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 12/31/2025

GOVERNMENT INFORMATION:

Official Mailing Address	PO Box 1350
	Port Angeles, WA 98362
Official Website Address	www.portofpa.com
Official E-mail Address	jenniferb@portofpa.com
Official Phone Number	(360) 417-3362

AUDIT CONTACT or PREPARER INFORMATION and CERTIFICATION:

Audit Contact or Preparer Name and Title	Jennifer Baker Director of Finance and Administration
Contact Phone Number	(360) 417-3362
Contact E-mail Address	jenniferb@portofpa.com

I certify 23rd day of April, 2026, 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, 2025

		401 Operations
Beginning Cash and Investments		
308	Beginning Cash and Investments	20,318,797
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	1,818,854
320	Licenses and Permits	-
330	Intergovernmental Revenues	4,439,688
340	Charges for Goods and Services	10,944,113
350	Fines and Penalties	-
360	Miscellaneous Revenues	880,455
Total Revenues:		18,083,110
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	12,520,161
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		12,520,161
Excess (Deficiency) Revenues over Expenditures:		5,562,949
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	1,481,781
Total Other Increases in Fund Resources:		1,481,781
Other Decreases in Fund Resources		
594-595	Capital Expenditures	5,696,386
591-593, 599	Debt Service	57,128
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	1,067,427
Total Other Decreases in Fund Resources:		6,820,941
Increase (Decrease) in Cash and Investments:		**223,789**
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	292,771
50841	Committed	-
50851	Assigned	20,249,815
50891	Unassigned	-
Total Ending Cash and Investments		**20,542,586**

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, 2025

		Custodial
308	Beginning Cash and Investments	67,017
388 & 588	Net Adjustments	-
310-390	Additions	271,351
510-590	Deductions	67,017
	Net Increase (Decrease) in Cash and Investments:	204,334
508	Ending Cash and Investments	271,351

The accompanying notes are an integral part of this statement.

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 the Chief Executive Officer to manage the 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. <u>Fund Accounting</u>

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

It is the Port's policy to invest all temporary cash surpluses. For further information, 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 - Compensated Absences
See Note 6 - OPEB
See Note 7 - Pension
See Note 8 - Leases
See Note 9 - SBITA

G. Leases and Subscription Based Information Technology Arrangement (SBITA)

Leases are reported as liabilities if the total payments over the life of the lease is more than $10,000. SBITAs are reported as liabilities if the total payment over the life of a SBITA is more than $10,000. For more information, see Note 8 - Leases and Note 9 – SBITA.

H. 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 $564,122.

Restricted Assets	Dec 31, 2025
Cash & Investments (Harbor Group Account)	$ 326,778
Customer Deposits & Prepaids	237,344
Contractor's Retainage	-
Total	**$ 564,122**

2. Deposits and Investments

Investments are reported at fair value. Deposits and investments by type at December 31, 2025.

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	$ 379,902	$ -	$ 379,902
Investments:			
Financial Institution Deposits	4,164,242	-	4,164,242
WA State Local Gvnt Invtmt Pool (LGIP)	7,685,091	-	7,685,091
Investments	8,020,580	-	8,020,580
Financial Instruments (CDs, etc.)	-	-	-
Assigned Cash & Cash Equivalents	**20,249,815**	**-**	**20,249,815**
Restricted: Cash & Cash Equivalent			
Custodial Account - Harbor Group	55,427	271,351	326,778
Environmental Reserve Money Market	-	-	-
Customer Deposits & Prepaids, Contractor Retainage	237,344	-	237,344
Restricted Cash & Cash Equivalents	**292,771**	**271,351**	**564,122**
Total Cash & Cash Equivalents	**20,542,586**	**271,351**	**20,813,937**
Total Cash, Cash Equivalents & Investments	**$ 20,542,586**	**$ 271,351**	**$ 20,813,937**

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 and 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 2025 was $0.10892 per $1,000 on an assessed valuation of $16,625,611,367 for a total regular levy of $1,810,790.

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 the year ended December 31, 2025.

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

Year	Principal	Interest	Total
2026	130,236	45,944	176,180
2027	134,912	41,474	176,385
2028	139,639	36,814	176,453
2029	144,564	31,959	176,523
2030	149,697	26,900	176,597
2031-2035	480,824	76,171	556,995
2036-2040	434,040	30,860	464,900
2041-2046	44,733	895	45,628
Total	**$ 1,658,645**	**$ 291,016**	**$ 1,949,661**

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 4, 2025, the Port was awarded a $434,149.85 2.96% fixed interest rate, 7-year loan, from the State of Washington Treasury Management. This loan reimbursed the Port for the purchase of a Develon DX3800LL-5 Log Loader.

On May 15, 2025, the Port was awarded a $49,648.38 3.21% fixed interest rate, 7-year loan, from the State of Washington Treasury Management. This loan reimbursed the Port for the purchase of a 2024 Ford Lightning.

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*	$444,505	$811,567	$749,296	$506,776

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	45
Number of Retired Plan Members	21
Contributions made	$835,314
*Total OPEB Liability	$1,917,242

**Measured using the alternative measurement method.*

7. Pension Plans

<u>State-Sponsored Pension Plans</u>

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, 2025 (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>	$46,780	.017281%	$203,742
<u>PERS 2/3</u>	$215,269	.022245%	$(848,908)

8. Leases

The Port is leasing 2 copiers, paid monthly, and a postage machine, billed quarterly. The total amount paid for leases in 2025 was $7,192. As of December 31, 2025, the future lease payments are as follows:

Year ended December 31	Total
2026	$7,324
2027	$6,739
2028	$1,089
2029	$1,089
Total	$16,240

9. Subscription-Based Information Technology Arrangement

The Port makes subscription payments of $495.60 per month for accounting software for 3 years, $500.00 per month for Airport software for 3 years, $1,015.35 per month for VMware for 3 years, and $732.28 per month for marina software for 18 months.

The total amount paid for SBITAs in 2025 was $32,918.73. As of December 31, 2025, the further SBITA payments are as follows:

Year ended December 31	Total
2026	$22,043
2027	$7,318
2028	$7,318
2029	$2,439
Total	$39,118

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 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	Deductible depends on Flood Zone

Type of Coverage	Limit	Aggregate Limit	Deductible	Comments
			or $250,000	
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	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 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 2026.

At this time, the Port doesn't have sufficient information to reasonably estimate the liability related to the potential cleanup of the site. In 2025 the Port paid $2,993 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 2026.

At this time, the Port doesn't have sufficient information to reasonably estimate the liability related to the potential cleanup of the site. In 2025, the Port paid $49,184 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. In addition, hazardous substances, including metals and dioxin, resulted in areas of sediment contamination in the nearshore that have created chemical plumes extending throughout the western harbor. The sources of contamination are associated with multiple potentially liable persons (PLPs), including Georgia-Pacific, Nippon Paper Industries USA (now McKinley

Paper), Merrill & Ring, the City of Port Angeles, and Owens Corning (as successor to Fibreboard Corporation).

On May 28, 2013, the Port, along with Georgia-Pacific, Nippon Paper, Merrill & Ring, and the City of Port Angeles, entered into Agreed Order No. DE 9781 with the Washington State Department of Ecology (Ecology). The Agreed Order required investigation of contaminated sediments and identification of ongoing upland sources with the potential to cause recontamination above applicable sediment cleanup standards. In April 2013, the PLPs entered into an agreement to form the Western Port Angeles Harbor Group (WPAHG or the Group) to fund and carry out the Remedial Investigation/Feasibility Study (RI/FS). The Port of Port Angeles serves as the Group cashier under this agreement and administers the restricted Group Account.

The Group conducted the remedial investigation beginning in 2013 and submitted technical white papers to Ecology beginning in 2014. Ecology review occurred over several years in coordination with publication of the Final North Olympic Peninsula Regional Background Report (2016) and the Sediment Cleanup User's Manual II (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. Ecology approved the RI/FS in 2020, and an amendment to Agreed Order DE 9781 requiring preparation of a Draft Cleanup Action Plan (DCAP) was finalized in December 2020. Ecology subsequently approved the Cleanup Action Plan (CAP).

In 2025, the PLPs executed a new Consent Decree with Ecology to govern the cleanup design and implementation of the Western Port Angeles Harbor Sediment Cleanup Site. Under the 2025 Consent Decree, the Port of Port Angeles continues to act as the PLP Group cashier, responsible for administering the Group account, issuing cost assessments, managing payments, and maintaining financial records on behalf of the PLPs. Following entry of the Consent Decree, the Group initiated development of the Remedial Design Work Plan, which is currently underway. Submittal of the Remedial Design Work Plan to Ecology is anticipated in 2026, consistent with the Consent Decree schedule.

Each of the six participants in the Group is responsible for an equal share of the group costs. All costs paid under the agreement remain subject to future reallocation. Funds contributed to the Group account are classified as restricted funds and are held by the Port in a custodial capacity. The Port records its proportional share as an expense when incurred.

In August 2013, the Port received notification of a Natural Resource Damages (NRD) claim from the Port Angeles Harbor Natural Resource Trustee Council, which includes NOAA, USFWS, the Washington Department of Ecology, the Lower Elwha Klallam Tribe, the Port Gamble S'Klallam Tribe, and the Jamestown S'Klallam Tribe. In early 2021, the Port and other members of the Western Port Angeles Harbor Group, excluding the City of Port Angeles, entered into a Consent Decree with the Trustees to resolve NRD claims. Under the settlement, each party paid $1.7 million for a total of $8.5 million. The Port administered the settlement payment through a Port-controlled account and transmitted the full settlement amount to the Trustees in 2021. In exchange, the Trustees provided a covenant not to sue and contribute protection for NRD claims associated with Port Angeles Harbor and agreed to prioritize restoration projects that provide direct benefits to harbor resources.

During 2025, the Port paid $239,017 for the clean-up.

<u>Former Shell Oil Bulk Plant Site and Petit Oil Kardlock Site</u>

The Port owns the property at 220 Marine Drive known at the Former Shell Oil Bulk Plant Site and the Petit 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 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.

During 2025, the Port paid $57,393 for the clean-up.

<u>Terminal 5, 6, and 7 Uplands</u>

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 2025, the Port paid $104,964 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 2025, the Port paid $22,961 for legal expenses.

12. Subsequent Event

N/A

13. Other Disclosures

The Port has infrastructure in and around the log yard under the DNR land and aquatic leases. The Port is obligated to return DNR land back to its original condition upon termination of the lease for log yard storage.

Port of Port Angeles

Schedule 01

For the year ended December 31, 2025

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1701	401	Operations	3083100	Restricted Cash and Investments - Beginning	$324,638
1701	630	Operations	3083100	Restricted Cash and Investments - Beginning	$67,017
1701	401	Operations	3085100	Assigned Cash and Investments - Beginning	$19,994,159
1701	401	Operations	3111000	Property Tax	$1,818,854
1701	401	Operations	3312000	Federal Direct Award from Department of Transportation	$521,847
1701	401	Operations	3316600	Federal Direct Award from Environmental Protection Agency	$258,909
1701	401	Operations	3340420	State Award from Department of Commerce	$119,370
1701	401	Operations	3340310	State Award from Department of Ecology	$189,000
1701	401	Operations	3340360	State Award from Department of Transportation	$14,613
1701	401	Operations	3340180	State Award from Military Department	($332,756)
1701	401	Operations	3340270	State Award from Recreation and Conservation Office	$185,126
1701	401	Operations	3311100	Federal Direct Award from Department of Commerce	$1,524,151
1701	401	Operations	3319700	Federal Direct Award from Department of Homeland Security	$30,480
1701	401	Operations	3370000	Local Awards, Entitlements, Tribal Government Distributions, and Other Payments	$1,928,948
1701	401	Operations	3611000	Investment Earnings	$863,966
1701	401	Operations	3694000	Judgments and Settlements	$2,892
1701	401	Operations	3445000	Sales of Fuel	$311,734

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1701	401	Operations	3446000	Airports and Ports Services	$10,632,379
1701	401	Operations	3699100	Miscellaneous Other Operating	$13,597
1701	401	Operations	5460010	Airports and Ports	$4,130,042
1701	401	Operations	5460020	Airports and Ports	$1,945,982
1701	401	Operations	5460030	Airports and Ports	$1,413,961
1701	401	Operations	5460040	Airports and Ports	$5,030,176
1701	401	Operations	5083100	Restricted Cash and Investments - Ending	$292,771
1701	630	Operations	5083100	Restricted Cash and Investments - Ending	$271,351
1701	401	Operations	5085100	Assigned Cash and Investments - Ending	$20,249,815
1701	401	Operations	3821000	Refundable Deposits	$121,638
1701	401	Operations	3822000	Retainage Deposits	$146,891
1701	401	Operations	3823000	Non-Fiduciary Collections for Others	$823,615
1701	630	Operations	3893000	Custodial Type Collections	$271,351
1701	401	Operations	3981000	Insurance Recoveries (Cash Basis)	$389,637
1701	401	Operations	5821000	Refund of Deposits	$72,469
1701	401	Operations	5822000	Refund of Retainage Deposits	$161,035
1701	401	Operations	5823000	Non-Fiduciary Remittance for Others	$833,923
1701	630	Operations	5893000	Custodial Type Remittances	$67,017
1701	401	Operations	5914670	Debt Repayment - Airports and Ports	($8,502)
1701	401	Operations	5924680	Interest and Other Debt Service Cost - Airports and Ports	$65,630
1701	401	Operations	5944660	Capital Expenditures/Expenses - Airports and Ports	$5,696,386

Port of Port Angeles
Schedule of Liabilities
For the Year Ended December 31, 2025

ID. No.	Debt ID Title	Description	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Non-voted General obligation bonds	2015 Ref LTGO bond	357,505	-	357,505	-
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	605,359	-	35,005	570,354
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	655,362	-	66,176	589,186
263.85	Loans and other obligations to other Washington local governments	LOCAL State Treasury loan	-	520,320	53,115	467,205
		Total General Obligation Debt/Liabilities:	**1,618,226**	**520,320**	**511,801**	**1,626,745**
Revenue and Other (non G.O.) Debt/Liabilities						
263.57	Leases, SBITA, and PPPs	SBITA Liability	30,181	8,937	-	39,118
263.57	Leases, SBITA, and PPPs	Lease Liability	23,351	-	7,111	16,240
263.93	Environmental Liabilities	Enviro Remed Liability	300,000	305,000	300,000	305,000
264.40	OPEB Liabilities	OPEB Liability	2,237,143	-	319,901	1,917,242
264.30	Pension Liabilities	Pension Liability	246,519	203,742	246,519	203,742
259.12	Compensated Absences	Compensated Absences	444,505	811,567	749,296	506,776
		Total Revenue and Other (non G.O.) Debt/Liabilities:	**3,281,699**	**1,329,246**	**1,622,827**	**2,988,118**
		Total Liabilities:	**4,899,925**	**1,849,566**	**2,134,628**	**4,614,863**

Port of Port Angeles
Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2025

State Agency Name	Program Title	Identification Number	Total
State Award from Department of Commerce	CERB - West Boat Haven Marina Planning	SWV0007713-00	54,687
State Award from Department of Commerce	Washington Electric Vehicle Charging Program (WAEVCP)	24-92802-061	68,972
		Sub-Total:	**123,659**
Capital Contributions - State Grant from Department of Transportation	RWY 8/26 Medium-Intensity Lighting System	SW000771300	31
Capital Contributions - State Grant from Department of Transportation	Taxiway Reconstruction/Rehabilitation	POR-01-25	758
		Sub-Total:	**789**
State Award from Recreation and Conservation Office	JWM Boat Launch Boarding Float Replacement	22-1823D	185,126
		Sub-Total:	**185,126**
State Award from Department of Transportation	Port of Port Angeles Electrification	GCC1102	13,843
		Sub-Total:	**13,843**
State Award from Department of Ecology	LY Stormwater Treatment System	WQC-2022-PorAnp-00048	189,000
		Sub-Total:	**189,000**
		Total State Grants Expended:	**512,417**

Port of Port Angeles
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Economic Development Cluster								
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF	Economic Adjustment Assistance	11.307	07-79-07719	-	1,669,532	1,669,532	-	
			Total Economic Development Cluster:	**-**	**1,669,532**	**1,669,532**	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106	3-53-0047-039-2021	-	767	767	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106	3-53-0047-043-2022	-	564	564	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106	3-53-0047-044-2022	-	40,293	40,293	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106	3-53-0047-045-2025	-	135,256	135,256	-	

The accompanying notes are an integral part of this schedule.

Port of Port Angeles
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106	3-53-0047-046-2025	-	61,341	61,341	-	
			Total ALN 20.106:	**-**	**238,221**	**238,221**	**-**	
MARITIME ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Port Infrastructure Development Program	20.823	693JF72344020	-	48,758	48,758	-	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY	Clean Ports Program	66.051	02J91401	-	249,180	249,180	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Port Security Grant Program	97.056	EMW-2022-PU-00278	-	30,480	30,480	-	
			Total Federal Awards Expended:	**-**	**2,236,171**	**2,236,171**	**-**	

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, 2025

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 award portion of the program costs. Entire program costs, including the Port's portion, are more than shown. Such expenditures are recognized following 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, 2025

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. Self-insurance program with accumulated resources for some or all risks.
   b. Belong to a public entity risk pool
   c. Purchase private insurance
   d. Retain risk internally without accumulating resources (i.e., risk assumption)
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-insurance program with accumulated resources for 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. "Reimbursable" status, with accumulated resources (i.e. self-insurance program)
   b. "Reimbursable" status, but with no accumulated resources (i.e. risk assumption)
   c. Belong to a public entity risk pool
   d. Pay taxes to the Department of Employment Security ("Taxable")
   e. Not applicable – no employees
7. How do you insure workers compensation benefits, if any?
   a. Approved self-insured employer
   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 participate in the Washington Paid Family & Medical Leave Program?
   a. "Voluntary Plan" for one or both program benefits, with accumulated resources (i.e. self-insurance program
   b. "Voluntary Plan" for one or both program benefits, but with no accumulated resources (i.e. risk assumption)
   c. Pay premiums to the State's program for both benefits
   d. Purchase private insurance
   e. Not applicable – no employees

<u>If the local government DID NOT answer (a) to any of the above questions, then there is no need to complete the rest of this schedule.</u>

<u>If the local government answered (a) to any of the above questions, then answer the rest of the form in relation to the government's self-insured risks and copy the table below as needed.</u>

	Please list the title of the self-insurance program or type of risk covered by self-insurance:				
	Program/Risk 1	*Program/Risk 2*	*Program/Risk 3*	*Program/Risk 4*	*Program/Risk 5*
Self-Insurance as a *formal* program?	**Y**				
If yes, do other governments participate?	**N**				
If yes, please list participating governments.					
Self-Insure as part of a joint program?	**N**				
Does a Third-Party Administer manage claims?	**Y**				
If no, does an employee or official reconcile claims payments to the information in the claims management software or other records of approved claims? (Not applicable for self-insured unemployment compensation.)					
Has program had a claims audit in last three years?	**UNK**				
Are program resources sufficient to cover expenses?	**Y**				
Does an actuary estimate program liability?	**N**				
Number of claims paid during the period?	**0**				
Total amount of paid claims during the period?	**0**				
Total amount of recoveries during the period?	**0**				

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: 2025

Property and Liability Insurance	Health and Welfare Insurance	Unemployment Compensation Obligations	Workers Compensation Obligations	Other Risks or Obligations
Purchase private insurance	All benefits provided by health insurance company or HMO	“Reimbursable” status, with accumulated resources (i.e. self-insurance program)	Pay premiums to the Department of Labor and Industries	

Report based on unaudited annual report submissions as of 4/23/2026

Washington PFML Program	Entity	Government Type
Purchase private insurance	Port of Port Angeles	Port/Airport District