0%	6.30%
Private Equity	23.0%	9.30%
Total	**100.0%**	

Sensitivity of Net Pension Liability

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.

Port Proportionate Share	1% Decrease	Current Rate	1% Increase
	6.40%	**7.40%**	**8.40%**
PERS 1	$ 808,732	$ 645,665	$ 503,454
PERS 2/3	$ 1,885,074	$ 302,956	$ (999,919)

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 $948,621 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$ 645,665
PERS 2/3	$ 302,956

At June 30, 2020 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	.019868%	.018288%	.001580%
PERS2/3	.025668%	.023688%	.001980%

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

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 update 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	$ (34,175)
PERS 2/3	$ 15,957

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$0	$0
Net difference between projected and actual investment earnings on pension plan investments	$ 0	$(3,595)
Changes of assumptions	$0	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$0	$0
Contributions subsequent to the measurement date	$62,782	$0
TOTAL	$62,782	$(3,595)
PERS 2 & 3	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$108,454	($37,968)
Net difference between projected and actual investment earnings on pension plan investments	$0	$(15,386)
Changes of assumptions	$4,315	$(206,945)
Changes in proportion and differences between contributions and proportionate share of contributions	$14,861	$(80,237)
Contributions subsequent to the measurement date	$102,889	$0
TOTAL	$230,519	$(340,536)

Deferred outflows of resources related to pensions resulting from the Port's contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

PERS 1

Combined amortization table (Final)

Year	Amount
2021	$ (16,313)
2022	$ (513)
2023	$ 4,978
2024	$ 8,254
Total	**$ (3,595)**

PERS 2/3

Combined amortization table (Final)

Year	Amount
2021	$ (139,790)
2022	$ (44,130)
2023	$ (8,697)
2024	$ 17,912
2025	$ (16,012)
Thereafter	$ (22,189)
Total	**$ (212,906)**

Year Ended December 31, 2019

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2019:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$1,013,319
Pension assets	$ -
Deferred outflows of resources	$ 273,688
Deferred inflows of resources	$ (616,182)
Pension expense/expenditures	$ 96,552

State Sponsored Pension Plans

Substantially all Port of Port Angeles 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 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 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state 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 services. 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 Fund 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 – August 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	0.00%
Administrative Fee	0.18%	0.00%
Total	**12.83%**	**6.00%**
PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
September – December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	0.00%
Administrative Fee	0.18%	0.00%
Total	**12.86%**	**6.00%**

* Employees participating in the Judicial Benefit Multiplier program had a contribution rate of 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) time 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 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 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 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 CPI), capped at three percent annually and 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 earning 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 rate 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, that 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 – August 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%**
September – 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%**

* Employees participating in the Judicial Benefit Multiplier, the contribution rate was 18.53% to 19.75%.

The Port's actual PERS plan contributions were $138,742 to PERS Plan 1 and $216,615 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 was 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 *2015 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 entry-age cost method), assumed interest and actual benefit payments.

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

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

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

- 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 provided PERS and TRS Plan 1 annuitants who are not receiving 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, as asset sufficiency test included and 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, PSERS2, SERS2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS1 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 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 Washington State Investment Board (WSIB). The WSIB uses 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	20.0%	2.20%
Tangible Assets	7.0%	5.10%
Real Estate	18.0%	5.80%
Global Equity	32.0%	6.30%
Private Equity	23.0%	9.30%
Total	**100.0%**	

Sensitivity of Net Pension Liability

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.

Port Proportionate Share	1% Decrease	Current Rate	1% Increase
	6.40%	**7.40%**	**8.40%**
PERS 1	$ 956,765	$ 763,995	$ 596,742
PERS 2/3	$ 1,912,213	$ 249,324	$ (1,115,187)

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, 2019 the Port reported a total pension liability of $1,013,319 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$ 763,995
PERS 2/3	$ 249,324

At June 30, 2019 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	.019601%	.019868%	.000267%
PERS2/3	.025043%	.025668%	.000625%

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

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 update 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	$ (47,821)
PERS 2/3	$ (48,631)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$0	$0
Net difference between projected and actual investment earnings on pension plan investments	$ 0	$(51,041)
Changes of assumptions	$0	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$0	$0
Contributions subsequent to the measurement date	$66,855	$0
TOTAL	$66,855	$(51,041)
PERS 2 & 3	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$71,432	($53,603)
Net difference between projected and actual investment earnings on pension plan investments	$0	$(362,914)
Changes of assumptions	$6,384	$(104,608)
Changes in proportion and differences between contributions and proportionate share of contributions	$17,778	$(44,016)
Contributions subsequent to the measurement date	$111,239	$0
TOTAL	$206,833	$(565,141)

Deferred outflows of resources related to pensions resulting from the Port's contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

PERS 1

Combined amortization table (Final)

Year	Amount
2020	$ (11,268)
2021	$ (26,690)
2022	$ (9,524)
2023	$ (3,559)
Total	**$ (51,041)**

PERS 2/3

Combined amortization table (Final)

Year	Amount
2020	$ (118,198)
2021	$ (192,966)
2022	$ (89,310)
2023	$ (50,915)
2024	$ (22,479)
Thereafter	$ 4,322
Total	**$ (469,546)**

Nongovernmental Plans (Pension Provided through certain Multiple-Employer Defined Benefit Pension Plans

Some port employees may be provided with pensions through a cost-sharing, multiple-employer defined benefit pension plan that, (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions to both employees of state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The port has one union sponsored pension plan meeting these criteria. As of December 31, 2020, the nongovernmental plan is composed of the following:

Western Conference of Teamsters Pension Plan

Port of Port Angeles' three accounting clerks participate in Western Conference of Teamsters Pension Plan administered by Western Conference of Teamsters Pension Trust, under a cost-sharing multiple-employer pension plan pursuant to a collective-bargaining agreement between Port of Port Angeles and Teamsters Local 589. The current agreement expires May 31, 2021.

Western Conference of Teamsters Pension Plan (WCT) issues Audited Financial Statements that include financial and required supplementary information annually. The Audited Financial Statements may be downloaded from the WCT website at www.wctpensions.org.

Western Conference of Teamster Pension Plan provides retirement, disability, death and survivor benefits. There are three options for retirement benefit payments.

Regular Employee & Spouse Pension

Monthly benefit for participant's lifetime reduced to provide benefit to participants spouse after participant dies. Spouse receives lifetime benefit thereafter of 66 2/3% of participants benefit if participant has recent coverage, otherwise 50%.

Optional Employee and Spouse Pension

Monthly benefit for participant's lifetime reduced to provide benefit to participants spouse after participant dies. Spouse receives lifetime benefit thereafter of 75% of participants benefit.

Life Only Pension

Monthly benefit for participant's lifetime only.

Contributions

Pension contribution rates are determined by participants in the plan. Currently plan participants contribute $1.75 per hour worked up to a maximum of 2080 hours per year. Rates can be increased by majority vote of the participants.

For the year ended December 31, 2019 Participants contributed $10,431 to the plan.

Withdrawal from the WCT Pension plan requires submitting a Request for Estimate of Potential Withdrawal Liability Form to the Pension Administrative Office.

13. Other Post-Employment Benefit (OPEB) Plans

In June 2015, the Governmental Accounting Standards Board issued GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The Port adopted this standard in 2018.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year ending December 31, 2020:

Aggregate OPEB Amounts - All Plans	
OPEB Liabilities	$ 3,055,686
OPEB Assets	$ -
Deferred Outflow of Resources	$ 35,452
Deferred Inflow of Resources	$ -
OPEB Expenses/Expenditures	$ 643,822

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	N/A
Active employees	35
Total	56

The Port is not able to determine the number of inactive employees entitled to but not yet receiving benefits as eligibility is determine by the Washington State Office of Retirement Services and the Washington State Public Employees Benefit Board. Inactive employees entitled to but not yet receiving benefits would include any former Port employee who retires under the public employees' retirement system and who is vested in that system. Retirees may also elect alternate coverage through Medicare and a Medicare supplemental plan.

Plan Description

The Port provides medical, dental, life, and long-term disability insurance to its employees and Commissioners through the Washington State Public Employees Benefit Board (PEBB). Port employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system.

Other post-employment benefits (OPEB) are benefits provided to retired employees beyond those provided by their pension plans. Such benefits include medical, prescription drug, life, dental, vision, disability, and long-term care insurance. PEBB offers retirees access to all of these benefits. However, PEBB employers provide monetary assistance, or subsidies, only for medical, prescription drug, life, and vision insurance.

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

The Office of the State Actuary, a department within the primary government of the State of Washington, issues a publicly available Other Post-Employment Benefits Actuarial Valuation Report. The Other Post-Employment Benefits Actuarial Valuation Report may be obtained by writing to: Office of the State Actuary, PO Box 40914, Olympia, Washington 98504-0914 or it may be downloaded from the Office of the State Actuary website at http://osa.leg.wa.gov.

Subsidies

The Washington State Health Care Authority (HCA) administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidy**,** permitted under RCW 41.05.085, is a straightforward, set dollar amount for a specific group of people. The explicit subsidy lowers the monthly premium paid by retired members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually.

The implicit subsidy, set up under RCW 41.05.022, is more complex because it is not a direct payment from the employer on behalf of the member. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retirees.

PEBB has also historically provided subsidized basic life insurance (Plan A) coverage to retirees. This was an explicit life insurance subsidy set up by the PEBB Board and approved as part of the budget process. However, beginning January 1, 2012, the PEBB Board eliminated the explicit life insurance subsidy on a permanent basis.

Funding Policy

The Port funds the implicit and explicit subsidies on a pay-as-you-go basis, meaning that Port pays these costs as they occur or become due. Therefore, there are no assets accumulating in a qualifying trust.

Annual OPEB Cost and Net OPEB Obligation

The Port used the alternative measurement method permitted under GASB Statement No. 75 and provided by the Office of the State Actuary. The Office of the State Actuary made the following assumptions:

Health Plan Assumptions:

- 2/3 of members select a Uniform Medical Plan (UMP plan) and 1/3 select a Group Health plan.
- UMP pre- and post-Medicare costs and premiums are equal to the Uniform Medical Plan.
- Group Health pre-Medicare costs and premiums are a 50/50 blend of GH classic and GH Value.
- The Group Health post-Medicare costs and premiums are equal to GH Medicare.

The actuary estimated retirement service for each active employee based on the average entry age of 35. For example, an age 47 member is assumed to have 12 years of service. Service is a component of benefit eligibility.

Retirement, disablement, termination, and mortality rates were based on the 2018 AVR. For simplicity, the Office of the State Actuary assumed that all employees are retirement eligible at age 55, relied on the retirement rates for members with less than 30 years of service, and assumed a 100% retirement rate at the age of 70.

Each primary member was assumed to be a 50/50 male/female split, and that eligible spouses are the same age as the primary member. Age-based primary members were selected for the tool based on the overall distribution of State employees and retirees that participate in PEBB.

Other assumptions include:

Discount Rate*	
Beginning of Measurement Year	3.50%
End of Measurement Year	2.21%
Projected Salary Changes	3.5% + Service-Based Increases
Healthcare Trend Rates**	Initial rate is approximately 7%, trends down to about 5% in 2020.
Mortality Rates	
Base Mortality Table	Healthy RP-2000
Age Setback	1 Year
Mortality Improvements	100% Scale BB
Projection Period	Generational
Inflation Rate	2.75%
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

The following presents the total OPEB liability of the Port calculated using a discount rate of 3.50%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate. It also shows the total OPEB liability based on a healthcare trend rate of 7%, and 1% lower and higher than the current rate.

Total OPEB Liability	**1% Decrease**	**Current**	**1% Increase**
Discount Rate	$ 3,625,060	**$ 3,055,686**	$ 2,603,111
Healthcare Trend	$ 2,552,768	**$ 3,055,686**	$ 3,708,276

Changes in the Total OPEB Liability

The following table shows the components of the Port's annual OPEB expense for the year, the benefits payments made, and changes in the Port's total OPEB liability as of June 30, 2020. The net OPEB liability of $3,055,686 is included as a noncurrent liability on the Statement of Net Position.

Total OPEB Liability at 7/1/2019	$ 2,409,645
Service Cost	69,345
Interest	85,575
Changes in Experience Data and Assumptions	559,684
Changes in Benefit Terms	-
Benefit Payments	(68,563)
Other	-
Total OPEB Liability at 6/30/2020	$ 3,055,686

The Port of Port Angeles used the alternative measurement method, which does not calculate deferred outflow and inflows for anything other than payments subsequent to the measurement date. Payments subsequent to the measurement date of 6/30/20 were $35,452.

Funded Status and Funding Progress

In order to fund the OPEB plan, the Port would have to establish an irrevocable trust, which means that the Port would no longer have control of the money put into the trust. Even if the Port left the PEBB program, the Port would not be able to get the money out of the trust. As of December 31, 2020, the plan was 0% funded.

14. Risk Management

The Port maintains commercial insurance coverage against most normal hazards:

Type of Coverage	Limit	Aggregate Limit	Deductible	Comments
General Liability	$1,000,000	$3,000,000	$5,000	
Commercial Auto Liability	$1,000,000	N/A	None	
Excess Liability	$49,000,000	N/A	None	Over 1st $1 million of Loss
Airport Liability	$20,000,000	$20,000,000	None	Aggregate applies to Products/Completed, Operations and Personal & Advertising Injury and the Extended Coverage Endorsement
Commercial Property – All Other Perils	$1,000,000,000	N/A	$25,000	
Commercial Property – Flood	$50,000,000	$50,000,000	$100,000 or $250,000	Deductible depends on Flood Zone
Commercial Property – Earthquake	$50,000,000	$50,000,000	5% with a minimum $100,000	

Type of Coverage	Limit	Aggregate Limit	Deductible	Comments
Commercial Property – Boiler & Machinery - Equipment Breakdown	$100,000,000	N/A	$10,000 - $350,000	Deductible amount based on size of equip, HP, KW/KVA/Amps, or square footage
Cyber – Info Security & Privacy Liability	3rd party limit of $2,000,000	$2,000,000	$50,000	Aggregate for all coverages combined but sub-limited to all Cyber classifications below:
Cyber – Privacy Notification	3rd party limit of $500,000	$500,000	$50,000	Limit is $1,000,000 if use Beazley vendor services
Cyber – Website Media Content Liability	3rd party limit of $2,000,000	$2,000,000	$50,000	
Cyber – Penalties for Regulatory Defense and Penalties	3rd Party Limit of $2,000,000	$2,000,000	$50,000	
Cyber – Extortion	$2,000,000	$2,000,000	$50,000	First Party Computer Security
Cyber – Data Protection Loss and Business Interruption Loss	$2,000,000	$2,000,000	$50,000	First Party Computer Security
Public Officials' Liability	$5,000,000	$5,000,000	$25,000	
Blanket Fidelity Bond – Crime (Discovery Form)	$2,000,000	N/A	$2,500 per claim	Covers all employees, including commissioners, to include Faithful Performance of Duty
Hull & Machinery for owned Watercraft	$15,000 to $80,000	N/A	$1,000 to $2,500	Per Schedule of owned watercraft; varies based on value of boat
Protection & Indemnity for owned Watercraft	$1,000,000	N/A	$5,000	For owned watercraft
Storage Tank Pollution Liability	$1,000,000	$1,000,000	$10,000	
Foreign Liability	$1,000,000	$2,000,000	$500 to $1,000	Covers Foreign General, Auto and Employers Liability

The Port is self-insured for unemployment insurance coverage. The Port has reserved $3,330 to cover the estimated average annual cost based on a review of claims over a 10 year period.

The Port provides medical, vision, dental, life, and long-term disability insurance coverage for ILWU Local 27 and non-represented employees through standard plans offered through the State of Washington and for Teamsters Local 589 employees through the Teamsters Welfare Trust. The Port does not administer any of these plans.

The Port has not entered into any insurance settlements in the last three years which exceeded insurance coverage.

15. Pollution Remediation Obligations

The Port of Port Angeles 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 Governmental Accounting Standards Board issued Statement No. 49 (GASB 49), "Accounting and Financial Reporting for Pollution Remediation Obligations." GASB 49 requires disclosure of "obligations to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities." GASB 49 identifies five distinct "obligating events" that require the Port to disclose the potential future outlays associated with remediation of contaminated sites. Once any of the five obligating events occurs, the Port documents the components of expected pollution remediation outlays that are reasonably estimable. The Port then determines if some or all of the future outlays are subject to capitalization under GASB 49 and records those expenditures accordingly.

At this time, the Port has determined that future investigation and cleanup costs associated with the following five sites constitute the Port's pollution remediation obligations. The sites require investigation and potential remediation in order to comply with state environmental laws and regulations. Investigation costs are currently reimbursed under older commercial general liability policies. Future cleanup costs are subject to negotiations and litigation.

Amount of Estimated Liability

Net of Related Insurance and Potentially Liable Person (PLP) Recoveries

	Basis of Obligation for 2019 and 2020	**Dec 31, 2020**	**Dec 31, 2019**
Marine Trades Area	**2020:**. **:**.Project schedule has been extended through 2025 with the consultants estimate for remediation and monitoring (2021-2025) of $1,650,000, offset by anticipated recoveries of $1,650,000, **2019:** Engineering and consultant estimates for remediation and monitoring (2020-2024) of $1,710,000, offset by anticipated recoveries of $1,710,000.	$ 0	$ 0

K-Ply Site	**2020:** Funding provided by insurance and PLPs for ongoing ground water monitoring program and periodic soil monitoring **2019:** Funding provided by insurance and PLPs for ongoing ground water monitoring program and periodic soil monitoring.	$ 0	$ 0
Western Harbor Area	**2020:** Engineering and consultant cost estimates for development and implementation of a remediation plan (2021-2025) of $6,123,000 of total cost, offset by anticipated recoveries of $5,898,000. **2019:** Engineering and consultant cost estimates for investigation and development of a remediation plan (2020-2024) of $3,935,043 of Port cost, offset by anticipated recoveries of $3,885,043.	$ 225,000	$ 50,000
Former Shell Oil Bulk Plant (Kardlock)	**2020:** Consultant cost estimates for investigation, remediation and monitoring (2021-2025) of $774,000, offset by anticipated recoveries of $691,750. **2019:** Consultant cost estimates for investigation, remediation and monitoring (2020-2024) of $293,500, offset by anticipated recoveries of $191,625.	$ 82,250	$ 101,875
Former Pettit Oil Site	**2020:** Consultant cost estimates for investigation, remediation and monitoring (2021-2025) of $271,500, offset by anticipated recoveries of $191,250. **2019:** Consultant cost estimates for investigation, remediation and monitoring (2020-2024) of $278,500, offset by anticipated recoveries of $195,000. Formerly included in Former Kardlock facility. Separated out in 2018.	$ 80,250	$ 83,500
Total		**$ 387,500**	**$ 235,375**
	Basis of Obligation for 2019 and 2020	**Dec 31, 2020**	**Dec 31, 2019**
Program-wide	**2020:** Litigation for insurance allocation and reimbursement of costs (2021-2025) across all Port cleanup sites. **2019:** Litigation for insurance allocation and reimbursement of costs (2020-2024) across all Port cleanup sites.	$ 15,000	$ 50,000
Total		**$ 402,500**	**$ 285,375**

Summary of Environmental Sites

Site	Ownership	PLPs per Ecology	Recoveries	Timing
Marine Trades Area (MTA)	Port of PA Westport *(Port sold part of the property but retained liability)* Pettit Oil *(In 2014 Pettit Oil underwent bankruptcy. Chevron, as the former owner, will address the contamination for this part of the site.)*	Port of PA ARCO Chevron	Insurance, named PLPs, potential of other unnamed PLPs	2013: Completed RI/FS and DCAP 2014-2017: Ecology reviewed DCAP 2017-2019: Approval and implementation of CAP 2019: Operating costs of CAP 2021-2022: Draft CAP, followed by remedy (2022+)
K-Ply Site	Port of PA	Port of PA Rayonier *(see DE 90-S255)* ExxonMobil	Insurance Grant funds PLPs	2014: Draft RI/FS & DCAP 2015-2016: Approval and implementation of CAP 2017-2027: Monitoring costs of CAP
Western Harbor Area	State Dept of Natural Resources (DNR)	Port of PA City of PA Nippon Paper Merrill & Ring Georgia Pacific Owens Corning WA DNR	Insurance, named PLPs, potential of other unnamed PLPs	2018-2019: Draft RI/FS and approval 2018-2019: monitoring until CAP is defined 2020: Completed RIFS public comment and finalized FS.
Former Shell Bulk Plant (Kardlock Facility)	Port of PA	Port of PA Shell	Shell and Port will work to determine other PLPs. Ecology grant funding may be used.	2016: Sampling 2017: List site with State and notify site PLPs 2018: Conducted additional sampling in partnership with Shell 2019: Entered into funding agreement with Shell 2020: Enter into AO with Department of Ecology 2021: AO finalization; remedy thereafter

Site	Ownership	PLPs per Ecology	Recoveries	Timing
Former Pettit Oil Site (Kardlock Facility)	Port of PA	Port of PA – former tenant declared bankruptcy	Ecology grant funding may be used.	2016: Sampling 2017: List site with State and notify site PLPs 2020: Enter into AO with Department of Ecology

PLP is an abbreviation for Potentially Liable Person
RI/FS is Remedial Investigation/Feasibility Study
DCAP is Draft Cleanup Action Plan
CAP is Cleanup Action Plan

In addition to insurance, the Port intends to aggressively pursue past site operators and former tenants regardless of their inclusion as a named. The Port also intends to apply for State Department of Ecology grant funds.

Methodology for Amount of Estimated Liability

The pollution remediation obligation is an estimate subject to changes resulting from price increases or reductions, technology, or changes in applicable laws and regulations. The Port calculates the amounts of expected recoveries on a site by site basis and reduces its gross liability by the expected value of realized and realizable recoveries. Recoveries through future grant funds that are on a cost-reimbursement basis are excluded from recovery calculations since the grant conditions cannot be met until the costs are incurred (per GASB 33).

The Port worked with financial and environmental consultants to identify and document the status of the current GASB 49 pollution remediation obligations. For each site, the following costs and recoveries were estimated:

- Costs by environmental consultants and attorneys for post cleanup monitoring at the K-Ply site.
- Costs by environmental consultants and attorneys for remedial investigation and feasibility study (Kardlock (Former Shell Site & Former Pettit Oil Site) and Western Harbor sites).
- Costs by environmental consultants and attorneys for draft cleanup plan (MTA, Western Harbor and Kardlock (Former Shell Site & Former Pettit Oil Site) sites).
- Costs by environmental consultants and attorneys for anticipated remedial actions (MTA and Kardlock (Former Shell Site & Former Pettit Oil Site) and Western Harbor sites).
- Recoveries by a consortium of Port general liability insurance carriers (MTA, K-Ply, and Western Harbor sites).
- Recoveries through cost allocation payments by other parties (PLPs) directly to consultants (Marine Trades Area, Western Harbor Area and Kardlock (Former Shell Site & Former Pettit Oil Site)).
- Grant reimbursements by Department of Ecology for costs incurred, but not future costs.

As per GASB 49, “Estimates of a pollution remediation liability should be adjusted when benchmarks are met or when new information indicates changes in estimated outlays due to, for example, changes in the remediation plan or operating conditions. These changes may include the type of equipment, facilities, and services that will be used, price increases or reductions for specific outlay elements such as ongoing monitoring requirements, changes in technology, and changes in legal or regulatory requirements.”

The Port evaluates its pollution remediation obligations by updating both forecasts for future outlays as well as recoveries on at least an annual basis and when benchmark events occur.

Summary of Next Benchmark Events

Site	Anticipated Benchmark Event
Marine Trades Area	Acceptance by Ecology of draft cleanup plan (expected in 2021).
K-Ply Site	Five-year Ecology site review in 2021.
Western Harbor Area	Finalization by Ecology of Cleanup Action Plan (expected in late 2021.).
Former Kardlock Facility (Former Shell Site & Former Pettit Oil Site)	Sign administrative orders with Ecology in 2021 for both sites.

<u>Nature and Source of Pollution Remediation Obligations</u>

<u>Marine Trades Area</u>

Before the 1920s, the site contained several small wood mills. From the 1920s to 1989, uses included bulk fuel plants, fuel pipelines, log storage, logging truck repair, retail grain supply store, undersea cable saline cure tanks, ship repair, and railroad lines. Chevron, ARCO (Atlantic Richfield Company), Shell and other companies operated or supplied bulk fuel plants. Over the years, fuel pipelines were built and abandoned or removed on parts of the site.

In 2005, the Port along with Chevron entered into an agreed order with the Department of Ecology (DE 5738) to conduct a site investigation to define the extent of contamination at the property. ARCO agreed to fund a share of the work under the agreed order. Based on what was known at the time, the site included the Marine Trades Area (MTA), former Pettit Oil site (Chevron as the liable party), and K-Ply properties. As a result of the site investigation, it was determined that two separate plumes of contamination with separate and distinct sources existed within the MTA. An amendment to the agreed order was issued on June 26, 2013 that separated the western area of contamination as the MTA site (including former Pettit Oil site). The contamination in the eastern area of the site, which was the K-Ply mill site, was addressed in a new, separate agreed order with Department of Ecology (DE 9546).

In August 2013, the Final Remedial Investigation/Feasibility Study was accepted by Ecology. Then in December 2013, a Draft Cleanup Action Plan (DCAP) was submitted to Ecology. Ecology provided their comments in the form of the Ecology Draft DCAP to the MTA Group in February 2018. The MTA Group and Ecology are currently working together to finalize the DCAP in mid-2021.

<u>K-Ply Site</u>

The Port submitted a Draft Public Review RI/FS and Draft CAP to Ecology in November 2014. On May 19, 2015, the Port entered into an agreement order with Ecology (No. DE 11302), that required the implementation of the CAP. The cleanup of the K Ply site began in August of 2015 but was halted in November 2015 due to heavy rain. The cleanup and back filling of the site was completed in May of

2016. In 2017, Ecology approved the Construction Completion Report and the Port recorded an environmental covenant at the site. Currently the Port is conducting semi-annual groundwater monitoring at the site with quarterly status reports to Ecology. The next milestone will be in the five-year soil sampling and Ecology site review in 2021 and 2022.

Western Harbor Area Site

The Port owns or formerly owned properties where Fibreboard Corporation and Merrill & Ring operated facilities and released hazardous substances that have become sources of contamination. The Port owns and operates the Boat Haven marina where hazardous substances have been identified. Under a Port Management Agreement, the Port also leases and manages state-owned aquatic lands at the site to facilitate Port operations.

Historically, several mills and timber-related industries released wood debris (logs, large and small wood pieces, and pulp-like materials) in the harbor. Additionally, hazardous substances, including metals and dioxin, have resulted in areas of sediment contamination in the nearshore which create chemical plumes spreading throughout the western harbor. The sources of contamination occurred from multiple potentially liable parties (PLPs):

- Georgia Pacific, through a series of mergers and acquisitions is the successor of interest to the owner or operator of a paper mill that released or disposed of hazardous substances. They also leased aquatic lands to facilitate operations.
- Nippon Paper Industries USA is the former owner and operator of a paper mill and lagoon which is connected by a channel to the harbor. Nippon also leased aquatic lands for its operations. Nippon was sold to McKinley Paper in March 2017.
- Merrill & Ring was the owner and operator of a lumber mill facility and conducted operations on its property and on property leased from the Port. Merrill & Ring also leased aquatic lands for its operations.
- City of Port Angeles has operated eleven combined sewer overflow (CSO) discharge points that discharged untreated wastewater and stormwater directly into the harbor.
- Owens Corning, through a series of acquisition and restructurings, is the successor of interest to the Fibreboard Corporation which owned and operated a mill that released or disposed of hazardous substances. They also leased aquatic lands to facilitate operations.

On May 28, 2013, the Port, along with Georgia Pacific, Nippon Paper, Merrill & Ring and the City of Port Angeles entered into agreed order DE 9781 with the Washington State Department of Ecology (Ecology). The agreed order requires investigation of sediments and identification of ongoing upland sources of contamination that have the potential to result in sediment recontamination at levels greater than prospective sediment cleanup standards.

On April 14, 2013 the Port entered into an agreement with other potentially liable persons (PLPs) as identified by Washington Department of Ecology under the Washington Model Toxics Control Act (MTCA) to form the Western Port Angeles Harbor Group (the “Group”). This agreement created a process for funding the costs of work incurred after February 26, 2013 pursuant to an Agreed Order DE 9781 for a Remedial Investigation/Feasibility Study (RI/FS) in the Western Port Angeles Harbor site. The work includes an environmental assessment, testing, consulting and other professional services with respect to environmental evaluation, management and remedy selection (but not actual remediation). In the summer of 2013 the group began the Remedial Investigation of the Western Harbor.

Each participant is responsible for an equal 25% share of Group costs (Nippon and Merrill & Ring are considered as one participant for funding). All costs paid by the participants under the agreement are subject to reallocation in a subsequent proceeding. The Group account is administered by the Port of Port Angeles, which is acting as the Group cashier. All funds contributed to the Group account are classified as restricted funds. The Port holds the other participants funds in a custodial capacity. The Port records its share of the costs as a transfer to a restricted fund and recognizes an expense when the invoice is presented for payment.

The Port of Port Angeles, as Group Cashier, is responsible for (i) managing the Group Account ; (ii) sending out assessments to each Participant for its share of Group Remedial Costs; (iii) sending out a current ledger of the Group Account to each Participant prior to each vote on further assessments of Group Remedial Costs; (iv) making deposits; (v) signing checks for the payment of Group Remedial Costs; (vi) sending default notices for non-payment; and (vii) such other duties as the Participants may delegate. The Group agreement does not create a partnership or joint venture and/or a principal and agent relationship between or among the Participants or their representatives, because the purposes and actions of the Group are specifically limited to payment of authorized costs pursuant to Agreed Order DE 9781. The Group Agreement will automatically terminate upon receipt of a certification by Ecology that the “work” under Agreed Order DE 9781 has been satisfactorily completed. The Agreed Order identifies a completion date of the work as December 2014. Ecology approved the extension based on a series of technical data submissions and review periods. These technical data submissions took the form of a “White Paper” submitted to the Ecology by the Group in May 2014. This White Paper provided an overview of the Groups understanding of cleanup levels, remediation levels and sediment management areas. Since 2014 Ecology has reviewed and provided comments on the White Paper that corresponds with the public release of the Ecology Final North Olympic Peninsula Regional Background Report in February 2016 and Sediment Cleanup User’s Manual II in March 2016. Ecology provided final comments on the White Paper in August 2017 and the Group submitted the Draft RI/FS to Ecology in April 2018. The RI/FS was approved by Ecology in 2020 and an amendment to the Harbor Agreed Order for the submittal of a Draft Cleanup Action Plan (DCAP) was finalized in December 2020. It is anticipated that Ecology will approve the CAP in 2021.

The Group contributions and share of costs were as follows:

	Dec 31, 2020	Dec 31, 2019
Other PLP Beginning Balance	$ 149,600	$ 146,770
Other PLP Contributions	87,778	232,824
Other PLP Share of Group Costs	(187,869)	(229,994)
Ending Balance of Other PLP	49,509	149,600
Port Beginning Balance	56,595	62,315
Port Contribution	12,000	51,778
Port Share of Group Costs	(55,514)	(57,498)
Ending Balance of Port	13,081	56,595
Total Group Ending Balance	**$ 62,590**	**$ 206,195**

In August 2013, the Port received notification of Natural Resource Damages Claim being sought by Port Angeles Harbor Natural Resource Trustee Council (Trustees). The Trustees are the National Oceanic and Atmospheric Administration (NOAA) of the U.S. Department of Commerce, the United States Fish and Wildlife Service of the U.S. Department of Interior (USFWS), the Washington Department of Ecology (Ecology), the Lower Elwha Klallam Tribe, the Port Gamble S’Klallam Tribe, and the Jamestown S’Klallam Tribe. On May 1, 2014, the Port received a proposed natural resource damage assessment from the Trustees. Their assessment provided a range of damages for the entire harbor (approximately

2,100 acres) from 508 to 1,323 discounted service acre years (DSAYs). The Port as one member of the Western Port Angeles Harbor Group (Group) evaluated the Trustees claim

In early 2021 the Port and other members of the WPAHG, except for the City of Port Angeles, negotiated a settlement with the Trustees for restoration of injuries to natural resources. The City is negotiating a separate NRD settlement. Implementation of a NRD settlement along with the Harbor cleanup have important synergies. The documents related to this settlement consist of Consent Decree between federal government and the members of the WPAHG, except for the City of Port Angeles and the Damage Assessment and Restoration Plan. These documents are under public comment period through the end of April 2021. Once public comment has been considered, the Consent Decree will be finalized, the Port and the other parties will each pay $1.7 million for a total payment of $8.5 Million. Each party as transferred their share ($1.7 million) to Port controlled bank account. Once the Consent Decree entered by the court the Port will transmit payment of the $8.5 million settlement to the Trustees from the Port's Harbor bank account in 2021. In exchange for payment of $8.5 million, Federal, State, and Tribal Trustees provide a covenant not to sue and contribution protection to the Port and the other Settling Defendants for potential NRD claims for the entire Port Angeles Harbor, including the area near the former Rayonier Mill. The Trustees agreed to prioritize restoration projects that will provide direct benefits to natural resources in Port Angeles Harbor.

Former Kardlock Facility

The Port owns the property at 220 Marine Drive known at the Former Kardlock Facility. This site is located to the east of Tumwater Creek, and approximately 1,000 feet inland (south) of the Port Angeles Harbor. The adjacent property to the north is a Pettit Oil facility (a former Chevron bulk plant) that is part of the larger Marine Trades Area petroleum cleanup site. The property is currently utilized for parking, and was formerly occupied by a Shell Oil bulk plant on its central and western portions and a Pettit Oil Kardlock station on its eastern portion. Approximately six aboveground storage tanks (ASTs) and an associated refueling rack and pump house owned by Shell were removed from the center of the property in 1984. It is assumed that the bulk terminal handled gasoline, diesel fuel, and other common petroleum products. Five additional gasoline and diesel underground storage tanks (USTs) and related fueling equipment were removed from the east side of the property by Pettit Oil in 1999. Pettit Oil also removed approximately 2,400 tons of petroleum contaminated soil from the property as part of tank removal; however, some diesel range organics (DRO) contamination remained in soil to the north of the former USTs. A limited number of soil borings were also advanced in the alleyway between the Marine Trades Area Pettit Oil property and the Shell Oil bulk plant. as well as on the bulk plant property, by Shannon & Wilson as part of the Marine Trades Area investigation in 1995. One permanent monitoring well, MW 5, was also installed on the property. This investigation identified gasoline range organics (GRO) contamination in soil and groundwater at one monitoring well along the northern boundary of the Shell Oil bulk plant, in the presumed downgradient direction from the former ASTs. The contamination from the Shell Oil bulk plant was not considered to have comingled with downgradient contamination emanating from the other Marine Trades Area facilities, so was not included in the Marine Trades Area site.

Because of the past activities at the site the Port conducted soil and groundwater sampling at the property in March of 2016. The results of these sampling detailed separate areas of soil and groundwater petroleum contamination at the former Shell Oil bulk plant location and the former Pettit Oil Kardlock location.

Following final review of 2016 sampling data the Port notified Ecology and Ecology listed the property as two distinctive cleanup sites (Former Shell Oil Bulk Plant - 220 Tumwater Truck Route Site and the Former Pettit Oil - 220 Tumwater Truck Route Site. Ecology listed the initial PLP's as the Port and Shell. In May of 2018, the Port and Shell conducted additional site investigation sampling at the site to further delineate the extent and magnitude of contamination. The reporting detailing the findings of this investigation was completed in the fall of 2018 and the Port and Shell completed a funding agreement for the Former Shell Oil Bulk Plant site in 2019. In 2020 the Port submitted draft interim action cleanup plans to Ecology for review and the development of Agreed Orders for both sites. Ecology is currently reviewing these documents.

16. Contingencies

The Port is a defendant in various legal actions and claims, which arise during the normal course of business, some of which may be covered by insurance. Final disposition of these actions and claims are not determinable and, in the opinion of management, the outcome of any litigation of these matters, except as discussed under Note 15 Pollution Remediation Obligations, will not have a material effect on the financial position or results of operations of the Port.

As discussed in Note 15, the Port is liable for pollution remediation obligations.

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 reimbursements to grantor agencies for expenses disallowed under the terms of the grants. Port management believes that such disallowances, if any, will be immaterial.

17. Other Disclosures

In 2020, there were no prior period adjustments.

Prior Period Adjustments	For Year Ended Dec 31, 2020	For Year Ended Dec 31, 2019
Beginning Net Position	$ 74,155,572	$ 71,424,290
Restate Beginning Net Position for GASB75 Implementation	-	-
Total Impact of Adjustments	-	-
Adjusted Beginning Net Position	74,155,572	71,424,290
Increase (Decrease) in Net Position	(995,771)	2,731,282
Ending Net Position	$ 73,159,801	$ 74,155,572

In 2018, the Port implemented GASB Statement 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions.* Per the guidance of GASB 75, the Port recorded a decrease of $1,863,933 in an adjustment to Beginning Net Position to accrue the Port's net pension liability prior to 2018.

<u>Reclassifications</u>
None in 2019 or 2020.

Subsequent Events

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The length of time these measures will be in place, and the full extent of the financial impact is unknown at this time.

PORT OF PORT ANGELES

Required Supplemental Information
December 31, 2020

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

Port of Port Angeles
Schedule of Employer Contributions
Department of Retirement Systems PERS 1
As of December 31, 2020
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020
Statutorily or contractually required contributions	$59,282	$121,608	$124,196	$138,116	$138,742	$127,529
Contributions in relation to the statutorily or contractually required contributions	-$59,282	-$121,608	-$124,196	-$138,116	-$138,742	-$127,529
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered employer payroll	$2,414,007	$2,549,431	$2,533,194	$2,727,500	$2,805,815	$2,659,315
Contributions as a percentage of covered employee payroll	2.46%	4.77%	4.90%	5.06%	4.94%	4.80%

Notes to Schedule:
* Until a full 10-year trend is compiled, only information for those years available is presented

Port of Port Angeles
Schedule of Employer Contributions
Department of Retirement Systems PERS 2 & 3
As of December 31, 2019
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020
Statutorily or contractually required	$77,427	$158,829	$174,112	$204,567	$216,615	$210,618
Contributions in relation to the statutorily or contractually required contributions	-$77,427	-$158,829	-$174,112	-$204,567	-$216,615	-$210,618
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0
Covered employer payroll	$2,414,007	$2,549,431	$2,533,194	$2,727,500	$2,805,815	$2,659,315
Contributions as a percentage of covered employee payroll	3.21%	6.23%	6.87%	7.50%	7.72%	7.92%

Notes to Schedule:
* Until a full 10-year trend is compiled, only information for those years available is presented

Port of Port Angeles
Schedule of Proportionate Share of the Net Pension Liability
Department of Retirement Systems PERS 1
As of June 30, 2020
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	0.020741%	0.020859%	0.019853%	0.019601%	0.019868%	0.018288%
Employer's proportionate share of the net pension liability	$ 1,084,947	$ 1,120,227	$ 942,040	$ 875,387	$ 763,995	$ 645,665
TOTAL	$ 1,084,947	$ 1,120,227	$ 942,040	$ 875,387	$ 763,995	$ 645,665
Employer's covered employee payroll	$ 2,414,007	$ 2,549,431	$ 2,533,194	$ 2,727,500	$ 2,805,815	$ 2,659,315
Employer's proportionate share of the net pension liability	44.94%	43.94%	37.19%	32.09%	27.23%	24.28%
Plan fiduciary net position as a percentage of the total pension liability See Note 2 of DRS Participating	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%

Notes to Schedule:
*Until a full 10-year trend is compiled, only informaiton for those years available is presented.

Port of Port Angeles
Schedule of Proportionate Share of the Net Pension Liability
Department of Retirement Systems PERS 2 & 3
As of June 30, 2020
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	0.02074%	0.020859%	0.025536%	0.025043%	0.025668%	0.023688%
Employer's proportionate share of the net pension liability	$ 957,222	$ 1,344,123	$ 887,254	$ 427,587	$ 249,324	$ 302,956
TOTAL	$ 957,222	$ 1,344,123	$ 887,254	$ 427,587	$ 249,324	$ 302,956
Employer's covered employee payroll	$ 2,414,007	$ 2,549,431	$ 2,533,194	$ 2,727,500	$ 2,805,815	$ 2,659,315
Employer's proportionate share of the net pension liability	39.65%	52.72%	35.03%	15.68%	8.89%	11.39%
Plan fiduciary net position as a percentage of the total pension liability See Note 2 of DRS Participating Employer Financial	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%

Notes to Schedule:
*Until a full 10-year trend is compiled, only informaiton for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION - OPEB

Port of Port Angeles
Schedule of Changes in Total OPEB Liability and Related Ratios
Washington State Public Employees Benefit Board
For the year ended December 31, 2020
Last 10 Fiscal Years*

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total OPEB liability - beginning	$ 2,798,711	$ 2,795,133	$ 2,409,645							
Service cost	89,606	81,490	69,345							
Interest	102,358	109,758	85,575							
Changes in benefit terms	0	0	0							
Differences between expected and actual experience	0	0	0							
Changes of assumptions	(136,695)	(494,977)	559,684							
Benefit payments	(58,847)	(81,759)	(68,563)							
Other changes	0	0								
Total OPEB liability - ending	2,795,133	2,409,645	3,055,686							
Covered-employee payroll	2,727,500	2,724,292	2,440,244							
Total OPEB liability as a % of covered payroll	102.48%	88.45%	125.22%							

Notes to Schedule:
*Until a full 10-year trend is compiled, only inforation for those years available is presented.
No assets are accumulated in a trust the meets the criteria in paragraph 4 of GASB 75.

FAIRCHILD INTERNATIONAL AIRPORT

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED, HELD AND USED

Year Ended December 31, 2020

	Mar-20	Jun-20	Sep-20	Dec-20	Total
Unexpended PFCs and Interest, Beginning of Period	$0.00	0.00	0.00	0.00	0.00
Add:					
PFC Receipts	297.84	116.80	204.40	262.80	881.84
Interest Earned	0.00	0.00	0.00	0.00	0.00
Total	297.84	116.80	204.40	262.80	**$881.84**
Expenses/Expenditures	297.84	116.80	204.40	262.80	**$881.84**
Unexpended PFC and Interest	0.00	0.00	0.00	0.00	**0.00**

Year Ended December 31, 2019

	Mar-19	Jun-19	Sep-19	Dec-19	Total
Unexpended PFCs and Interest, Beginning of Period	$0.00	0.00	0.00	0.00	0.00
Add:					
PFC Receipts	362.08	402.96	598.60	505.16	1,868.80
Interest Earned	0.00	0.00	0.00	0.00	0.00
Total	362.08	402.96	598.60	505.16	**$1,868.80**
Expenses/Expenditures	362.08	402.96	598.60	505.16	**$1,868.80**
Unexpended PFC and Interest	0.00	0.00	0.00	0.00	**0.00**

NOTES TO THE SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED, HELD AND USED

1. BASIS OF ACCOUNTING

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

2. PROGRAM COSTS

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