Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Port Angeles

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

Published December 5, 2022

Report No. 1031491

Office of the Washington State Auditor
Pat McCarthy

December 5, 2022

Board of Commissioners
Port of Port Angeles
Port Angeles, Washington

Report on Financial Statements

Please find attached our report on the Port of Port Angeles financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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

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

Board of Commissioners
Port of Port Angeles
Port Angeles, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Port of Port Angeles, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated November 29, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

November 29, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Board of Commissioners
Port of Port Angeles
Port Angeles, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

November 29, 2022

FINANCIAL SECTION

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

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

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, 2021. It provides an introduction to the Port's 2021 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, 2021

- Change in Net Position: The ending net position (assets and deferred outflows that exceed liabilities and deferred inflows) was $75.03 million, which was an increase of $1.87 million from 2020. Operating revenues increased by $1.28 million or 14% most of which can be attributed to increase in Marine Trades operations. Operating expense decreased by 10% or ($1.24) million. Majority of this decrease is due to GASB 78 Other Post-Employment Benefits of ($.81) million and GASB 68 Pension expense of ($.55) million.
- Assets: Total assets of the Port were $86.24 million, which was an increase of $2.20 million. Capital assets (land, buildings, improvements, and equipment), net of accumulated depreciation, comprised $50.58 million or 59% of total assets. Cash and investments totaled $16.15 million or 19% of total assets with $0.39 million classified as restricted (custodial account, environmental reserve, contractor's retainage, and customer deposits/prepaids). GASB 68 Pension requirements required a $2.18 million Non-Current asset addition for 2021.
- Liabilities: The Port's total liabilities decreased (15.4%) or ($1.66) million from 2020. GASB 68 Pension Liability decreased ($.74) million. Total debt (current & non-current) decreased by ($.34) million or (10.4 %). In addition, Other Post Employment Benefits decreased by ($0.74) million and long-term debt decreased ($.38) million.

Condensed 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	2021	2020	Increase (Decrease) 2021-2020
Current Assets	$ 18,070,039	$ 17,594,847	$ 475,192
Noncurrent Assets	68,172,769	66,445,643	1,727,126
Total Assets	**86,242,808**	**84,040,490**	**2,202,318**
Deferred Outflows of Resources	**300,053**	**328,753**	**(28,700)**
Current Liabilities	1,741,188	1,782,674	(41,486)
Noncurrent Liabilities	7,429,091	9,052,236	(1,623,145)
Total Liabilities	**9,170,279**	**10,834,910**	**(1,664,631)**
Deferred Inflows of Resources	**2,344,146**	**374,532**	**1,969,614**
Net Investment in Capital Assets	62,729,468	62,812,088	(82,620)
Restricted for Environmental	13,679	13,080	599
Restricted for Pension Asset	291,742	0	291,742
Unrestricted Net Position	11,993,552	10,334,633	1,658,919
Total Net Position	**$ 75,028,441**	**$ 73,159,801**	**$ 1,868,639**

In 2021, Current Assets increased by $0.48 million from year end 2020. The increase is mostly due to the cash of LGIP Investment.

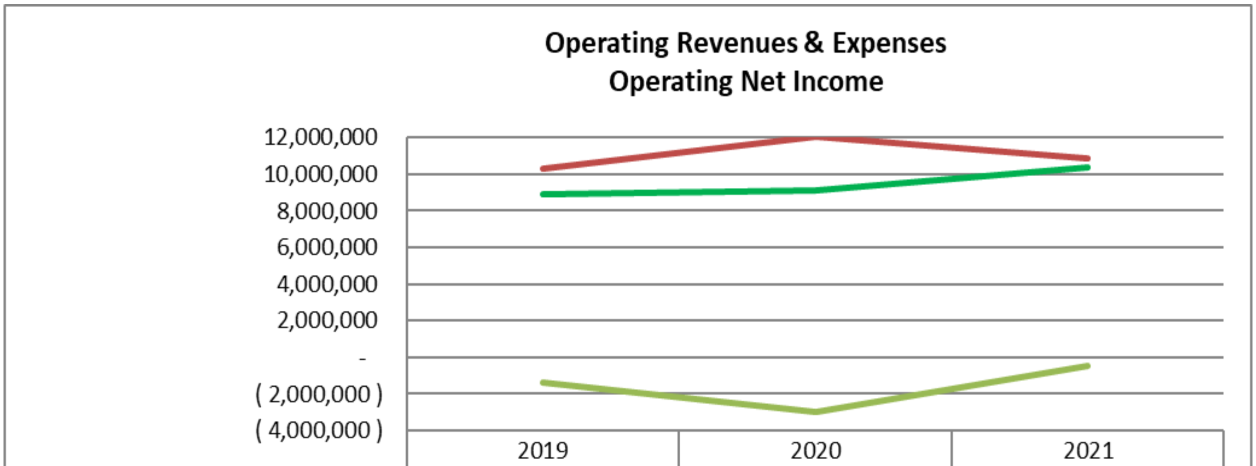
Noncurrent Assets increased by $1.73 million in comparison to 2020. This is due to the requirement of GASB 68 Pension to record a $2.18 Non-Current Asset.

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, 2021. This statement presents the inflows of revenues and outflows of expenses.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	2021	2020	Increase (Decrease) 2021-2020
Operating Revenues			
Marine Terminals	$ 3,572,883	$ 2,974,357	$ 598,526
Marine Trades	769,838	602,040	167,798
Log Handling	809,401	698,893	110,508
Airports	1,869,085	1,673,464	195,621
Marinas & Launch Ramps	3,278,493	3,055,078	223,415
Property Rentals	78,153	97,153	(19,000)
Total Operating Revenues	**10,377,853**	**9,100,985**	**1,276,868**
	-	-	-
NonOperating Revenues	**1,871,884**	**1,982,508**	**(110,624)**
Total Revenues	**12,249,737**	**11,083,493**	**1,166,244**
	-	-	-
Operating Expenses			
Marine Terminals	2,619,618	3,152,384	(532,766)
Marine Trades	462,297	647,096	(184,799)
Log Handling	1,325,444	1,487,066	(161,622)
Airports	1,496,609	1,639,555	(142,946)
Marinas & Launch Ramps	2,068,876	2,278,253	(209,377)
Property Rentals	128,190	179,939	(51,749)
Depreciation	2,729,045	2,681,169	47,876
Total Operating Expenses	**10,830,079**	**12,065,462**	**(1,235,383)**
NonOperating Expense	**214,254**	**450,844**	**(236,590)**
Total Expenses	**11,044,333**	**12,516,306**	**(1,471,973)**
Income (Loss) before Capital Contributions	**1,205,404**	**(1,432,813)**	**2,638,217**
		-	
Capital Contributions	663,235	437,042	226,193
Increase in Net Position	**1,868,639**	**(995,770)**	**2,864,409**
Net Position - January 1	73,159,802	74,155,572	(995,770)
Net Position - December 31	**$ 75,028,441**	**$ 73,159,802**	**$ 1,868,639**

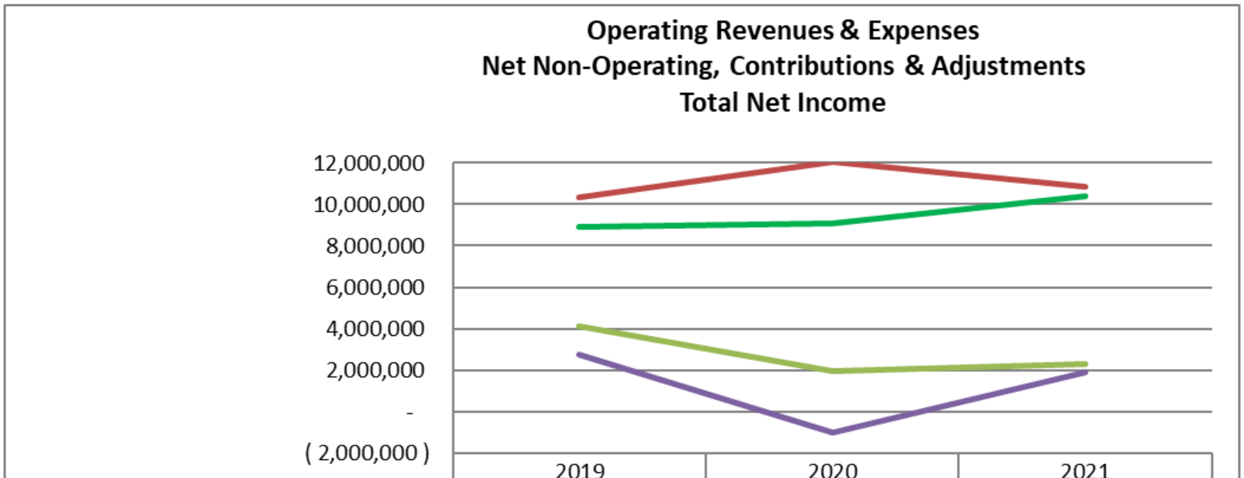
Summary of Operating and Non-Operating Activity

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.



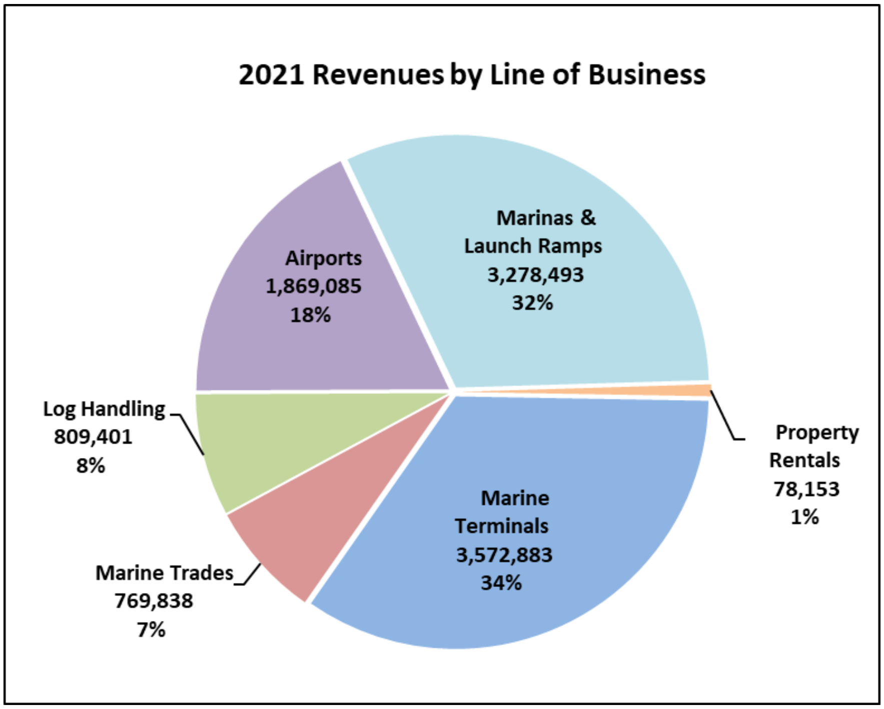
	2019	2020	2021
Operating Revenues	8,927,022	9,100,985	10,377,853
Operating Expenses	10,314,612	12,065,462	10,830,080
Net Operating Income (Loss)	(1,387,590)	(2,964,477)	(452,226)

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.



	2019	2020	2021
Operating Revenues	8,927,022	9,100,985	10,377,853
Operating Expenses	10,314,612	12,065,462	10,830,080
Net Non-Operating, Contributions & Adjustments	4,118,872	1,968,707	2,320,865
Total Net Income (Loss)	2,731,282	(995,770)	1,868,639

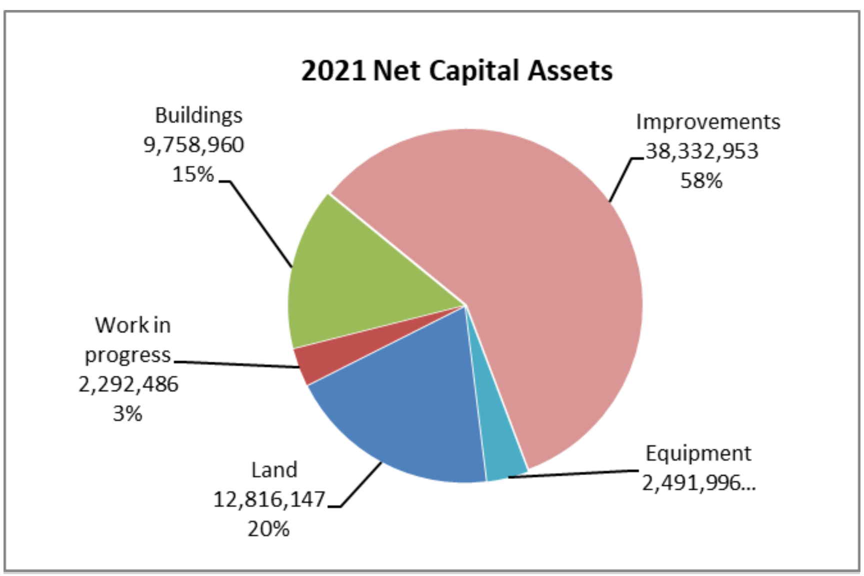
In 2021, the primary sources of revenue were from Marine Terminals, Marinas, Airport Operations, and the Airport industrial properties totaling 85% of total operating revenue.



CAPITAL ASSETS

Year Ended December 31, 2021

In 2021, the Port's net capital assets decreased by ($.43) million (after depreciation) or (2.6%) to 2020. Work in progress increased $0.93 million in 2021.



Net Capital Assets and Change in Year-End Balances

Capital Assets	2021	2020	2019	Net Change 2021 - 2020	Net Change 2020 - 2019
Land	$ 12,816,147	$ 12,816,147	$ 12,816,147	$ -	$ -
Work in progress	2,292,486	1,364,627	666,980	927,859	697,647
Buildings	9,758,960	10,153,596	10,395,390	(394,636)	(241,794)
Improvements	38,332,953	39,009,283	39,770,165	(676,330)	(760,882)
Equipment	2,491,996	2,777,676	3,061,625	(285,680)	(283,949)
Total	$ 65,692,541	$ 66,121,329	$ 66,710,307	$ (428,788)	$ (588,978)

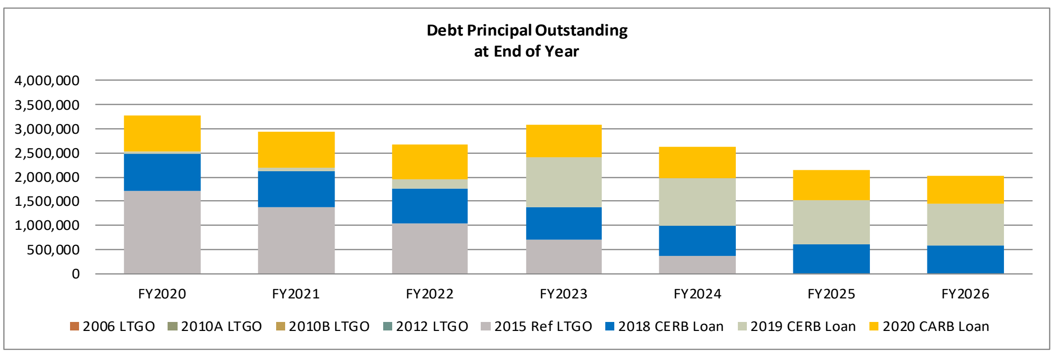
See Note 4 for increases and decreases in capital assets and depreciation.

Continue to next page for Debt Administration

Debt Administration

Year Ended December 31, 2021

As of December 31, 2021, the Port had total debt outstanding of $2.94 million, with $398k 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. As of December 31, 2021, $71k of the $1.02 million loan proceeds have been 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. 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 $25.39 million of non-voted general obligation debt. The non-voted debt capacity of the Port was $28.68 million as of December 31, 2021.



Debt Outstanding (at end of year)

Bond/Loan Name	Project Name	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
2006 LTGO	PABH	----------- see 2015 Refunding LTGO -------						
2010A LTGO	Composite Mfg-Site	-	Paid off Dec 2020					
2010B LTGO	Composite Mfg-Bldg	-	Paid off Dec 2020					
2012 LTGO	25 Projects 1993-98		Paid off Dec 2016					
2015 Ref LTGO	Refunded 2006 PABH	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	570,354
2019 CERB Loan	LY Cofferdam Barge Facility	54,995	70,530	200,000	1,020,000	971,027	918,931	865,793
2020 CARB Loan	FIA Utility Extension	750,000	750,000	718,968	687,480	655,362	622,602	589,186
	Total Principal Outstanding	**3,284,795**	**2,943,600**	**2,675,447**	**3,088,518**	**2,623,572**	**2,146,892**	**2,025,334**
	Decrease/(Increase) in Principal	2,621,104	341,195	268,153	(413,072)	464,947	476,679	121,558
		-	-	-	-	-	-	-

Bond/Loan Name	Project Name	Original Principal	Fiscal Years (FY) 2022 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	1,384,420	Dec 1, 2025
2018 CERB Loan	MTA Washdown Facility	765,000	738,650	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	3,893,070	

PORT OF PORT ANGELES
STATEMENT OF NET POSITION
As of December 31, 2021

	2021
CURRENT ASSETS:	
Cash and Cash Equivalents	$ 15,761,715
Restricted Cash & Cash Equivalents	392,276
Investments	-
Accounts Receivable, net of allowance	1,011,353
Contracts, Notes & Insurance Receivable, current	46,292
Prepayments and Other Current Assets	437,053
Grants receivable	330,850
Taxes Receivable	90,500
Total Current Assets	**18,070,039**
NONCURRENT ASSETS	
Investments	-
Depreciable Assets, Net of Accumulated Depreciation	50,583,908
Land	12,816,147
Work in Progress	2,292,486
Other Noncurrent Assets:	
Pension	2,175,815
Contracts & Note Receivable, net of current portion	304,413
Total Noncurrent Assets	**68,172,769**
TOTAL ASSETS	**86,242,808**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pensions	260,043
Deferred Outflows - OPEB	40,010
	300,053
CURRENT LIABILITIES	
Accounts Payable	262,656
Accrued Expenses	339,086
Customer Deposits & Prepaid Revenues	145,066
Contracts Payable	290,528
Grant Payable	-
Custodial Account	54,585
Long-Term Debt, current portion	397,622
Long-Term Payable, current portion	17,125
Environmental Remediation, current portion	154,500
OPEB, current portion	80,020
Total Current Liabilities	**1,741,188**
NONCURRENT LIABILITIES	
Long-Term Debt	2,545,978
Long-Term Payable	75,634
Environmental Remediation	104,064
Employee Leave Benefits	426,056
Other Post Employment Benefits	2,810,143
Pension Liability	207,390
Unearned Revenue	1,259,826
Total NonCurrent Liabilities	**7,429,091**
TOTAL LIABILITIES	**9,170,279**
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on bond refunding	19,474
Deferred Inflow - Pensions	2,322,953
Deferred Inflow - Blackball Harbor Area Lease	1,719
	2,344,146
NET POSITION	
Net Investment in Capital Assets	62,729,468
Restricted for Environmental	13,679
Restricted for Pension Assets	291,742
Unrestricted Net Position	11,993,552
TOTAL NET POSITION	**$ 75,028,441**

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, 2021

	2021
OPERATING REVENUES	
Marine Terminals	$ 3,572,883
Marine Trades	769,838
Log Handling	809,401
Airports	1,869,085
Marinas & Launch Ramps	3,278,493
Property Rentals	78,153
Total Operating Revenues	**10,377,853**
OPERATING EXPENSES	
General Operations	5,518,035
Maintenance	1,486,056
General and Administrative	1,096,943
Depreciation	2,729,045
Total Operating Expenses	**10,830,079**
OPERATING INCOME (LOSS)	**(452,226)**
NONOPERATING REVENUES (EXPENSES)	
Ad Valorem Taxes (general tax levy)	1,608,294
Taxes from Timber & Leasehold Interest	142,799
Passenger Facility Charges	1,548
Investment Income	42,430
Interest Expense	(57,773)
Election Expense	(29,541)
Increase (Decrease) in Fair Value of Investments	-
Non-Capital Grants	76,404
Environmental Remediation Revenue (Expense)	(109,860)
Gain (loss) on retirement of Capital Assets	(22,384)
Miscellaneous Revenue (Expense)	5,713
Net NonOperating Revenues (Expenses)	**1,657,630**
INCOME (LOSS)	
Before Capital Contributions	**1,205,404**
Capital Contributions	663,235
INCREASE IN NET POSITION	**1,868,639**
Net Position - January 1	73,159,802
NET POSITION - December 31	**$ 75,028,441**

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, 2021

	2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$8,754,635
Less: Cash paid to suppliers and employees	(7,079,733)
Net Cash Provided (Used) by Operating Activities	**1,674,902**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes received	1,604,405
Timber and leasehold taxes received	142,799
Cash received from operating grants	183,228
Cash rec'd (paid) for environmental remediation expenses	95,495
Other NonOperating revenues (expenses)	(23,827)
Net Cash Provided by (Used in) Noncapital Financing	**2,002,100**
CASH FLOWS FROM CAPITAL & RELATED FINANCING	
Cash received from Passenger Facility Fees	1,548
Capital contributions from grants	533,102
Acquisition and construction of capital assets	(2,484,564)
Principal paid on capital debt	(341,195)
Interest paid on capital debt	(37,252)
Net Cash Provided by (Used in) Capital & Financing Activities	**(2,328,361)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	500,000
Purchase of investments	0
Interest received on investments & unrealized gain/loss	51,268
Net Cash Provided (Used) by Investing Activities	**551,268**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**1,899,909**
Cash and cash equivalents at beginning of year	14,254,083
CASH & CASH EQUIVALENTS END OF YEAR	**16,153,992**
RECONCILIATION OF (A) OPERATING INCOME TO	
(B) NET CASH PROVIDED BY OPERATING ACTIVITIES	
(a) Operating Income	(452,226)
(b) Net Cash Provided by Operating Activities	
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation	2,729,045
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(1,623,218)
(Increase) Decrease in Inventories & Prepayments	(8,750)
Increase (Decrease) in Accounts & Other Payables	70,595
Increase (Decrease) in Other Accrued Expenses	(78,709)
Increase (Decrease) in Other Liabilities	1,038,165
NET CASH OPERATING ACTIVITIES	**1,674,902**
NON-CASH INVESTING & FINANCING ACTIVITIES	
Increase (Decrease) in Fair Value of Investments	-

The Accompanying Notes Are An Integral Part Of This Statement

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.

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 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.

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, 2021
General Operating	$ 15,761,715
Other Restricted Assets	392,276
Total	$ 16,153,991

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, 2021
Cash & Investments (Harbor Group Account)	$ 68,263
Cash & Investments (Environmental Reserve)	178,009
Customer Deposits & Prepaids	145,066
Contractor's Retainage	938
Total	**$ 392,276**

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, 2021
Based on delinquent accounts and historical experience	$ 8,000

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, 2021
Rent Repayment Agreement, current	$ 12,000
Insurance Receivables	34,292
Total Notes & Insurance Receivables	**$ 46,292**

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, 2021
Unpaid vacation and sick leave	$ 464,004

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.

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

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, 2021
Unrestricted: Cash & Cash Equivalent	
Cash Operations: Financial Institution Deposits	$ 2,038,260
Investments:	
Financial Institution Deposits	9,705,405
WA State Local Gvnt Invtmt Pool (LGIP)	1
Financial Instruments (CDs, etc.)	4,018,049
Unrestricted Cash & Cash Equivalents	**15,761,715**
Restricted: Cash & Cash Equivalent	
Custodial Account - Harbor Group	68,263
Environmental Reserve Money Market	178,009
Customer Deposits & Prepaids, Contractor Retainage	146,004
Restricted Cash & Cash Equivalents	**392,276**
Total Cash & Cash Equivalents	**16,153,991**
Total Cash, Cash Equivalents & Investments	**$ 16,153,991**

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 2021, 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

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, 2021:

December 31, 2021		Maturities (in Years)				
Investment Type	**Fair Value**	**Less than 1**	**1 to 3**	**More than 3**	**Total**	**% of Total Portfolio**
Umpqua Bank Investment Account	3,633,933	3,633,933			3,633,933	26.48%
First Federal Bank Money Market	6,071,472	6,071,472			6,071,472	44.24%
WA Local Govt Investment Pool*	1	1			1	0.00%
1st Security Bank CD	4,018,049	4,018,049			4,018,049	29.28%
Total	**13,723,456**	**13,723,456**	-	-	**13,723,456**	**100.00%**
Percentage of Total		**100.00%**	**0.00%**	**0.00%**		

The table below identifies the credit risk of the Port investment portfolio as of December 31, 2021:

December 31, 2021		Moody's Equivalent Credit Rating							
Investment Type	**Fair Value**	**Aa2**	**Aa1**	**AA+**	**AA**	**AAA**	**Aa3**	**A+**	**No rating**
Umpqua Bank Investment Account	3,633,933								3,633,933
First Federal Bank Money Market	6,071,472								6,071,472
WA Local Govt Investment Pool*	1								1
1st Security Bank CD	4,018,049								4,018,049
Total	**13,723,456**	-	-	-	-	-	-	-	**13,723,456**

*The fair value of the investment 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	**2021**
Regular Levy rate per $1,000 of AV	$0.1393893401
Assessed Valuation (AV) for prior year	$11,471,631,886
Total Regular Levy	$1,599,023

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, 2021
Did not levy 1%: 2009, 2010, 2012, 2014, 2017, 2018	$54,999

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.

	Taxable Assessed		Tax Levy	Dollars		Percent	
Year	**Value (AV) Prior Year**	**Levy Rate per $1,000 AV**	**(including adjustments)**	**Year of Levy**	**As of 12/31/2021**	**Year of Levy**	**As of 12/31/2020**
2021	11,471,631,886	0.139389	1,599,023	1,581,237	1,581,237	**98.9%**	**98.9%**
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, 2021, was as follows:

	Dec. 31, 2020	Increases	Decreases	Dec. 31, 2021
Capital Assets				
not being depreciated:				
Land	12,816,147	-	-	12,816,147
Work in Progress	1,364,627	2,670,285	1,742,426	2,292,486
Total Capital Assets Not being Depreciated	**14,180,774**	**2,670,285**	**1,742,426**	**15,108,633**
Capital Assets				
being depreciated:				
Buildings	21,036,618	73,735	296	21,110,057
Improvements	79,435,238	1,295,676	-	80,730,914
Machinery/Equip	8,152,614	21,600	834,923	7,339,291
Total Capital Assets being Depreciated	**108,624,470**	**1,391,011**	**835,219**	**109,180,262**
Less: Accumulated				
Depreciation				
Buildings	10,883,022	468,371	296	11,351,097
Improvements	40,425,955	1,972,006	-	42,397,961
Machinery/Equip	5,374,938	288,797	816,439	4,847,296
Total Accumulated Depreciation	**56,683,915**	**2,729,175**	**816,735**	**58,596,354**
Total Capital Assets being Depreciated less Accum Depr	**51,940,556**	**(1,338,164)**	**18,484**	**50,583,908**
Total Net Capital Assets	**66,121,329**	**1,332,121**	**1,760,910**	**65,692,541**

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, 2021:

	Project	Spent thru Dec 31, 2021	Remaining Commitment
1	PABH Fuel Float Replacement	$ 323,010.74	$ 1,039,296
2	FIA Runway/Taxiway Rehab Phase 2	141,457	228,194
3	PABH Fuel Float Replacement Design	158,349	67,763
4	Cofferdam Facility Improvements	261,511	61,449
5	10.10-10.50 Building Improvments	29,754	35,246
6	PABH Fuel Float Replacement Design	20,437	27,864
7	T-1 Terminal Pile Assessment	177,305	22,095
8	FIA Runway/Taxiway Rehab Phase 1	368,039	780
	Total	**$ 1,479,863**	**$ 1,482,686**

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 99 lease arrangements ranging in monthly payments between $1 and $11,506 with either fixed increases, Consumer Price Index rent escalation clauses, or market rate rent escalation clauses. Approximately 65 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, 2021	Minimum Future Revenue
2022	1,833,408
2023	1,596,964
2024	1,465,178
2025	1,188,052
2026	907,126
2027-2031	2,953,657
2032-2036	1,542,506
2037-2041	730,767
2042-2046	77,420
TOTAL	**$12,295,079**

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, 2021		Minimum Future Payments
2022		5,035
2023		854
2024		-
2025		-
Total	**$**	**5,889**
Xerox & Canon expire in 2022		

7. **Other Noncurrent Assets: Contracts & Notes Receivables**

Contracts and notes receivable consist of the following:

	Dec 31, 2021
Rent Repayment Agreement	316,413
Less: Current portion	12,000
Rent Repayment Noncurrent portion	$304,413
Total Noncurrent Contracts & Notes Receivable	**$304,413**

- At Dec 31, 2021, tenant repayment period began in 2021, last 10 years of 13-year lease per agreement.

8. **Current Liabilities – Custodial Accounts**

The Port currently has one custodial account:

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.

	Dec 31, 2021
Western PA Harbor Group Account	$ 68,263

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 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, 2021
Payroll, Taxes & Benefits	$ 70,595
Employee Leave Benefits (current)	37,500
Excise Taxes (Leasehold, B & O)	145,808
Bond Interest	2,642
Other Accrued Expenses	82,541
Other Accrued Liabilities	**$ 339,086**

10. Long-Term Liabilities

Long-term liabilities activity for the year ended December 31, 2021, was as follows:

	Interest Rate	Series Matures	January 2021	Additions	Reductions	December 2021	Due Within One Year
General Obligation (GO) Bonds:							
October 26, 2015	2.29	2025	1,714,800	-	330,380	1,384,420	334,251
GO Bonds			1,714,800	-	330,380	1,384,420	334,251
(Discount)/Premium			-	-	-	-	-
Net GO Bonds			1,714,800	0	330,380	1,384,420	334,251
Long Term Loans:							
WA State Dept of Commerce,							
CERB Loans	2.00	2040	819,995	15,535	26,350	809,180	32,339
WA State Dept of Transportation,							
CARB Loan	2.00	2041	750,000	-	-	750,000	31,032
Net Long Term Loans			1,569,995	15,535	26,350	1,559,180	63,371
Total Long-Term Debt			**$ 3,284,795**	**$ 15,535**	**$ 356,730**	**$ 2,943,600**	**$ 397,622**

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 2021	Net Changes Additions (Reductions)	December 2021	Due Within One Year
Estimated Long-Term Liabilities:				
Environmental Remediation	$ 402,500	$ (143,936)	$ 258,564	$ 154,500
Long-Term Payable	97,858	(5,097)	92,759	17,125
Unearned Revenue - Environmental	1,339,250	(79,424)	1,259,826	-
Other Post Employment Benefits	3,055,686	(165,523)	2,890,163	80,020
Pension Liability	948,621	(741,231)	207,390	-
Employee Leave Benefits	468,060	(4,504)	463,556	37,500
Total Estimated Long-Term	**$ 6,311,975**	**$ (1,139,715)**	**$ 5,172,258**	**$ 289,145**

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.

General Obligation Debt & Loans

The aggregate debt service on general obligation debt & loans, as of December 31, 2021, was as follows:

Year	Principal	Interest	Total
2022	397,622	61,312	458,934
2023	477,456	126,172	531,000
2024	415,970	63,865	530,913
2025	424,580	53,508	530,188
2026	68,417	42,938	164,496
2027-2031	363,167	177,235	822,481
2032-2036	400,965	110,077	822,481
2037-2041	395,586	35,929	703,613
Total	**$ 2,943,763**	**$ 671,035**	**$ 4,564,105**

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 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). 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, 2021
Assessed Valuation (AV) for prior year	$ 11,471,631,886
.75% General Purpose Limit	86,037,239
.25% Non-Voted Limit	28,679,080
Outstanding Non-Voted Debt	3,284,795
Non-Voted Debt Capacity	**$ 25,394,285**

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, 2021

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:*

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ (207,390)
Pension assets	$ 2,175,815
Deferred outflows of resources	$ 260,043
Deferred inflows of resources	$ (2,322,953)
Pension expense/expenditures	$ (598,092)

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 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	0.00%
Administrative Fee	0.18%	0.00%
Total	**12.97%**	**6.00%**
PERS Plan 1		
July – December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	0.00%
Total	**10.25%**	**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 2021 were as follows:

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

* Employees participating in the Judicial Benefit Multiplier, the contribution rate was 15.90%.

The Port's actual PERS plan contributions were $115,131.28 to PERS Plan 1 and $191,750.61 to PERS Plan 2/3 for the year ended December 31, 2021.

Actuarial Assumptions

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

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using 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 no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

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

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

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the 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, 2021, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.0%	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 (Asset)

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

Port Proportionate Share	1% Decrease	Current Rate	1% Increase
	6.40%	**7.40%**	**8.40%**
PERS 1	$ 353,300	$ 207,390	$ 80,141
PERS 2/3	$ (619,847)	$ (2,175,815)	$ (3,457,154)

Pension Plan Fiduciary Net Position

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

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

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

	Liability (or Asset)
PERS 1	$ 207,390
PERS 2/3	$(2,175,815)

At June 30, 2021 the Port's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	.018288%	.016982%	.001306%
PERS2/3	.023688%	.021842%	.001846%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions, and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

Pension Expense

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

	Pension Expense
PERS 1	$ (85,122)
PERS 2/3	$ (512,960)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions 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	$(230,133)
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	$51,299	$0
TOTAL	$51,299	$(230,133)
PERS 2 & 3	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$105,676	($26,673)
Net difference between projected and actual investment earnings on pension plan investments	$0	$(1,818,471)
Changes of assumptions	$3,180	$(154,519)
Changes in proportion and differences between contributions and proportionate share of contributions	$11,947	$(93,160)
Contributions subsequent to the measurement date	$87,941	$0
TOTAL	$208,744	$(2,092,822)

Deferred outflows of resources related to pensions resulting from the (city/county/district's) contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

PERS 1

Combined amortization table (Final)

Year	Amount
2022	$ (60,962)
2023	$ (55,864)
2024	$ (52,821)
2025	$ (60,486)
2026	$ 0
Thereafter	$ 0
Total	**$ (230,133)**

PERS 2/3

Combined amortization table (Final)

Year	Amount
2022	$ (516,628)
2023	$ (483,956)
2024	$ (459,051)
2025	$ (489,997)
2026	$ (18,160)
Thereafter	$ (4,227)
Total	**$ (1,972,020)**

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, 2021, 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, 2024.

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, 2021 Participants contributed $11,568 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

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, 2021:

Aggregate OPEB Amounts - All Plans	
OPEB Liabilities	$ 2,890,163
OPEB Assets	$ -
Deferred Outflow of Resources	$ 40,010
Deferred Inflow of Resources	$ -
OPEB Expenses/Expenditures	$ (88,506)

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

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	N/A
Active employees	38
Total	60

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 Kaiser Permanente (KP) plan.
- UMP pre- and post-Medicare costs and premiums are equal to the Uniform Medical Plan.
- The KP per-Medicare costs and premiums are a 50/50 blend of KP WA Classic and KP WA Value.
- The KP post-Medicare costs and premiums are equal to KP WA Medicare.

The actuary estimated retirement service for each active employee based on the average entry age of 35, with a minimum service of 1 year. 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 2020 PEBB OPEB 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	2.21%
End of Measurement Year	2.16%
Projected Salary Changes	3.5% + Service-Based Increases
Healthcare Trend Rates**	Initial rate rages from about 2-11%, reaching an ultimate rate of approximately 4.3% in 2075.
Mortality Rates	
Base Mortality Table	PubG.H-2010 (General)
Age Setback	0 years
Mortality Improvements	MP-2017 Long-Term Rates
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	$ 3,405,563	**$ 2,890,163**	$ 2,478,010
Healthcare Trend	$ 2,434,099	**$ 2,890,163**	$ 3,476,827

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, 2021. The net OPEB liability of $2,890,163 is included as a noncurrent liability on the Statement of Net Position.

Total OPEB Liability at 7/1/2020	$ 3,055,686
Service Cost	99,187
Interest	68,876
Changes in Experience Data and Assumptions	(256,569)
Changes in Benefit Terms	-
Benefit Payments	(77,017)
Other	-
Total OPEB Liability at 6/30/2021	$ 2,890,163

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 6/30/21 were $40,010.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Payments subsequent to the measurement date	40,010	-
TOTAL*	$40,010	$ -

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	$25,000,000	$25,000,000	5% with a minimum $100,000	
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

Type of Coverage	Limit	Aggregate Limit	Deductible	Comments
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 2020 and 2021	Dec 31, 2021	Dec 31, 2020
Marine Trades Area	**2021:** Consultants estimate for remediation and monitoring (2022-2026) of $1,641,000, offset by anticipated recoveries of $1,641,000, **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.	$ 0	$ 0

K-Ply Site	**2021**: Funding provided by insurance and PLPs for ongoing ground water monitoring program and periodic soil monitoring. **2020:** Funding provided by insurance and PLPs for ongoing ground water monitoring program and periodic soil monitoring	$ 0	$ 0
Western Harbor Area	**2021:** Engineering and consultant cost estimates for development and implementation of a remediation plan (2022-2026) of $7,563,000 of total cost, offset by anticipated recoveries of $7,563,000. **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.	$ 0	$ 250,000
Former Shell Oil Bulk Plant (Kardlock)	**2021:** Consultant cost estimates for investigation, remediation and monitoring (2022-2026) of $793,000, offset by anticipated recoveries of $702,625. **2020:** Consultant cost estimates for investigation, remediation, and monitoring (2021-2025) of $774,000, offset by anticipated recoveries of $691,750.	$ 90,375	$ 82,250
Former Pettit Oil Site	**2021:** Consultant cost estimates for investigation, remediation, and monitoring (2022-2026) of $299,500, offset by anticipated recoveries of $202,125. **2020:** Consultant cost estimates for investigation, remediation, and monitoring (2021-2025) of $271,500, offset by anticipated recoveries of $191,250.	$ 97,375	$ 80,250
Terminal 5, 6 & 7 Upland Site	**2021:** Consultant cost estimates for investigation (2022-2026) of $409,000, offset by anticipated recoveries of $409,000. **2020:** N/A	$ 0	$ 0

Terminal 3 Contaminated Dredge Spoils	**2021:** Cost estimate and for reuse of Terminal 3 dredge spoils Marine Trades Center (2022-2026) of $200,000, offset by anticipated recoveries of $729,186. Anticipated recoveries include $529,186 of costs from 2020 and 2021. **2020:** N/A	$ (529,186)	$ 0
Total		**$ (341,436)**	**$ 387,500**
	Basis of Obligation for 2020 and 2021	**Dec 31, 2021**	**Dec 31, 2020**
Program-wide	**2021:** Litigation for insurance allocation and reimbursement of costs and Port admin costs (2022-2026) across all Port cleanup sites. **2020:** Litigation for insurance allocation and reimbursement of costs (2021-2025) across all Port cleanup sites.	$ 600,000	$ 15,000
Total		**$ 258,564**	**$ 402,500**

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 2014-2022: Ecology reviewed DCAP 2017-2019: Approval and implementation of CAP 2024-2039: Operating costs of CAP
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

Site	Ownership	PLPs per Ecology	Recoveries	Timing
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 2020: Completed RIFS public comment and finalized FS. 2020-2022: Approval of CAP 2023-2033 – Implementation of CAP
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 2022: Entered into funding agreement with Shell 2023: Enter into AO with Department of Ecology 2024-2034: AO finalization; remedy thereafter
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 2022: Enter into AO with Department of Ecology 2023: Implement interim remedy 2024-2034: Finalize RI/FS and conduct long term monitoring.

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	Finalization by Ecology of Cleanup Action plan (expected in 2022).
K-Ply Site	Five-year Ecology site review in 2022.
Western Harbor Area	Finalization by Ecology of Cleanup Action Plan (expected in late 2022.).
Former Kardlock Facility (Former Shell Site & Former Pettit Oil Site)	Sign administrative orders with Ecology in 2022 for both sites.

Nature and Source of Pollution Remediation Obligations

Marine Trades Area

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-2022.

K-Ply Site

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 2022.

The Group contributions and share of costs were as follows:

	Dec 31, 2021
Other PLP Beginning Balance	$ 49,510
Other PLP Contributions	80,000
Other PLP Share of Group Costs	(74,925)
Ending Balance of Other PLP	54,585
Port Beginning Balance	13,080
Port Contribution	20,000
Port Share of Group Costs	(19,402)
Ending Balance of Port	13,679
Total Group Ending Balance	**$ 68,263**

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 and Consent Decree with the Trustees for restoration of injuries to natural resources. The City negotiated 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. Per the 2021 Consent Decree the Port and the other parties each paid $1.7 million for a total payment of $8.5 Million. Each party transferred their share ($1.7 million) to Port controlled bank account. Once the Consent Decree was entered by the court the Port transmitted 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.

<u>Former Kardlock Facility</u>

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

<u>Subsequent Events</u>

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 Supplementary Information

December 31, 2021

The Port of Port Angeles is presenting Required Supplementary 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, 2021
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021
Statutorily or contractually required contributions	$59,282	$121,608	$124,196	$138,116	$138,742	$127,529	$115,131
Contributions in relation to the statutorily or contractually required contributions	-$59,282	-$121,608	-$124,196	-$138,116	-$138,742	-$127,529	-$115,131
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employer payroll	$2,414,007	$2,549,431	$2,533,194	$2,727,500	$2,805,815	$2,659,315	$2,693,450
Contributions as a percentage of covered employee payroll	2.46%	4.77%	4.90%	5.06%	4.94%	4.80%	4.27%

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, 2021
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021
Statutorily or contractually required	$77,427	$158,829	$174,112	$204,567	$216,615	$210,618	$191,751
Contributions in relation to the statutorily or contractually required contributions	-$77,427	-$158,829	-$174,112	-$204,567	-$216,615	-$210,618	-$191,751
Contribution deficiency (excess)	$0	$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	$2,693,450
Contributions as a percentage of covered employee payroll	3.21%	6.23%	6.87%	7.50%	7.72%	7.92%	7.12%

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, 2021
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021
Employer's proportion of the net pension liability (asset)	0.020741%	0.020859%	0.019853%	0.019601%	0.019868%	0.018288%	0.016982%
Employer's proportionate share of the net pension liability	$ 1,084,947	$ 1,120,227	$ 942,040	$ 875,387	$ 763,995	$ 645,665	$ 207,390
TOTAL	$ 1,084,947	$ 1,120,227	$ 942,040	$ 875,387	$ 763,995	$ 645,665	$ 207,390
Employer's covered employee payroll	$ 2,414,007	$ 2,549,431	$ 2,533,194	$ 2,727,500	$ 2,805,815	$ 2,659,315	$ 2,609,823
Employer's proportionate share of the net pension liability as a percentage of covered payroll	44.94%	43.94%	37.19%	32.09%	27.23%	24.28%	7.95%
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%	88.74%

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, 2021
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021
Employer's proportion of the net pension liability (asset)	0.02074%	0.020859%	0.025536%	0.025043%	0.025668%	0.023688%	0.021842%
Employer's proportionate share of the net pension liability	$ 957,222	$ 1,344,123	$ 887,254	$ 427,587	$ 249,324	$ 302,956	$ 2,175,815
TOTAL	$ 957,222	$ 1,344,123	$ 887,254	$ 427,587	$ 249,324	$ 302,956	$ 2,175,815
Employer's covered employee payroll	$ 2,414,007	$ 2,549,431	$ 2,533,194	$ 2,727,500	$ 2,805,815	$ 2,659,315	$ 2,609,823
Employer's proportionate share of the net pension liability as a percentage of covered payroll	39.65%	52.72%	35.03%	15.68%	8.89%	11.39%	83.37%
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%	120.29%

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, 2021
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	$ 3,055,686						
Service cost	89,606	81,490	69,345	99,187						
Interest	102,358	109,758	85,575	68,876						
Changes in benefit terms	0	0	0	0						
Differences between expected and actual experience	0	0	0	0						
Changes of assumptions	(136,695)	(494,977)	559,684	(256,569)						
Benefit payments	(58,847)	(81,759)	(68,563)	(77,017)						
Other changes	0	0								
Total OPEB liability - ending	2,795,133	2,409,645	3,055,686	2,890,163						
Covered-employee payroll	2,727,500	2,724,292	2,440,244	2,699,797						
Total OPEB liability as a % of covered payroll	102.48%	88.45%	125.22%	107.05%						

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.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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