

ANNUAL REPORT CERTIFICATION

Port of Port Angeles
(Official Name of Government)

1701
MCAG No.

Submitted pursuant to RCW 43.09.230 to the Washington State Auditor's Office

For the Fiscal Year Ended 12/31/2024

GOVERNMENT INFORMATION:

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AUDIT CONTACT or PREPARER INFORMATION and CERTIFICATION:

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I certify 26th day of March, 2025, that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to ensure accurate financial reporting, comply with applicable laws and safeguard public resources, including controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.

Signatures

Jennifer Baker (jenniferb@portofpa.com)

Port of Port Angeles
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		<u>401 Operations</u>
Beginning Cash and Investments		
308	Beginning Cash and Investments	19,495,258
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	1,785,290
320	Licenses and Permits	-
330	Intergovernmental Revenues	6,387,252
340	Charges for Goods and Services	11,410,995
350	Fines and Penalties	-
360	Miscellaneous Revenues	1,206,951
Total Revenues:		<u>20,790,488</u>
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	9,106,147
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>9,106,147</u>
Excess (Deficiency) Revenues over Expenditures:		<u>11,684,341</u>
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	1,530,238
Total Other Increases in Fund Resources:		<u>1,530,238</u>
Other Decreases in Fund Resources		
594-595	Capital Expenditures	11,149,138
591-593, 599	Debt Service	460,641
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	781,260
Total Other Decreases in Fund Resources:		<u>12,391,039</u>
Increase (Decrease) in Cash and Investments:		823,540
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	324,638
50841	Committed	-
50851	Assigned	19,994,159
50891	Unassigned	-
Total Ending Cash and Investments		<u>20,318,797</u>

The accompanying notes are an integral part of this statement.

Port of Port Angeles
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		Custodial
308	Beginning Cash and Investments	11,534
388 & 588	Net Adjustments	-
310-390	Additions	67,017
510-590	Deductions	11,534
	Net Increase (Decrease) in Cash and Investments:	55,483
508	Ending Cash and Investments	67,017

The accompanying notes are an integral part of this statement.

Port of Port Angeles
Notes to Financial Statements
For the Year End December 31, 2024

1. Summary of significant accounting policies

The Port of Port Angeles was incorporated in 1923 and operates under the laws of the state of Washington applicable to a port district. The Port is a special purpose local government and 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.

The Port reports financial activity in accordance with the Cash Basis Budgeting, Accounting and Reporting System (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from Generally Accepted Accounting Principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues, and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid.

C. Cash and Investments

See Note 2 – Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of five years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to twice the employee's yearly accrual and is payable upon separation or retirement. Sick leave may be accumulated indefinitely. Upon separation or retirement, employees receive 75% of their unused sick leave, paid into their VEBA account. Payments are recognized as expenditures when paid.

F. Liabilities

See Note 4 – Long-Term Liabilities (Formerly Long-Term Debt)

See Note 5 – OPEB

See Note 6 - Pension

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Port Commission via resolution. When expenditures that meet restrictions are incurred, the Port intends to use the most restricted resources first.

Restrictions and commitments of ending Cash and Investments consist of \$391,655.

Restricted Assets	Dec 31, 2024
Cash & Investments (Harbor Group Account)	\$ 83,804
Cash & Investments (Environmental Reserve)	26,308
Customer Deposits & Prepaids	281,543
Contractor's Retainage	-
Total	\$ 391,655

2. Deposits and Investments

Investments are reported at fair value. Deposits and investments by type at December 31, 2024.

Deposits & Investments at Fair Value	Port's own deposits and investments	Deposits and Investments held by the Port as custodian for other local governments, individuals, or private organizations	Total
Assigned: Cash & Cash Equivalent			
Cash Operations: Financial Institution Deposits	\$ 272,212	\$ -	\$ 272,212
Investments:			
Financial Institution Deposits	3,688,693	-	3,688,693
WA State Local Gvnt Invmt Pool (LGIP)	9,061,234	-	9,061,234
Investments	6,972,019	-	6,972,019
Financial Instruments (CDs, etc.)	-	-	-
Assigned Cash & Cash Equivalents	19,994,159	-	19,994,159
Restricted: Cash & Cash Equivalent			
Custodial Account - Harbor Group	16,787	67,017	83,804
Environmental Reserve Money Market	26,308	-	26,308
Customer Deposits & Prepaids, Contractor Retainage	281,543	-	281,543
Restricted Cash & Cash Equivalents	324,638	67,017	391,655
Total Cash & Cash Equivalents	20,318,797	67,017	20,385,814
Total Cash, Cash Equivalents & Investments	\$ 20,318,797	\$ 67,017	\$ 20,385,814

It is the Port's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

The Port is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Port would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The Port deposits and certificates of deposit are mostly 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).

All investments are insured, registered or held by the Port or its agent in the government's name.

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. Collections are distributed after the end of each month.

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

Property tax revenues are recognized when cash is received by the Port. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Port's regular levy for the year 2024 was \$0.1105115197 per \$1,000 on an assessed valuation of \$16,054,804,180 for a total regular levy of \$1,771,313.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

4. Long-Term Liabilities (Formerly Long-Term Debt)

The following table provides details of the outstanding debt of the Port and summarizes the Port's debt transactions for year ended December 31, 2024.

The debt service requirements for (general obligation bonds, revenue bonds and loans are as follows:

Year	Principal	Interest	Total
2025	477,698	52,479	530,177
2026	124,259	43,611	167,870
2027	128,491	39,451	167,942
2028	132,897	35,120	168,017
2029	137,486	30,610	168,096
2030-2034	525,321	90,065	615,386
2035-2039	425,530	39,370	464,900
2040-2045	135,013	3,595	138,608
Total	\$ 2,086,695	\$ 334,300	\$ 2,420,995

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 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.

On February 26, 2025, the Port was awarded a \$434,150 2.96% fixed interest rate, 7-year loan, from the State of Washington, Office of the State Treasurer. The funds covered the cost of the Develon DX380LL-5 Log Loader that was purchased in 2024.

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.

5. Compensated Absences

During the year ended December 31, 2025, the following changes occurred in compensated absences:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated Absences*	\$423,655	\$745,703	\$724,853	\$444,505

*additions and reductions are reported as a net change

6. OPEB Plans

The Port is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.

Number of Active Plan Members	42
Number of Retired Plan Members	26
Contributions made	\$687,212
*Total OPEB Liability	\$2,237,143

*Measured using the alternative measurement method.

7. Pension Plans

State Sponsored Pension Plans

Substantially all Port full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS),

under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS plan 1 and PERS plan 2/3.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2024 (the measurement date of the plans), the Port's proportionate share of the collective net pension liabilities (assets) was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
<u>PERS 1</u>	\$90,235	.013874%	\$246,519
<u>PERS 2/3</u>	\$209,224	.018191%	\$(599,680)

8. Leases

The Port is leasing 2 copiers that are paid monthly and a postage machine billed quarterly. The total amount paid for leases in 2024 was \$7,484. As of December 31, 2024, the future lease payments are as follows:

Year ended December 31	Total
2025	\$7,633
2026	\$7,633
2027	\$6,996
2028	\$1,089
Total	\$23,351

9. Subscription-Based Information Technology Arrangement

The Port makes subscription payments of \$495.60 per month for accounting software for three years, \$500.00 for Airport software for three years, and \$732.28 per month for marina software for 18 months.

The total amount paid for SBITAs in 2024 was \$14,876. As of December 31, 2024, the further SBITA payments are as follows:

Year ended December 31	Total
2025	\$20,735
2026	\$9,447
Total	\$30,181

10. 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 1 st \$1 million of Loss
Airport Liability	\$20,000,000	\$20,000,000	None	Aggregate applies to Products/Completed, Operations and Personal & Advertising Injury and the Extended Coverage Endorsement
Commercial Property – All Other Perils	\$1,000,000,000	N/A	\$25,000	
Commercial Property – Flood	\$50,000,000	\$50,000,000	\$100,000 or \$250,000	Deductible depends on Flood Zone
Commercial Property – Earthquake	\$50,000,000	\$50,000,000	5% with a minimum \$100,000	
Commercial Property – Boiler & Machinery - Equipment Breakdown	\$100,000,000	N/A	\$10,000 - \$350,000	Deductible amount based on size of equip, HP, KW/KVA/Amps, or square footage
Cyber – Info Security & Privacy Liability	3 rd 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	3 rd party limit of \$500,000	\$500,000	\$50,000	Limit is \$1,000,000 if use Beazley vendor services
Cyber – Website Media Content Liability	3 rd party limit of \$2,000,000	\$2,000,000	\$50,000	
Cyber – Penalties for Regulatory Defense and Penalties	3 rd 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

Type of Coverage	Limit	Aggregate Limit	Deductible	Comments
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 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.

11. Pollution Remediation (Environmental)

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 the 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 2025.

At this time, the Port doesn't have sufficient information to reasonably estimate the liability related to the potential cleanup of the site. In 2024 the Port paid \$16,292 for the clean-up

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 2025.

At this time, the Port doesn't have sufficient information to reasonably estimate the liability related to the potential cleanup of the site. In 2024, the Port paid \$50,586 for the clean-up.

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 acquisitions 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 2025.

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.

During 2024, the Port paid \$212,859 for the clean-up.
Former Shell Oil Bulk Plant Site and Petit Oil Kardlock Site

The Port owns the property at 220 Marine Drive known as the Former Shell Oil Bulk Plant Site and the Pettit Oil Kardlock Site. 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 commingled 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.

During 2024 the Port paid \$28,444 for the clean-up.

Terminal 5, 6, and 7 Uplands

The Port of Port Angeles (Port) proposes to make improvements at the Port owned and operated Intermodal Handling and Transfer Facility (IHTF), also known as Port Log Yard. The IHTF is a 30-acre waterfront yard used for the log and wood fiber handling, sorting and staging. This multimodal facility is dependent on direct access to water-bound export and import of cargo. The facility is located on the waterfront in Port Angeles, WA at 1301 Marine Drive. In 2023 the Port entered into agreed order No. 21560 with Ecology for the remedial investigation of the site. This investigation work is ongoing with soil sampling along the shoreline conducted in 2023 and ongoing quarterly groundwater monitoring through 2024 and data evaluation in 2025. The PLPs at the site, that include M&R, Owens Corning, and the Port executed a funding and participation agreement for the first phase of the remedial investigation at the site. Per this agreement the PLPs each fund a 1/3 share of the Phase 1 investigation.

Proposed improvements planned for 2026 include resurfacing or repaving a majority of the yard, structural and maintenance improvements to the facility's barge dock and installation of stormwater treatment. The

proposed improvements would improve operational efficiency by providing a smooth level surface for yard activity, ensure the multimodal connection through the barge dock is maintained and improve stormwater quality leaving the site.

This project will be funded with a federal MARAD grant and the Port is currently working through the design and permitting process. Federal grant funds will only be obligated after permitting is complete and will be construction of improvements in 2026.

During 2024 the Port paid \$278,937 for the clean-up.

Program Wide Costs

The Port has contracted with a legal firm for discussion and resolution with the insurance companies. The Port recorded \$300,000 as pollution remediation liability on the Schedule of Liabilities. During 2024 the Port paid \$22,336 for the legal expenses.

Port of Port Angeles

Schedule 01

For the year ended December 31, 2024

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1701	401	Operations	3083100	Restricted Cash and Investments - Beginning	\$244,145
1701	630	Operations	3083100	Restricted Cash and Investments - Beginning	\$11,534
1701	401	Operations	3085100	Assigned Cash and Investments - Beginning	\$19,251,113
1701	401	Operations	3111000	Property Tax	\$1,785,290
1701	401	Operations	3312000	Federal Direct Award from Department of Transportation	\$1,206,533
1701	401	Operations	3340310	State Award from Department of Ecology	\$8,850
1701	401	Operations	3340230	State Award from Department Natural Resources	\$46,610
1701	401	Operations	3340180	State Award from Military Department	(\$776,299)
1701	401	Operations	3311100	Federal Direct Award from Department of Commerce	\$5,769,785
1701	401	Operations	3370000	Local Awards, Entitlements, Tribal Government Distributions, and Other Payments	\$131,773
1701	401	Operations	3611000	Investment Earnings	\$1,185,727
1701	401	Operations	3445000	Sales of Fuel	\$330,737
1701	401	Operations	3446000	Airports and Ports Services	\$11,080,258
1701	401	Operations	3699100	Miscellaneous Other Operating	\$21,224
1701	401	Operations	5460010	Airports and Ports	\$3,888,646
1701	401	Operations	5460020	Airports and Ports	\$1,503,443
1701	401	Operations	5460030	Airports and Ports	\$1,402,984
1701	401	Operations	5460040	Airports and Ports	\$2,311,074
1701	401	Operations	5083100	Restricted Cash and Investments - Ending	\$324,638
1701	630	Operations	5083100	Restricted Cash and Investments - Ending	\$67,017

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1701	401	Operations	5085100	Assigned Cash and Investments - Ending	\$19,994,159
1701	401	Operations	3821000	Refundable Deposits	\$98,232
1701	401	Operations	3822000	Retainage Deposits	\$31,457
1701	401	Operations	3823000	Non-Fiduciary Collections for Others	\$797,347
1701	630	Operations	3893000	Custodial Type Collections	\$67,017
1701	401	Operations	3981000	Insurance Recoveries (Cash Basis)	\$603,202
1701	401	Operations	5821000	Refund of Deposits	\$16,004
1701	401	Operations	5823000	Non-Fiduciary Remittance for Others	\$765,256
1701	630	Operations	5893000	Custodial Type Remittances	\$11,534
1701	401	Operations	5914670	Debt Repayment - Airports and Ports	\$418,174
1701	401	Operations	5924680	Interest and Other Debt Service Cost - Airports and Ports	\$42,467
1701	401	Operations	5944660	Capital Expenditures/Expenses - Airports and Ports	\$11,149,138

**Port of Port Angeles
Schedule of Liabilities
For the Year Ended December 31, 2024**

ID. No.	Debt ID Title	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities							
251.11	Non-voted General obligation bonds	2015 Ref LTGO Bond	12/1/2025	707,714	-	350,210	357,504
263.83	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	WA State Dept of Commerce CERB Loan - MTA Washdown Facility	1/31/2040	673,324	-	67,965	605,359
263.83	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	WA State Dept of Transportation CARB Loan - FIA Utility Expansion	1/1/2041	655,362	-	-	655,362
Total General Obligation Debt/Liabilities:				2,036,400	-	418,175	1,618,225
Revenue and Other (non G.O.) Debt/Liabilities							
263.57	Leases, SBITA, and PPPs	SBIDA Liability		31,762	10,251	11,832	30,181
263.57	Leases, SBITA, and PPPs	Lease Liability		30,835	-	7,484	23,351
263.93	Environmental Liabilities	Enviro Remed Liability		2,697,209	300,000	2,697,209	300,000
264.40	OPEB Liabilities	OPEB Liability		2,058,874	178,269	-	2,237,143
264.30	Pension Liabilities	Pension Liability		347,866	246,519	347,866	246,519
259.12	Compensated Absences	Compensated Absences		423,655	745,703	724,853	444,505
Total Revenue and Other (non G.O.) Debt/Liabilities:				5,590,201	1,480,742	3,789,244	3,281,699
Total Liabilities:				7,626,601	1,480,742	4,207,419	4,899,924

Port of Port Angeles
Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2024

State Agency Name	Program Title	Identification Number	Total
State Award from Department Natural Resources	Derelict Vessel Removal Project	11781409-FM	46,610
		Sub-Total:	46,610
Capital Contributions - State Grant from Department of Transportation	POR-01-23 Runway 8-26 Rehab	GCB 3921	4,175
		Sub-Total:	4,175
State Award from Department of Ecology	Spill Prevention, Preparedness, and Response Equipment Grant	SPPREG-2325- PORANP-00033	8,850
		Sub-Total:	8,850
		Total State Grants Expended:	59,635

Port of Port Angeles
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Economic Development Cluster								
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF	Economic Adjustment Assistance	11.307		-	5,382,793	5,382,793	-	
Total Economic Development Cluster:				-	5,382,793	5,382,793	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106		-	25,596	25,596	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106		-	75,156	75,156	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106		-	85,390	85,390	-	
Total ALN 20.106:				-	186,142	186,142	-	
Total Federal Awards Expended:				-	5,568,935	5,568,935	-	

The accompanying notes are an integral part of this schedule.

Port of Port Angeles

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2024

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the Port of Port Angeles financial statements. The Port of Port Angeles uses the cash basis of accounting, where revenues are recognized when received and expenses recognized when paid.

Note 2 – Indirect Cost Rate

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

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Port of Port Angeles portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Port of Port Angeles
Local Government Risk Assumption
For the Year Ended December 31, 2024

1. Self-Insurance Program Manager: Jennifer Baker
2. Manager Phone: 360-417-3362
3. Manager Email: jenniferb@portofpa.com
4. How do you insure property and liability risks, if at all?
 - a. Formal or informal self-insurance program/activity for some or all perils/risks
 - b. Belong to a public entity risk pool
 - c. **Purchase private insurance**
 - d. Retain risk internally without formal or informal self-insurance program/activity
5. How do you provide health and welfare insurance (e.g., medical, dental, prescription drug, and/or vision benefits) to employees, if at all?
 - a. Self-insure some or all benefits
 - b. Belong to a public entity risk pool
 - c. **All benefits provided by health insurance company or HMO**
 - d. Not applicable – no such benefits offered
6. How do you insure unemployment compensation benefits, if any?
 - a. **Self-insured (“Reimbursable”)**
 - b. Belong to a public entity risk pool
 - c. Pay taxes to the Department of Employment Security (“Taxable”)
 - d. Not applicable – no employees
7. How do you insure workers compensation benefits, if any?
 - a. Self-insured (“Reimbursable”)

- b. Belong to a public entity risk pool
- c. Pay premiums to the Department of Labor and Industries
- d. Not applicable – no employees

8. How do you insure other risks and obligations, if any?

- a. Self-insure some or all other risks
- b. Belong to a public entity risk pool
- c. Purchase private insurance
- d. Not applicable – have no other insurable risks

If the answer to any of the above questions is (a), then answer the rest of the form in relation to the government's self-insured risks.

If NOT, STOP, the local government does not need to complete the rest of this Schedule. Copy the table below as needed.

	<u>Self-insurance program title or type of peril where risk is covered by formal self-insurance:</u>				
	<i>Program/Peril 1</i>	<i>Program/Peril 2</i>	<i>Program/Peril 3</i>	<i>Program/Peril 4</i>	<i>Program/Peril 5</i>
Self-Insurance as a <i>formal</i> program?	<u>Y</u>				
If yes, do other governments participate?	<u>N</u>				
If yes, please list participating governments.					
Self-Insure as part of a joint program?	<u>N</u>				
Does a Third-Party Administer manage claims?	<u>Y</u>				
Has program had a claims audit in last three years?	<u>UNK</u>				
Are program resources sufficient to cover expenses?	<u>Y</u>				
Does an actuary estimate program liability?	<u>N</u>				
Number of claims paid during the period?	<u>6</u>				
Total amount of paid claims during the period?	<u>5</u>				
Total amount of recoveries during the period?	<u>628.52</u>				

Provide any other information necessary to explain answers to the Schedule 21 questions above.

Port of Port Angeles
Schedule 21 Questions 1-6 (unaudited)
For Fiscal Year Ended: 2024

Property and Liability Insurance	Health and Welfare Insurance	Unemployment Compensation Obligations	Workers Compensation Obligations	Other Risks or Obligations
Purchase private insurance	All benefits are provided by a health insurance company or HMO	“Reimbursable” status	Pay premiums to the Department of Labor and Industries	

Washington PFML Program	Entity	Government Type
Pay premiums to the State’s program for both benefits	Port of Port Angeles	Port/Airport District