

PORT OF SHELTON

Shelton, Washington

ANNUAL FINANCIAL REPORT

December 31, 2022

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See accountant's compilation report.

(i)

ANNUAL REPORT CERTIFICATION

Port of Shelton

MCAG No. 1746

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

For the Fiscal Year Ended December 31, 2022

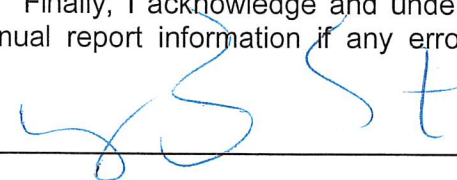
GOVERNMENT INFORMATION:

Official Mailing Address 21 West Sanderson Way, Shelton, WA 98584
Official Website Address www.portofshelton.com
Official E-mail Address info@portofshelton.com
Official Phone Number (360) 426-1151

AUDIT CONTACT or PREPARER INFORMATION and CERTIFICATION:

Audit Contact or Preparer Name and Title Wendy E. Smith, Executive Director
Contact Phone Number (360) 426-1151
Contact E-mail Address wendys@portofshelton.com

I certify 24th day of May, 2023, 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.

Audit Contact or Preparer Signature: 

Jan T. Fancher, CPA, PLLC

CERTIFIED PUBLIC ACCOUNTANT

A Professional Limited Liability Company

To the Board of Commissioners
Port of Shelton
Shelton, Washington

Management is responsible for the accompanying financial statement of the Port of Shelton, which comprises the statement of fund resources and uses arising from cash transactions for the year ended December 31, 2022, and the related notes to the financial statement in accordance with the cash basis of accounting, and for determining that the cash basis of accounting is an acceptable financial reporting framework. I have performed a compilation engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statement nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on this financial statement.

I draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information, including the prescribed certification statement and supplemental information including supplementary schedules and prescribed reporting requirements on pages 1 and 21 through 26 are not a required part of the basic financial statement and notes to the financial statement, but are supplementary information prescribed by the Washington State Auditor. This information is the representation of management. The information was subject to my compilation engagement, however, I have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide an assurance on such supplementary information.

I am not independent with respect to the Port of Shelton.



Vancouver, Washington

May 24, 2023

(2)

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PORT OF SHELTON
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

Beginning Cash and Investments

| | | |
|-----------|---|-----------|
| 308 | Assigned Beginning Cash and Investments | 6,912,611 |
| 388 / 588 | Net Adjustments | -- |

Revenues

| | | |
|----------------|--------------------------------|---------------|
| 310 | Taxes | 837,863 |
| 320 | Licenses and Permits | -- |
| 330 | Intergovernmental Revenues | 70,906 |
| 340 | Charges for Goods and Services | 1,721,778 |
| 350 | Fines and Penalties | -- |
| 360 | Miscellaneous Revenues | <u>92,175</u> |
| Total Revenues | | 2,722,722 |

Expenditures

| | | |
|-----------------------------------|----------------|------------------|
| 540 | Transportation | <u>1,891,115</u> |
| Total Expenditures | | <u>1,891,115</u> |
| Excess Revenues over Expenditures | | 831,607 |

Other Increases in Fund Resources

| | | |
|---|--------------------------------|----------------|
| 391-393, 596 | Debt Proceeds | 17,647 |
| 397 | Transfers-In | -- |
| 385 | Special or Extraordinary Items | -- |
| 381, 382, 389, 395, 398 | Other Resources | <u>846,073</u> |
| Total Other Increases in Fund Resources | | 863,720 |

Other Decreases in Fund Resources

| | | |
|---|--------------------------------|------------------|
| 594-595 | Capital Expenditures | 1,113,225 |
| 591-593, 599 | Debt Service | 314,087 |
| 585 | Special or Extraordinary Items | -- |
| 581, 582, 589 | Other Uses | <u>265,535</u> |
| Total Other Decreases in Fund Resources | | <u>1,692,847</u> |

Increase in Cash and Investments 2,480

Ending Cash and Investments

| | | |
|-------|--------------|-----------|
| 50821 | Nonspendable | -- |
| 50831 | Restricted | -- |
| 50841 | Committed | -- |
| 50851 | Assigned | 6,915,091 |
| 50891 | Unassigned | <u>--</u> |

Total Ending Cash and Investments 6,915,091

See accountant's compilation report.
The accompanying notes are an integral part of this financial statement.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Port of Shelton (Port) was incorporated in 1948 and operates under the laws of the State of Washington applicable to a Port district.

Reporting Entity

The Port is located in Mason County, Washington and its territory covers less than the entire county. The Port is a special purpose local government that provides industrial and commercial property rentals and airport facilities to the general public and is supported by user charges and taxes from a property tax levy. The Port may acquire and improve land for sale or lease for industrial or commercial purposes. The Port is governed by an elected three-member board.

Basis of Accounting and Reporting

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 statement.
- 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 statement as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary 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. The Port has one fund. The following fund type is used:

PROPRIETARY FUND TYPE

Enterprise Fund

This fund accounts for operations that provide goods or services to the general public and are supported primarily through user charges.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

B. Basis of Accounting and Measurement Focus

The Port's financial statement is 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, including major repairs, are assets with an initial individual cost of \$3,000 or more and an estimated useful life in excess of one (1) year. Capital assets and inventory are recorded as capital expenditures when purchased. See Note 10, Capital Assets, Capital Assets - Impaired and Subsequent Events.

E. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation leave, eligible sick leave and associated payroll taxes. Payments are recognized as expenditures when paid.

Vacation leave, which accrues on the employee's anniversary date, may be accumulated up to eighty (80) hours and is payable upon separation, retirement or death.

The Port allows up to seven hundred twenty (720) hours accumulation of sick leave. At the time of termination of employment (either voluntarily or involuntarily) any unused sick leave is forfeited and employees are not entitled to any pay in lieu of unused sick leave. Upon retirement, an employee shall receive pay for 25% of their accumulated sick leave provided that the employee has a minimum of five (5) years of continuous service with the Port and meet all the requirements to be eligible for retirement under the Public Employees' Retirement System.

The total compensated absences balance was \$46,618 at December 31, 2022. See *Schedule of Liabilities* (Schedule 09).

F. Long-Term Debt - See Note 4, Long-Term Debt.

G. Leases

Effective January 1, 2022, the Port has implemented GASB Statement No. 87, Leases in accordance with the requirements in the cash basis BARS Manual. The Port is a lessee for noncancelable leases. The Port monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. See Note 5, Leases.

See accountant's compilation report.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

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 Board of Commissioners. 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 \$0 and \$0, respectively.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Investments are reported at original cost, unless indicated otherwise. Deposits and investments by type at December 31, 2022 are as follows:

| Type of Deposit or Investment | Port's Own Deposits and Investments Total |
|---|---|
| Bank Deposits | \$ 581,910 |
| Heritage Bank Public Now Invest | 833,031 |
| Local Government Investment Pool (LGIP) | 5,500,150 |
| Total | \$ 6,915,091 |

It is the Port's policy to invest all temporary cash surpluses. The interest on these investments is recorded in the Port's General Fund. The investments in the LGIP are classified as cash equivalents. Within the deposit and investment accounts, the Port internally maintains segregated subaccounts to reflect any balances in restricted, committed, assigned and unassigned accounts. All deposits and investments are insured, registered or held by the Port or its agent in the government's name.

Deposits

The carrying amount of the Port's cash deposits with financial institutions was \$578,604, including a \$244 deposit in transit, held at Heritage Bank at December 31, 2022, and \$3,306 temporarily held at the Mason County Treasurer's Office, for a total carrying value of \$581,910 at December 31, 2022.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the 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's deposits are mostly covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

See accountant's compilation report.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS, CONTINUED:

Investments

The carrying amount of the Port's investments was \$833,031 held at Heritage Bank Public Now Invest and \$5,500,150 held at LGIP for a total carrying value of \$6,333,181 at December 31, 2022.

The total carrying amount of cash deposits and investments was \$6,915,091 at December 31, 2022.

The Port is a voluntary participant in the LGIP, 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 is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

On May 15, 2002, the Port Commission passed Resolution 02-04, appointing one of its members to be the Port Treasurer. The Port Treasurer maintains the accounts of the Port at Heritage Bank in Shelton, Washington, a certified Public Depository Institution and the LGIP in Olympia, Washington, a State of Washington qualified external investment pool, managed and operated by the Washington State Treasurer. The Port invests its surplus cash according to a Policy adopted by the Commission in Resolution 02-05 dated May 15, 2002, that uses three criteria to determine what investments are appropriate. The three criteria, in order of importance are; safety of principal, liquidity of the investment and overall return on investment. Investment earnings are reported in each investment's respective total.

NOTE 3 - PROPERTY TAX:

The Mason County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed to the Port at the start of the month following collection by the Mason County Treasurer.

Property tax revenues are recognized when cash is received by Mason County on behalf of 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 2022 was \$0.2498415 per \$1,000 on an assessed valuation of \$3,308,953,260 for a total regular levy of \$826,714.

See accountant's compilation report.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 4 - LONG-TERM DEBT:

The accompanying *Schedule of Liabilities* (Schedule 09) provides more details of the outstanding debt and liabilities of the Port and summarizes the Port's debt transactions for the year ended December 31, 2022.

In 2022, the Port purchased property for \$500,000, with \$150,000 down and a promissory note for \$350,000, carried by the seller, which is included in the debt service requirements below. See Note 10, Capital Assets and *Schedule of Liabilities* (Schedule 09).

The debt service requirements for General Obligation (G.O.) bonds, subordinated interagency loans and a promissory note at December 31, 2022 are as follows:

| Year ending December 31 | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 319,608 | \$ 28,894 | \$ 348,502 |
| 2024 | 185,733 | 20,062 | 205,795 |
| 2025 | 140,071 | 14,142 | 154,213 |
| 2026 | 56,380 | 10,709 | 67,089 |
| 2027 | 57,722 | 9,365 | 67,087 |
| 2028 - 2032 | 276,951 | 25,742 | 302,693 |
| 2033 - 2037 | 125,643 | 7,021 | 132,664 |
| 2038 | <u>26,173</u> | <u>360</u> | <u>26,533</u> |
| Totals | <u>\$ 1,188,281</u> | <u>\$ 116,295</u> | <u>\$ 1,304,576</u> |

NOTE 5 - LEASES:

The Port's adoption of the cash basis BARS manual requirements for leases has resulted in the addition of lease liabilities reported on the *Schedule of Liabilities* (Schedule 09). See Note 1G, Leases and *Schedule of Liabilities* (Schedule 09).

The Port leases fire monitoring equipment for \$17 per month under a five (5) year contract that can be cancelled with thirty (30) day written notice with extreme penalties. The lease payments began in August 2018 and end in July 2023. The Port will own the equipment at the end of the lease term.

The Port leases a copier for \$399 per month under a non-cancelable five (5) year lease agreement. The lease payments began in January 2018 and were scheduled to end in December 2022. During 2022, the lease arrangement was modified to end the existing lease payments as of March 2022 and a new lease arrangement was entered into, as listed below.

The Port leases a copier for \$399 per month under a non-cancelable five (5) year lease agreement. The lease payments began in May 2022 and ends in April 2027. At the end of the lease, the Port may purchase the equipment for fair market value.

The Port leases telephone equipment for \$207 per month under a non-cancelable five (5) year lease agreement. The lease payments began in October 2022 and ends in September 2027. At the end of the lease, the Port intends to return the equipment.

See accountant's compilation report.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 5 - LEASES, CONTINUED:

The Port leases a postage machine for \$158 per quarter under a non-cancelable sixty-three (63) month contract. The lease payments began in August 2019 and end in July 2024. Prior to the end of the lease term and with ninety (90) day notice, the Port may purchase the equipment for fair market value.

The total amount paid for leases in 2022 was \$5,841. As of December 31, 2022, the future lease payments are as follows:

| Year Ending December 31 | Total |
|----------------------------|-----------|
| 2023 | \$ 8,020 |
| 2024 | \$ 7,745 |
| 2025 | \$ 7,272 |
| 2026 | \$ 7,272 |
| 2027 | \$ 3,459 |
| Total | \$ 33,768 |

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - 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. The Port had eight (8) active plan members and four (4) retired plan members as of December 31, 2022. As of December 31, 2022, the Port's total OPEB liability was \$428,874 as calculated using the alternative measurement method. The Port contributed \$13,512 to the plan for the year ended December 31, 2022. See *Schedule of Liabilities* (Schedule 09).

NOTE 7 - PENSION PLANS:

State Sponsored Pension Plans

Substantially all Port full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS), a statewide retirement system administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit retirement plans.

See accountant's compilation report.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 7 - PENSION PLANS, CONTINUED:

State Sponsored Pension Plans, Continued

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, 2022 (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) |
|----------|---------------------------|--------------|-------------------|
| PERS 1 | \$ 22,491 | 0.003670% | \$ 102,186 |
| PERS 2/3 | \$ 38,558 | 0.004800% | \$ (178,021) |

Only the net pension liabilities are reported on the *Schedule of Liabilities* (Schedule 09).

NOTE 8 - RISK MANAGEMENT:

Port of Shelton is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2022, there were 527 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claims made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

See accountant's compilation report.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 8 - RISK MANAGEMENT, CONTINUED:

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

| Coverage | Coverage Type | Pool Self-Insured Retention | Excess/ Reinsurance Limits | Member Deductibles/ Co-Pays ⁽¹⁾ |
|---|---------------------------------------|-----------------------------|------------------------------|--|
| Liability: | | | | |
| Comprehensive General Liability | Per Occurrence | \$1 million | \$20 million | \$1,000 - \$100,000 |
| Automobile Liability | Per Occurrence | \$1 million | \$20 million | \$1,000 - \$100,000 |
| Public Officials Errors and Omissions Liability | Each Wrongful Act Member Aggregate | \$1 million | \$20 million \$20 million | \$1,000 - \$100,000 |
| Terrorism Liability ⁽²⁾ | Per Occurrence Pool Aggregate | \$500,000 \$1 million | \$0 Fully funded by Pool | \$1,000 - \$100,000 |
| Employment Practices Liability | Per Occurrence Member Aggregate | \$1 million | \$20 million \$20 million | 20% Copay ⁽³⁾ |

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible

(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.

(3) Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

| Coverage | Coverage Type | Pool Self-Insured Retention | Excess/ Reinsurance Limits | Member Deductibles/ Co-Pays ⁽¹⁾ |
|--|----------------------------------|---|--|--|
| Property ⁽²⁾: | | | | |
| Buildings and Contents | Per Occurrence | \$250,000 | \$1 billion | \$1,000 - \$250,000 |
| Mobile Equipment | Per Occurrence | \$250,000 | \$1 billion | \$1,000 - \$250,000 |
| Boiler and Machinery ⁽³⁾ | Per Occurrence | Varies | \$100 million | Varies |
| Business Interruption (BI)/ Extra Expense(EE) ⁽⁴⁾ | Per Occurrence | \$250,000 | \$100 million (BI)/ \$50 million (EE) | \$1,000 - \$250,000 |
| Sublimit ⁽⁵⁾: | | | | |
| Flood | Per Occurrence | \$250,000 | \$50 million (shared by Pool members) | \$1,000 - \$250,000 |
| Earthquake | Per Occurrence | 5% of indemnity, subject to \$250,000 minimum | \$10 million (shared by Pool members) | \$1,000 - \$250,000 |
| Terrorism Primary | Per Occurrence Pool Aggregate | \$250,000 | \$100 million per occurrence \$200 million aggregate | \$1,000 - \$250,000 |

See accountant's compilation report.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 8 - RISK MANAGEMENT, CONTINUED:

| Coverage | Coverage Type | Pool Self-Insured Retention | Excess/ Reinsurance Limits | Member Deductibles/ Co-Pays ⁽¹⁾ |
|---|---|--|--|--|
| Property ⁽²⁾: | | | | |
| Terrorism Excess | Per Occurrence APIP Per Occurrence APIP Aggregate | \$500,000 | \$600 million/ Pool aggregate \$1.1 billion/ per occurrence APIP program \$1.4 billion/ APIP program aggregate | \$0 |
| Automobile Physical Damage ⁽⁶⁾ | Per Occurrence | \$25,000; \$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >\$750,000 | \$1 billion | \$250 - \$1,000 |
| Crime Blanket ⁽⁷⁾ | Per Occurrence | \$50,000 | \$1 million | \$1,000 |
| Named Position ⁽⁸⁾ | Per Occurrence | \$50,000 | \$1 million | \$1,000 |
| Cyber ⁽⁹⁾ | Each Claim APIP Aggregate | \$100,000 | \$2 million \$40 million | 20% Copay |
| Identity Fraud Expense Reimbursement ⁽¹⁰⁾ | Member Aggregate | \$0 | \$25,000 | \$0 |

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Members may elect to "buy-up" the level of coverage from \$5,000 to \$2 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

See accountant's compilation report.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 8 - RISK MANAGEMENT, CONTINUED:

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

NOTE 9 - ENVIRONMENTAL AND CERTAIN ASSET RETIREMENT LIABILITIES:

Pollution Remediation

On August 24, 2014, the Port entered into the Voluntary Clean-up Program with Department of Ecology (DOE) to address contamination on Port property resulting from a former Port tenant. On October 16, 2018, the Port passed Resolution 18-09, Emergency Action for clean-up of the existing site at Johns Prairie to move forward with the proper disposal of contaminated soils. Field work for the clean-up was completed in 2019 and the Port submitted a final investigation and clean-up report to DOE. No further action is needed at this time.

The Port continues to monitor various Port sites with prior or existing environmental concerns including sites with restrictive covenants.

NOTE 10 - OTHER DISCLOSURES:

Capital Assets

During 2022, the Port incurred the various transactions affecting its capital assets, including the following:

In January of 2022, the Port finalized a purchase and sale agreement for an 11,500 square foot warehouse and a 5,600 square foot utility building located at Sanderson Field (SF) from a long-term tenant for \$500,000 plus closing expenses. The Port paid \$150,000 down upon closing and the seller is carrying the \$350,000 promissory note over ten (10) years at 3% interest per annum. See Note 4, Long-Term Debt and *Schedule of Liabilities* (Schedule 09)

See accountant's compilation report.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 10 - OTHER DISCLOSURES, CONTINUED:

Capital Assets, Continued

In 2022, a Port tenant constructed an eighty (80) foot by one hundred ten (110) foot hangar for the design, manufacturing, testing and distribution of sky diving equipment, storage of aircraft and associated sky diving related equipment plus office space on Port land in accordance with the terms of their land lease, which reverts to the Port at the end of the lease term.

Capital Assets - Impaired

In April of 2021, an SF tenant occupied building, in excess of 30,000 square feet, burned down, making the space a total loss and is considered permanently impaired. In addition to the impairment of the main building, one additional building (15,000 square feet) closely associated with the main building is considered temporarily impaired due to loss of electricity and the impact of the fire and a second associated building (1,440 square feet) was also impaired and will eventually be demolished. To-date the main building has been demolished and the damage from the firefighting has been cleaned up and removed. Results of the investigation were inconclusive as to the source of the fire. The Port hired a third-party engineering firm to review the costs and finalize resolution with the Port's insurance company on the replacement costs for the main building, repair and/or demolition of the two additional buildings and the loss revenue on all three structures. The agreed upon resolution with the insurance company resulted in an approved in-kind replacement insurance payout of \$5,726,135. The three (3) buildings involved are long-lived assets that were fully depreciated. The future cash flows will be fully restored upon completion of the replacement of the main building and the repairs to one (1) of the additional buildings.

The initial estimate of the loss revenue for the three (3) impaired structures has been determined to be approximately \$14,146 per month, including leasehold excise tax, totaling \$282,922 for the twenty (20) months ending December 31, 2022. The monthly loss revenue will continue until the construction of the replacement building has been completed and the two (2) other structures are either repaired or demolished. The Port has received advance fire loss payments of \$2,491,867 for the building, and \$0 for the loss revenue as of December 31, 2022. The Port's insurance policy covers both the replacement of the building, the building repairs and the loss revenue. While the fire loss is substantial, current professional accounting guidance reflects that a building fire loss does not rise to the definition of extraordinary; therefore, it is not being reported as such. See Note 10, Construction Commitments and Subsequent Events.

See accountant's compilation report.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 10 - OTHER DISCLOSURES, CONTINUED:

Grants

In 2022, the Federal Aviation Administration (FAA) and Washington State Department of Transportation (WSDOT) awarded the Port grants for engineering and related services for the SF airport taxiway overlay, electrical and lighting project. The project has undergone engineering and pre-construction in 2022. This portion of the project was estimated to be \$301,524, which will be funded from a 90% FAA Airport Improvement Program (AIP) grant and from a 5% WSDOT matching grant, with a Port match of 5% and any additional amounts for the portion of the WSDOT grant over its annual cap. The Port has incurred \$67,390 and \$3,516 of FAA and WSDOT eligible expenditures in 2022, respectively. See Note 10, Contingencies and Litigation, Construction Commitments, Subsequent Events and *Schedule of State Financial Assistance* (Schedule 15) and *Schedule of Expenditures of Federal Awards* (Schedule 16).

In 2018, the Community Economic Revitalization Board (CERB) awarded the Port a Committed Private Partner Program grant/loan for a building addition and site work for an existing tenant, consisting of a \$1,500,000 loan, a \$500,000 grant and a \$500,000 Port match for a total initial project cost of \$2,500,000. The Port, working with the engineering firm and the tenant, has completed the engineering design configuration in 2022 with a total estimated project cost of \$3,340,000. The Port has incurred project costs of \$35,267 and \$247,645 in 2021 and 2022, respectively, for a total of \$282,912 as of December 31, 2022, which will be used toward the Port's match. See Note 10, Contingencies and Litigation, Construction Commitments and Subsequent Events.

In 2020, the Port was awarded a FAA CARES Act grant for \$30,000, which provides for 100% grant for airport related projects. In 2022, the Port incurred eligible expenditures for an equipment shed at Sanderson Field of which \$30,000 was reimbursable under the grant. See Note 10, Contingencies and Litigation, Construction Commitments and Subsequent Events.

In 2022, the Port signed a contract with CERB for a CERB Planning Grant for a Sanderson Field Industrial Master Plan for \$50,000 with a Port match of \$12,500, for a total estimated project cost of \$62,500. The Port is working with the selected project planning team for the betterment of the Port's properties. The Port has expended \$51,653 towards the planning project as of December 31, 2022. See Note 10, Construction Commitments, Subsequent Events and *Schedule of State Financial Assistance* (Schedule 15).

Grant expenditures include amounts owing to the Port for eligible expenditures incurred in 2022.

Contingencies and Litigation

The Port participates in a number of federal and state assisted programs. The grants the Port receives under these programs are subject to audit by grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Port management believes that such disallowances, if any, will be immaterial.

See accountant's compilation report.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 10 - OTHER DISCLOSURES, CONTINUED:

Contingencies and Litigation, Continued

The Port is in litigation with a former tenant for damages incurred to a Port building during occupancy. Mediation was held without a resolution being reached. See Note 10, Subsequent Events.

The Port acquired certain assets with funding provided by federal and state financial assistance programs. Depending upon the terms of the agreements involved, the funding governmental unit could retain an equity interest in these assets resulting in the assets reverting back to the agency if the assets are not used for their intended purposes. However, the Port has sufficient legal interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable account.

Contingencies and Litigation - FAA and WSDOT Recoverable Grants

The Port received a recoverable grant via the receipt of SF and its associated land when it had been decommissioned after World War II. Various usage requirements run with the airport. Any sale of any portion of SF would first have to obtain approval by the FAA and WSDOT, and then potentially from 90% to 100% of the sale proceeds may be required to be remitted back to the FAA and WSDOT. The Port continues to invest in SF. The FAA and WSDOT continue to provide grants for a portion of the SF improvements. The period of recoverability of the donated land to the Port is for the lifetime of SF. The minimum recoverability exposure is the entire SF, indefinitely. A current value of SF has not been determined.

The Port has received multiple recoverable grants from the FAA AIP for multiple years, which average 90% of \$150,000 a year. The grants have included the design, planning, engineering and construction of various airport assets. The FAA has also awarded 100% discretionary grants to the Port over the years for larger projects that do not have a Port or WSDOT match. In 2020, FAA awarded a FAA CARES Act 100% \$30,000 grant for an equipment shed. Eligible funds were expended in 2022 and the reimbursement was received in 2023. See Note 10, Grants, Construction Commitments and Subsequent Events.

The FAA grant assurances are as follows; "The terms, conditions and assurances of their grant agreements shall remain in full force and effect throughout the useful life of the facilities developed or equipment acquired for an airport development or noise compatibility program project, or throughout the useful life of the project items installed within a facility under a noise compatibility program project, but in any event not to exceed twenty (20) years from the date of acceptance of a grant offer of Federal funds for the project. However, there shall be no limit on the duration of the assurances regarding Exclusive Rights and Airport Revenue so long as the airport is used as an airport. There shall be no limit on the duration of the terms, conditions, and assurances with respect to real property acquired with federal funds. Furthermore, the duration of the Civil Rights assurance shall be specified in the assurances."

See accountant's compilation report.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 10 - OTHER DISCLOSURES, CONTINUED:

Contingencies and Litigation, Continued

Contingencies and Litigation - FAA and WSDOT Recoverable Grants, Continued

The Port has received FAA aviation grant funds through 2022. As such, the current period of recoverability extends through 2042 with the exception for the real property, which has no time limit. The FAA grants were included in Intergovernmental Revenues grant funds for each year received. A complete list of recoverable grants is maintained by the Port. See *Schedule of Expenditures of Federal Awards* (Schedule 16) for each year for the amounts of FAA grants incurred.

The Port has received multiple recoverable grants from the WSDOT Aviation Airport Aid Program over the years. The grants primarily have been structured to be a 5% match to the airport grants from the FAA's AIP. The WSDOT grants require that the airport remain open for the expected life of twenty (20) years; otherwise, 100% of the grant funding must be returned within thirty (30) days of closure, sale, or discontinuance of service. The Port has received WSDOT aviation grant funds through 2022. As such, the current period of recoverability extends through 2042. The WSDOT grants were included in Intergovernmental Revenues grant funds for each year received. The majority of the grants from WSDOT have been 5% of the FAA AIP grants, up to a maximum of \$150,000 a year. A complete list of recoverable grants is maintained by the Port. See *Schedule of State Financial Assistance* (Schedule 15) for each year for the amounts of WSDOT grants incurred.

Contingencies and Litigation - CERB Committed Private Partner Program Recoverable Grants

In 2017, the Port received a \$300,000 loan and a \$300,000 recoverable grant from CERB for a Committed Private Partner Program grant/loan for a public facilities project for a JP tenant and a \$160,000 loan and a \$160,000 recoverable grant from CERB for a Committed Private Partner Program grant/loan for a public facilities project for a Johns Prairie (JP) tenant. The CERB terms state that in the event that the Port fails to perform the work or otherwise carry out its duties under these contracts in accordance with state laws, federal laws, and/or the provisions of these contracts, the Board reserves the right to recapture funds in an amount to compensate the Board for the noncompliance in addition to any other remedies available at law or in equity.

The minimum recoverability exposure of these CERB grants/loans are \$600,000 and \$320,000, respectively, once all of the loan and grant reimbursements have been received plus additional amounts, including interest through 2044, six (6) years after the last repayment dates of January 1, 2038 and July 31, 2038, respectively. See *Schedule of Liabilities* (Schedule 09).

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 10 - OTHER DISCLOSURES, CONTINUED:

Contingencies and Litigation, Continued

Contingencies and Litigation - CERB Committed Private Partner Program Recoverable Grants, Continued

In 2018, CERB awarded a \$1,500,000 loan and a \$500,000 recoverable grant to the Port for a Committed Private Partner Program grant/loan for a public facilities project for a JP tenant. The minimum recovery exposure of this CERB grant/loan are \$2,000,000, once all of the loan and grant reimbursements have been received, plus additional amounts, including interest, through six (6) years after the estimated last repayment date. The last repayment date will be determined upon the completion of the loan and grant reimbursement process. See Note 10, Grants, Construction Commitments and Subsequent Events.

Stewardship, Compliance and Accountability

The Port is in compliance with all finance-related legal and contractual provisions.

Significant Commitments or Obligations

Construction Commitments

The Port has active construction projects as of December 31, 2022. The projects include:

| <u>Project</u> | <u>Spent To-Date</u> | <u>Remaining Commitment</u> |
|--|----------------------|---------------------------------|
| Sanderson Field | | |
| SF hangars environmental and water | \$ 72,004 | \$ 53,777 |
| SF building 1 structural fire cleanup ⁽¹⁾ | 244,855 | 356,675 |
| SF equipment shed ⁽²⁾ | 54,195 | 25,411 |
| SF CERB planning grant ⁽⁵⁾ | 51,653 | 11,739 |
| SF building 1 fire replacement ⁽¹⁾ | 48,329 | 5,000,712 |
| SF taxiway paving and engineering ⁽⁴⁾ | <u>85,898</u> | <u>225,439</u> |
| Total Sanderson Field | <u>556,934</u> | <u>5,673,753</u> |
| Johns Prairie | | |
| JP shed exterior walls and improvements | 441,678 | 12,618 |
| JP expansion engineering ⁽³⁾ | 282,912 | 52,780 |
| JP site work ⁽³⁾ | -- | 2,003,258 |
| JP new building addition ⁽³⁾ | <u>--</u> | <u>1,003,105</u> |
| Total Johns Prairie | <u>724,590</u> | <u>3,071,761</u> |
| Total Construction Commitments | <u>\$ 1,281,524</u> | <u>\$ 8,745,514</u> |

See accountant's compilation report.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 10 - OTHER DISCLOSURES, CONTINUED:

Significant Commitments or Obligations, Continued

Construction Commitments, Continued

- (1) Reimbursable by Port insurance company via advances and reimbursements
- (2) Partially reimbursable by a \$30k FAA CARES Act grant.
- (3) Funded by \$1.5m CERB loan, \$0.5m CERB grant, \$0.5m Port match and Port reserves
- (4) Funded by 90% FAA grant, 5% WSDOT grant and 5% Port match
- (5) Funded by 75% CERB grant up to \$50k with a 20% Port match

The remaining construction commitments not designated above will be funded from Port funds. See Note 10, Capital Assets - Impaired, Grants, Contingencies and Litigation and Subsequent Events.

Subsequent Events

The Port has evaluated events through May 24, 2023, which is the date the financial statements were available to be issued.

In 2023, the Port continues to proceed forward on the replacement of the SF main building and the associated damaged structures lost to fire in 2021. The Port's additional loss revenue in 2023 to-date is \$70,730, bringing the total loss revenue from May 2021 to-date to \$353,652, including leasehold excise tax. In 2023, the Port has received additional insurance advances of \$408,635, bringing the total fire loss advances to-date to \$2,900,502 for the building and \$0 for the loss revenue. The Port anticipates completion of the building construction in 2024. See Note 10, Capital Assets, Capital Assets - Impaired, Contingencies and Litigation and Construction Commitments.

The Port has completed the work with the engineering and design firm on the CERB Committed Private Partner Program for the construction of a new \$2,500,000 building for a JP tenant, has gone out to bid for the building addition in April of 2023 and has awarded the project in May of 2023. The CERB award consists of a \$1,500,000 low interest loan, a \$500,000 grant and a Port match of \$500,000 plus additional estimated site and building costs of \$840,000, for a total estimated project cost of \$3,340,000. Costs incurred to-date are allocated to the Port's match of \$500,000. The Port anticipates that the construction will be completed by the end of 2023 along with the associated grant and loan reimbursement requests. See Note 10, Grants, Contingencies and Litigation and Construction Commitments.

The Port's FAA CARES Act grant project was completed, the \$30,000 grant reimbursement was received and the grant was closed out in 2023. See Note 10, Grants, Contingencies and Litigation and Construction Commitments.

The 2022 FAA and WSDOT grants for engineering and pre-construction services for the SF airport taxiway overlay, electrical and lighting project will be completed in 2023. The final reimbursement requests will be submitted to FAA and WSDOT and it is projected that the grant will be closed out in 2023. See Note 10, Grants, Contingencies and Litigation and Construction Commitments.

See accountant's compilation report.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2022

NOTE 10 - OTHER DISCLOSURES, CONTINUED:

Subsequent Events, Continued

In 2023, the Port is applying for grants from FAA and WSDOT for the construction portion of the SF taxiway overlay, electrical and lighting project. The project went out to bid and once FAA awards the 90% grant, the project will be awarded and construction will begin. Construction is anticipated to start in 2023 and completed by October of 2024. WSDOT will provide a 5% matching grant up to a cap not to exceed \$150,000. The Port will provide a 5% match and additional monies after the WSDOT cap has been reached. The total project is estimated to be approximately \$5,000,000.

The Port has various active construction projects at December 31, 2022 that are expected to be completed in 2023 and 2024. See Note 10, Grants and Construction Commitments for a listing of remaining committed amounts totaling \$8,745,514.

In 2023, upon review of tenant invoices for overcharges of rail car fees from 2020 through January 2023, the Port reimbursed the tenant for \$47,666 for rail car fees and \$6,120 for WA State Leasehold Tax (LET) for a total of \$53,786. In 2023, the Port is filing an amended LET return to request the refund of the overpaid LET of \$6,120.

In 2023, the Port signed a purchase and sale agreement to sell approximately five (5) acres of land at Johns Prairie for approximately \$723,000. It is anticipated to close by the end of 2023.

The Port is in litigation with a former tenant for damages incurred to a Port building during occupancy. A trial date has been set for June of 2023. The Port is asking for damages incurred by the former tenant. See Note 10, Contingencies and Litigation.

In 2023, the Port is a defendant in litigation with a former tenant. Previously, the Port was awarded a judgement in 2022 against the former tenant.

In accordance with the CERB Planning Grant, the Port is in the process of working with the selected project planning team for the development of the Sanderson Field Industrial Master Plan. The Port has expended a total of \$59,570 to date and anticipates completion of the project in 2023. See Note 10, Grants, Construction Commitments and *Schedule of State Financial Assistance* (Schedule 15).

In 2023, the Port requested an FY24 Community Project Funding grant (FY24) in the amount of \$2,960,000 through Congressman Kilmer's office for a sewer extension project adjacent to Port property. The project has been ranked in the top fifteen (15) for the FY24 project funding. If awarded, the project would involve multiple governmental partners.

SUPPLEMENTARY SCHEDULES

REVENUES/EXPENDITURES/EXPENSES

For the Year Ended December 31, 2022

| MCAG | Fund # | Fund Name | BARS Account | BARS Name | Amount |
|------|--------|-----------|--------------|---|-----------|
| 1746 | 401 | General | 3085100 | Assigned Cash and Investments - Beginning | 6,912,611 |
| 1746 | 401 | General | 3111000 | Property Tax | 823,885 |
| 1746 | 401 | General | 3312000 | Federal Direct Grant from Department of Transportation | 67,390 |
| 1746 | 401 | General | 3340360 | State Grant from Department of Transportation | 3,516 |
| 1746 | 401 | General | 3370000 | Local Grants, Entitlements and Other Payments | 13,978 |
| 1746 | 401 | General | 3446000 | Airports and Ports Services | 1,721,778 |
| 1746 | 401 | General | 3611000 | Investment Earnings | 83,369 |
| 1746 | 401 | General | 3614000 | Other Interest | 4,553 |
| 1746 | 401 | General | 3699100 | Miscellaneous Other, Operating | 4,253 |
| 1746 | 401 | General | 3821000 | Refundable Deposits | 156,443 |
| 1746 | 401 | General | 3829000 | Immaterial Fiduciary Collections | 212,747 |
| 1746 | 401 | General | 3917000 | Other Note/Contracts/Line of Credits | 17,647 |
| 1746 | 401 | General | 3952000 | Compensation for Loss/Impairment of Capital Assets | 476,883 |
| 1746 | 401 | General | 5460010 | Airports and Ports - Salaries | 675,227 |
| 1746 | 401 | General | 5460020 | Airports and Ports - Benefits | 312,779 |
| 1746 | 401 | General | 5460030 | Airports and Ports - Supplies | 61,221 |
| 1746 | 401 | General | 5460040 | Airports and Ports - Services | 841,888 |
| 1746 | 401 | General | 5821000 | Refund of Deposits | 51,044 |
| 1746 | 401 | General | 5829000 | Immaterial Fiduciary Remittance | 214,491 |
| 1746 | 401 | General | 5914670 | Debt Repayment - Airports and Ports | 283,626 |
| 1746 | 401 | General | 5924680 | Interest and Other Debt Service Cost - Airports and Ports | 30,461 |
| 1746 | 401 | General | 5944660 | Capital Expenditures/Expenses - Airports and Ports | 1,079,228 |
| 1746 | 401 | General | 5944670 | Capital Expenditures/Expenses - Airports and Ports | 24,734 |
| 1746 | 401 | General | 5944680 | Capital Expenditures/Expenses - Airports and Ports | 9,263 |
| 1746 | 401 | General | 5085100 | Assigned Cash and Investments - Ending | 6,915,091 |

See accountant's compilation report.

SCHEDULE OF LIABILITIES

For the Year Ended December 31, 2022

| ID. No. | Description | Due Date | Beginning Balance | Additions | Reductions | Ending Balance |
|--|---|------------|-------------------|----------------|----------------|------------------|
| General Obligation Debt/Liabilities | | | | | | |
| 251.11 | General Government Deferred Serial Bonds Series C for Buildings and Infrastructure, ISSUED 09/15/2003 | 03/01/2023 | 265,000 | -- | 130,000 | 135,000 |
| 251.11 | Tax Exempt Serial Bonds for Buildings and Infrastructure, ISSUED 08/15/2005 | 03/01/2025 | 320,000 | -- | 75,000 | 245,000 |
| 263.85 | WA State Department of Health, Replace AC Waterline, ISSUED 09/14/2004 | 08/01/2024 | 21,475 | -- | 7,158 | 14,317 |
| 263.85 | WA State Department of Health, Replace AC Waterline, ISSUED 09/14/2004 | 08/01/2024 | 134,336 | -- | 44,779 | 89,557 |
| 263.85 | CERB/JP Roof and Infrastructure, ISSUED 08/28/2017 | 01/31/2038 | 261,188 | -- | 13,603 | 247,585 |
| 263.85 | CERB/JP Infrastructure, ISSUED 05/18/2017 | 07/31/2038 | 138,685 | -- | 7,445 | 131,240 |
| Total General Obligation Debt/Liabilities | | | 1,140,684 | -- | 277,985 | 862,699 |
| Revenue and Other (non G.O.) Debt/Liabilities | | | | | | |
| 259.12 | Compensated Absences | | 45,872 | 746 | -- | 46,618 |
| 263.52 | Fire Monitoring Equipment | | 316 | -- | 200 | 116 |
| 263.57 | Lease - Copier | | 1,197 | -- | 1,197 | -- |
| 263.57 | Lease - Copier | | -- | 23,940 | 3,192 | 20,748 |
| 263.57 | Lease - Telephone | | -- | 12,420 | 621 | 11,799 |
| 263.57 | Lease - Postage Machine | | 1,736 | -- | 631 | 1,105 |
| 263.62 | Promissory Note - Building | 02/01/2032 | -- | 350,000 | 24,534 | 325,466 |
| 264.30 | Pension Liabilities | | 46,382 | 55,804 | -- | 102,186 |
| 264.40 | OPEB Liabilities | | 572,389 | -- | 143,515 | 428,874 |
| Total Revenue and Other (non G.O.) Debt/Liabilities | | | 667,892 | 442,910 | 173,890 | 936,912 |
| Total Liabilities | | | 1,808,576 | 442,910 | 451,875 | 1,799,611 |

See accountant's compilation report.

SCHEDULE OF STATE FINANCIAL ASSISTANCE

For the Year Ended December 31, 2022

| Grantor | Program Title | Identification Number | Amount |
|---|--|-----------------------|---------------|
| State Grant from Department of Commerce | Community Economic Revitalization Board Planning Grant | S21-790A0-221 | 37,867 |
| | | Sub-Total | 37,867 |
| State Grant from Department of Transportation | Aviation Division - Airport Improvements | SHE-01-22 | 3,516 |
| | | Sub-Total | 3,516 |
| | | Grand Total | 41,383 |

See accountant's compilation report.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2022

| 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 | | |
| Federal Aviation Administration, Transportation, Department of | COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investments and Jobs Act Programs | 20.106 | | -- | 30,000 | 30,000 | | 1.2.3 |
| Federal Aviation Administration, Transportation, Department of | Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs | 20.106 | | -- | 67,390 | 67,390 | -- | 1.2.3 |
| Total ALN 20.106 | | | | -- | 97,390 | 97,390 | -- | |
| Total Federal Awards Expended | | | | -- | 97,390 | 97,390 | -- | |

The Accompanying Notes To The Schedule of Expenditures of Federal Awards Are An Integral Part of This Schedule.

**NOTES TO THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022**

Note 1 - Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Port's financial statement. The Port uses the cash basis of accounting where revenues are recognized when cash is received and expenditures are recognized when paid. Capital asset purchases including major repairs are expensed when paid. Long-term liabilities are accounted for on the *Schedule of Liabilities* (Schedule 09).

Note 2 - Federal Indirect Cost Rate

The Port has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The amount expended includes \$0 claimed as an indirect cost recovery using an approved indirect cost rate of 0.0 percent.

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.

Risk Management

For the Year Ended December 31, 2022

Self-Insurance Program Manager: Wendy E. Smith, Executive Director

Manager Phone: (360) 426-1151

Manager Email: wendys@portofshelton.com

No Does the local government self-insure for any class of risk, including property and liability, health and welfare, unemployment compensation, workers' compensation and other risk and obligation? (yes/no)

If the answer to any of the above questions is yes, 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? | | | | | |
| If yes, do other governments participate? | | | | | |
| If yes, please list participating governments. | | | | | |
| Self-Insure as part of a joint program? | | | | | |
| Does a Third-Party Administer manage claims? | | | | | |
| Has program had a claims audit in last three years? | | | | | |
| Are program resources sufficient to cover expenses? | | | | | |
| Does an actuary estimate program liability? | | | | | |
| Number of claims paid during the period? | | | | | |
| Total amount of paid claims during the period? | | | | | |
| Total amount of recoveries during the period? | | | | | |

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