



ANNUAL FINANCIAL REPORT

December 31, 2023

ANNUAL REPORT CERTIFICATION

Port of Shelton

(Official Name of Government)

1746

MCAG No.

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

For the Fiscal Year Ended 12/31/2023

GOVERNMENT INFORMATION:

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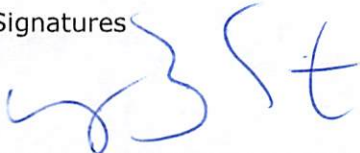
Audit Contact or Preparer Name and Title Wendy E Smith Executive Director

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Contact E-mail Address wendys@portofshelton.com

I certify 28th day of May, 2024, 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



Wendy E Smith (wendys@portofshelton.com)

Port of Shelton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		<u>401 Operations</u>
Beginning Cash and Investments		
308	Beginning Cash and Investments	6,915,091
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	839,896
320	Licenses and Permits	-
330	Intergovernmental Revenues	590,781
340	Charges for Goods and Services	1,928,904
350	Fines and Penalties	-
360	Miscellaneous Revenues	313,538
Total Revenues:		<u>3,673,119</u>
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	2,048,985
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>2,048,985</u>
Excess (Deficiency) Revenues over Expenditures:		1,624,134
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	1,517,647
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	713,899
Total Other Increases in Fund Resources:		<u>2,231,546</u>
Other Decreases in Fund Resources		
594-595	Capital Expenditures	2,923,867
591-593, 599	Debt Service	315,881
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	232,503
Total Other Decreases in Fund Resources:		<u>3,472,251</u>
Increase (Decrease) in Cash and Investments:		383,429
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	7,298,521
50891	Unassigned	-
Total Ending Cash and Investments		<u>7,298,521</u>

The accompanying notes are an integral part of this statement.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2023

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.

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*.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

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 \$60,200 at December 31, 2023. See *Schedule of Liabilities* (Schedule 09).

F. Long-Term Debt

See Note 4 - *Long-Term Debt*.

G. Leases

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*.

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, respectively.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS:

Investments are reported at face value, unless indicated otherwise. Deposits and investments by type at December 31, 2023 are as follows:

<u>Type of Deposit or Investment</u>	<u>Port's Own Deposits and Investments Total</u>
Bank Deposits	\$ 666,581
Heritage Bank Public Now Invest	599,585
Local Government Investment Pool (LGIP)	6,032,355
Total	<u>\$ 7,298,521</u>

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.

Investments in the State Local Government Investment Pool (LGIP)

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 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

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).

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

Treasury Function

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 an investment policy adopted by Resolution of the Port Commission.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2023

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 after the end of each month.

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

Property tax revenues are recognized when cash is received by 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 2023 was \$0.2160958 per \$1,000 on an assessed valuation of \$3,901,564,972 for a total regular levy of \$843,112.

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

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 year ended December 31, 2023.

The debt service requirements for General Obligation (G.O.) bonds, subordinated interagency loans and a promissory note at December 31, 2023 are as follows:

Year ending December 31	Principal	Interest	Total
2024	\$ 185,733	\$ 20,061	\$ 205,794
2025	196,269	45,841	242,110
2026	122,619	32,366	154,985
2027	124,956	30,029	154,985
2028	127,344	27,641	154,985
2029-2033	599,170	102,450	701,620
2034-2038	511,820	60,326	572,146
2039-2043	414,165	25,317	439,482
2044	86,596	1,299	87,895
Totals	\$ 2,368,672	\$ 345,330	\$ 2,714,002

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2023

NOTE 4 - LONG-TERM DEBT, CONTINUED:

Assets Pledged as Collateral for Debt

The following debt is secured by assets that are pledged as collateral:

Debt:	Asset:
Promissory Note	130 W Corporate Road, Shelton WA - Land and Buildings

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*.

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 ended in July 2023. The Port owns 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 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.

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. The Port intends to return the equipment at the end of the lease term.

The total amount paid for leases in 2023 was \$8,019. As of December 31, 2023, the future lease payments are as follows:

Year Ended December 31	Total
2024	\$ 7,745
2025	\$ 7,272
2026	\$ 7,272
2027	\$ 3,460
Total	\$ 25,749

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2023

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.

Fiscal Year 2023	
Number of Active Plan Members	12
Number of Retired Plan Members	4
Contributions Made	\$10,369
*Total OPEB Liability	\$486,861

**Measured using the alternative measurement method.*

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 and defined contribution retirement plans.

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

The Department of Retirement Systems, 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, 2023 (*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	\$ 25,111	0.003685%	\$ 84,119
PERS 2/3	\$ 41,704	0.004743%	\$ (194,401)

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

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2023

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 contract for risk management, claims, and administrative services. The Pool was formed on 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, 2023, there were 518 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris program provides 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.

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 apply 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:				
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	None	\$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.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2023

NOTE 8 - RISK MANAGEMENT, CONTINUED:

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 a \$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
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 a detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement according 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 are scheduled, 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 sub-limit 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 detailed 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.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2023

NOTE 8 - RISK MANAGEMENT, CONTINUED:

- (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/member's 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) Enduris purchases Identity Fraud Expense Reimbursement coverage. 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 above the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year. They must give notice 60 days before renewal 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 contributing to Enduris for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Its member participants fully fund Enduris. Members file claims with the Pool, which determines coverage and administers the claims.

The Pool is governed by a Board of Directors comprising 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

In 2023, the Port signed a purchase and sale agreement to sell approximately five (5) acres of land at Johns Prairie for \$723,450. The sale is anticipated to close by April 2025.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2023

NOTE 10 - OTHER DISCLOSURES, CONTINUED:

Capital Assets, Continued

In December 2023, the Port substantially completed a building addition and site work improvements for an existing tenant at Johns Prairie. The project was funded with a grant/loan from the Community Economic Revitalization Board (CERB), 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 total project cost is estimated at \$2,959,439 and the balance was funded with Port cash. See Note 10 – *Other Disclosures, Construction Commitments and Subsequent Events*.

Capital Assets - Impaired

In April 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 \$452,672 for the thirty-two (32) months ending December 31, 2023. 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 \$2,925,050 for the building, and \$0 for the loss revenue as of December 31, 2023. The Port has expended \$640,483 as of December 31, 2023 on the fire cleanup and building replacement projects. 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.

In November 2023, the Port entered into a contract with an architectural firm to provide preliminary design through final design, including acquisition of all permits and bid solicitation, for a total cost of \$459,096. See Note 10 – *Other Disclosures, Construction Commitments and Subsequent Events*.

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

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2023

NOTE 10 - OTHER DISCLOSURES, CONTINUED:

Contingencies and Litigation – Contingencies and Litigation, Continued

the terms of the grants. Port management believes that such disallowances, if any, will be immaterial.

Contingencies and Litigation – Recoverable Grants

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.

The Port received a recoverable grant via the acquisition of Sanderson Field (SF) and its associated land when it had been decommissioned by the federal government after World War II. Various usage requirements run with the airport. Any sale, including any portion of SF, first requires approval by the FAA and WSDOT, and then potentially 90% to 100% of the sale proceeds may be required to be remitted back to the FAA and WSDOT. The period of recoverability of the donated land to the Port is for the lifetime of SF. A current value of SF has not been determined.

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, 2023. Included are projects at Sanderson Field (SF) and Johns Prairie (JP) locations.

At year-end, the Port's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
SF building 1 structural fire cleanup ⁽¹⁾	\$ 317,634	\$ 22,358
SF building 1 replacement engineering ⁽¹⁾	0	459,096
JP expansion engineering ⁽²⁾	334,968	1,759
JP site work ⁽²⁾	1,339,123	211,544
JP new building addition ⁽²⁾	816,976	168,513
Total Construction Commitments	\$ 2,808,701	\$ 863,270

⁽¹⁾ Reimbursable by Port insurance company via advances and reimbursements

⁽²⁾ Funded by \$1.5m CERB loan, \$0.5m CERB grant, \$0.5m Port match funded by Port cash

See Note 10 – *Other Disclosures, Capital Assets, Capital Assets – Impaired and Subsequent Events*

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2023

NOTE 10 - OTHER DISCLOSURES, CONTINUED:

Subsequent Events

The Port has evaluated events through May 28, 2024, which is the date the financial statements were available to be issued.

In 2024, 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 architectural firm contracted by the Port in November 2023 provided an initial construction estimate of \$8,873,513 to replace the building, including contingency fees. The Port is pursuing a CERB Prospective Development Program low-interest loan of \$3,000,000 in 2024. If awarded, the Port intends to fund the construction project using insurance funds, the CERB Prospective Development Program loan and Port cash. The Port anticipates construction to commence during 2024. See Note 10 – *Other Disclosures, Capital Assets – Impaired and Construction Commitments*.

In 2024, the Port made a financial commitment to reimburse a tenant's contractor for electrical work related to damages sustained in the 2021 fire on Port property. The Port remitted a total of \$168,368 to the contractor in 2024 using Port cash.

In March 2024, the Port committed to upgrading the flooring and HVAC systems to a Port building for a total cost of \$28,289.

In April 2024, CERB accepted the final report for the 2018 Committed Private Partner Program grant/loan for the building addition and site work for an existing tenant at Johns Prairie. The Port received the final disbursement of \$200,000 in grant revenue to close-out the project. See Note 10 – *Other Disclosures, Capital Assets and Construction Commitments*.

In May 2024, the Port was awarded CERB Committed Private Partner Program funding, consisting of a \$1,750,000 loan with a Port match of \$500,000, that will include renovation of a Port owned 11,500 square foot warehouse building. The private investment by the Port's partner is estimated to be \$1,000,000 in capital and commercial improvements and an estimated 17 permanent jobs will be created over the next five years. The Port anticipates completion of the project in 2025.

Port of Shelton

Schedule 01

For the year ended December 31, 2023

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1746	401	Operations	3085100	Assigned Cash and Investments - Beginning	\$6,915,091
1746	401	Operations	3111000	Property Tax	\$839,896
1746	401	Operations	3312000	Federal Direct Grant from Department of Transportation	\$211,526
1746	401	Operations	3340360	State Grant from Department of Transportation	\$11,372
1746	401	Operations	3340420	State Grant from Department of Commerce	\$349,981
1746	401	Operations	3370000	Local Grants, Entitlements, Tribal Government Distributions, and Other Payments	\$17,902
1746	401	Operations	3446000	Airports and Ports Services	\$1,928,904
1746	401	Operations	3611000	Investment Earnings	\$307,331
1746	401	Operations	3614000	Other Interest	\$4,004
1746	401	Operations	3699100	Miscellaneous Other Operating	\$2,203
1746	401	Operations	5460010	Airports and Ports	\$737,168
1746	401	Operations	5460020	Airports and Ports	\$356,849
1746	401	Operations	5460030	Airports and Ports	\$109,824
1746	401	Operations	5460040	Airports and Ports	\$845,144
1746	401	Operations	5085100	Assigned Cash and Investments - Ending	\$7,298,521
1746	401	Operations	3821000	Refundable Deposits	\$62,408
1746	401	Operations	3829000	Immaterial Fiduciary Collections	\$218,307
1746	401	Operations	3917000	Other Note/Contracts/Line of Credits	\$1,517,647
1746	401	Operations	3952000	Compensation for Loss/Impairment of Capital Assets (Cash Basis Only)	\$433,184

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1746	401	Operations	5821000	Refund of Deposits	\$9,544
1746	401	Operations	5829000	Immaterial Fiduciary Remittance	\$222,959
1746	401	Operations	5914670	Debt Repayment - Airports and Ports	\$296,293
1746	401	Operations	5924680	Interest and Other Debt Service Cost - Airports and Ports	\$19,588
1746	401	Operations	5944610	Capital Expenditures/Expenses - Airports and Ports	\$43,425
1746	401	Operations	5944660	Capital Expenditures/Expenses - Airports and Ports	\$2,839,886
1746	401	Operations	5944670	Capital Expenditures/Expenses - Airports and Ports	\$31,219
1746	401	Operations	5944680	Capital Expenditures/Expenses - Airports and Ports	\$9,337

**Port of Shelton
Schedule of Liabilities
For the Year Ended December 31, 2023**

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	3/1/2023	135,000	-	135,000	-
251.11	Tax Exempt Serial Bonds for Buildings and Infrastructure, ISSUED 08/15/2005	3/1/2025	245,000	-	80,000	165,000
263.85	WA State Department of Health, Replace AC Waterline, ISSUED 09/14/2004	8/1/2024	14,317	-	7,159	7,158
263.85	WA State Department of Health, Replace AC Waterline, ISSUED 09/14/2004	8/1/2024	89,557	-	44,779	44,778
263.85	CERB/JP Roof and Infrastructure, ISSUED 08/28/2017	1/31/2038	247,585	-	13,807	233,778
263.85	CERB/JP Infrastructure, ISSUED 05/18/2017	7/31/2038	131,240	-	7,529	123,711
263.85	CERB/JP Site Work and Building Expansion, ISSUED 12/18/2018	1/31/2044	-	1,500,000	-	1,500,000
Total General Obligation Debt/Liabilities:			862,699	1,500,000	288,274	2,074,425
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		46,618	13,582	-	60,200
263.52	Fire Monitoring Equipment		116	-	116	-
263.57	Lease - Copier		20,748	-	4,788	15,960
263.57	Lease - Telephone		11,799	-	2,484	9,315
263.57	Lease - Postage Machine		1,105	-	631	474
263.62	Promissory Note - Building	2/1/2032	325,466	-	31,219	294,247
264.30	Pension Liabilities		102,186	-	18,067	84,119
264.40	OPEB Liabilities		428,874	57,987	-	486,861
Total Revenue and Other (non G.O.) Debt/Liabilities:			936,912	71,569	57,305	951,176
Total Liabilities:			1,799,611	1,571,569	345,579	3,025,601

**Port of Shelton
Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2023**

State Agency Name	Program Title	Identification Number	Total
State Grant from Department of Commerce	Community Economic Revitalization Board Planning Grant	S21-790A0-221	12,114
State Grant from Department of Commerce	Community Economic Revitalization Board Committed Private Partner Program	S18-790A0-146	500,000
Sub-Total:			512,114
State Grant from Department of Transportation	Aviation Division - Airport Improvements	SHE-01-22	11,372
Sub-Total:			11,372
Total State Grants Expended:			523,486

**Port of Shelton
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

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	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	203,982	203,982	-	1.2.3
Total Federal Awards Expended:				-	203,982	203,982	-	

The accompanying notes are an integral part of this schedule.

Port of Shelton
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

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.

PORT OF SHELTON
Schedule 21 - Local Government Risk Assumption
For the Year Ended December 31, 2023

1. How do you insure property and liability risks, if at all?
 - a. Formal self-insurance program for some or all perils/risks
 - b. **Belong to a public entity risk pool**
 - c. Purchase private insurance
 - d. Retain risk internally without a self-insurance program (i.e., risk assumption)
2. How do you provide health and welfare insurance (e.g., medical, dental, prescription drug, and/or vision benefits) to employees, if at all?
 - a. Self-insure some or all benefits
 - b. Belong to a public entity risk pool
 - c. **All benefits provided by health insurance company or HMO**
 - d. Not applicable – no such benefits offered
3. How do you insure unemployment compensation benefits, if any?
 - a. Self-insured (“Reimbursable”)
 - b. Belong to a public entity risk pool
 - c. **Pay taxes to the Department of Employment Security (“Taxable”)**
 - d. Not applicable – no employees
4. How do you insure workers compensation benefits, if any?
 - a. Self-insured (“Reimbursable”)
 - b. Belong to a public entity risk pool
 - c. **Pay premiums to the Department of Labor and Industries**
 - d. Not applicable – no employees
5. How do you participate in the Washington Paid Family & Medical Leave Program?
 - a. Self-insured (“Voluntary Plan”) for one or both program benefits
 - b. **Pay premiums to the State’s program for both benefits**
 - c. Not Applicable – No Employees

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.