



## **ANNUAL FINANCIAL REPORT**

December 31, 2024

# 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 12/31/2024

## GOVERNMENT INFORMATION:

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## 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 29th day of May, 2025, that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to ensure accurate financial reporting, comply with applicable laws and safeguard public resources, including controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.

Signatures



Wendy E Smith (wendys@portofshelton.com)

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

		<u>401 Operations</u>
<b>Beginning Cash and Investments</b>		
308	Beginning Cash and Investments	7,298,521
388 / 588	Net Adjustments	-
<b>Revenues</b>		
310	Taxes	859,669
320	Licenses and Permits	-
330	Intergovernmental Revenues	282,522
340	Charges for Goods and Services	1,945,227
350	Fines and Penalties	-
360	Miscellaneous Revenues	333,115
Total Revenues:		<u>3,420,533</u>
<b>Expenditures</b>		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	1,986,652
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>1,986,652</u>
Excess (Deficiency) Revenues over Expenditures:		<u>1,433,881</u>
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	17,647
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	487,121
Total Other Increases in Fund Resources:		<u>504,768</u>
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	1,166,873
591-593, 599	Debt Service	172,980
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	436,768
Total Other Decreases in Fund Resources:		<u>1,776,621</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b>162,028</b>
<b>Ending Cash and Investments</b>		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	7,460,549
50891	Unassigned	-
<b>Total Ending Cash and Investments</b>		<b><u>7,460,549</u></b>

*The accompanying notes are an integral part of this statement.*

**PORT OF SHELTON**  
**NOTES TO FINANCIAL STATEMENT**  
For the Year Ended December 31, 2024

**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**

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. See Note 2 - *Deposits and Investments*.

**PORT OF SHELTON**  
**NOTES TO FINANCIAL STATEMENT**  
For the Year Ended December 31, 2024

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

**D. Capital Assets**

Capital assets, including major repairs, are assets with an initial individual cost of \$5,000 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 - *Other Disclosures, Capital Assets and Awards, Capital Assets - Impaired and Subsequent Events*.

**E. Compensated Absences**

Compensated absences are leave for which employees may receive cash payments when the leave is used or expected to be used for time off, other cash payments like unused leave paid upon termination of employment, non-cash settlements like conversion to defined benefit post-employment benefits, and associated employer required payroll taxes. Termination of employment is the end of an employee's active service no matter the reason and includes estimated leave paid at separation, retirement, or death. Payments are recognized as expenditures when paid.

Vacation leave accrues on the employee's anniversary date, may be accumulated up to eighty (80) hours. Accrued vacation leave is payable in full upon termination. 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. See Note 4 – *Long-Term Liabilities*, Note 10 - *Other Disclosures, Subsequent Events, and Schedule of Liabilities* (Schedule 09).

**F. Liabilities**

See Note 4 - *Long-Term Liabilities*, Note 5 – *Leases*, Note 6 – *Other Post-Employment Benefits (OPEB)*, Note 7 – *Pension Plans*, and *Schedule of Liabilities* (Schedule 09).

**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. The liability is reported if the total payments over the life of the lease is more than \$5,000. 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 action of 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, 2024

**NOTE 2 - DEPOSITS AND INVESTMENTS:**

Investments are reported at face value, unless indicated otherwise. Deposits and investments by type at December 31, 2024 are as follows:

Type of Deposit or Investment	Port's Own Deposits and Investments Total
Bank Deposits	\$ 504,578
Heritage Bank Public Now Invest	599,705
Local Government Investment Pool (LGIP)	6,356,266
Total	<u>\$ 7,460,549</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](http://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, 2024

**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 2024 was \$0.1976045 per \$1,000 on an assessed valuation of \$4,366,558,779 for a total regular levy of \$862,852.

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

**NOTE 4 - LONG-TERM LIABILITIES:**

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

The debt service requirements for General Obligation (G.O.) bonds, subordinated interagency loans and a promissory note at December 31, 2024 are as follows:

Year ending December 31	Principal	Interest	Total
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	129,783	25,201	154,984
2030-2034	568,788	92,276	661,064
2035-2039	492,804	52,810	545,614
2040-2044	420,377	19,105	439,482
Totals	\$ 2,182,940	\$ 325,269	\$ 2,508,209

**PORT OF SHELTON**  
**NOTES TO FINANCIAL STATEMENT**  
For the Year Ended December 31, 2024

**NOTE 4 - LONG-TERM LIABILITIES, 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

**Compensated Absences**

During fiscal year 2024, the Port implemented the expanded accounting standard used to measure compensated absences. Compensated absences expanded to include employee's sick leave expected to be used over the estimated life of employment with the Port. The financial impact of this change is reflected in the table below.

During the year ended December 31, 2024, the following changes occurred in compensated absences:

	Beginning Balance 01/01/2024	Additions	Reductions	Ending Balance 12/31/2024
Compensated Absences*	\$ 60,200	\$ 122,259		\$ 182,459

\*additions and reductions are reported as a net change

See *Schedule of Liabilities* (Schedule 09).

**NOTE 5 - LEASES:**

The Port's adoption of the cash basis BARS manual requirements for leases results in lease liabilities reported on the *Schedule of Liabilities* (Schedule 09).

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 ended in July 2024. The Port returned the equipment at the end of the lease term.



**PORT OF SHELTON**  
**NOTES TO FINANCIAL STATEMENT**  
For the Year Ended December 31, 2024

**NOTE 5 – LEASES, CONTINUED:**

The total amount paid for leases in 2024 was \$7,746. As of December 31, 2024, the future lease payments are as follows:

Year Ended December 31	Total
2025	\$ 7,272
2026	\$ 7,272
2027	\$ 3,459
Total	\$ 18,003

**NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB):**

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 2024	
Number of Active Plan Members	12
Number of Retired Plan Members	3
Contributions Made	\$ 10,794
*Total OPEB Liability	\$ 426,691

*\*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.

**PORT OF SHELTON**  
**NOTES TO FINANCIAL STATEMENT**  
For the Year Ended December 31, 2024

**NOTE 7 - PENSION PLANS, CONTINUED:**

State Sponsored Pension Plans, Continued

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](http://www.drs.wa.gov).

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

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 20,395	0.003407%	\$ 60,537
PERS 2/3	\$ 43,952	0.004465%	\$ (147,192)

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 (the 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, under 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. During the Pool's fiscal year ending August 31, 2024, there were 507 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 and reported 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 some instances, the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays specific to their needs. Enduris is responsible for payment of all covered losses above the member deductible or copay 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.

**PORT OF SHELTON**  
**NOTES TO FINANCIAL STATEMENT**  
For the Year Ended December 31, 2024

**NOTE 8 - RISK MANAGEMENT, CONTINUED:**

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays <sup>(1)</sup>
<b>Liability:</b>				
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 <sup>(2)</sup>	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 <sup>(3)</sup>
<b>Property <sup>(4)</sup>:</b>				
Buildings and Contents	Per Occurrence	\$500,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$500,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery	Per Occurrence	\$500,000	\$100 million	\$1,000 - \$250,000
Business Interruption (BI)/ Extra Expense (EE) <sup>(5)</sup>	Per Occurrence	\$500,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
<b>Sublimit <sup>(6)</sup>:</b>				
Flood	Per Occurrence	\$500,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to a \$500,000 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
<b>Automobile Physical Damage <sup>(7)</sup></b>	Per Occurrence	\$500,000 with exceptions	\$1 billion	\$250 - \$1,000

**PORT OF SHELTON**  
**NOTES TO FINANCIAL STATEMENT**  
For the Year Ended December 31, 2024

**NOTE 8 - RISK MANAGEMENT, CONTINUED:**

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays <sup>(1)</sup>
<b>Cyber <sup>(8)</sup></b>	Each Claim APIP Aggregate	\$50,000 to \$100,000 with waiting period	\$2 million \$45 million	20% Copay
<b>Pollution <sup>(9)</sup></b>	Each Claim APIP Aggregate	\$250,000 with exceptions	\$2 million \$25 million	\$1,000 - \$250,000
<b>Crime Blanket <sup>(10)</sup></b>	Per Occurrence	\$50,000	\$1 million	\$1,000
<b>Named Position <sup>(11)</sup></b>	Per Occurrence	\$50,000	\$1 million	\$1,000
<b>Identity Fraud Expense Reimbursement <sup>(12)</sup></b>	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) Terrorism liability is fully funded by the Pool, i.e., no excess/reinsurance is procured.
- (3) Members are responsible for a 20% co-pay for Employment Practices Liability coverage claim costs. However, the co-pay may be waived if they meet established guidelines.
- (4) 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 \$500,000 to the limit of \$1 billion, except for certain types of sub-limited property losses such as floods, earthquakes, and terrorism.
- (5) Business Interruption (BI)/Extra Expense (EE) coverage is based on scheduled revenue-generating locations/operations. A limited number of members are scheduled; 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.
- (6) This Property Program 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.
- (7) Auto Physical Damage coverage includes comprehensive, collision, and additional coverage (i.e., rental reimbursement, towing, and personal property). Each member's coverage is based on a detailed vehicle schedule. The Pool's Auto Physical Damage coverage deductible is \$500,000 per occurrence with certain exceptions: \$25,000 for on-premises comprehensive and collision; a \$100,000 minimum for emergency vehicles and all other vehicles with an RCV of \$250,000 to \$750,000; \$250,000 for all vehicles with an RCV above \$750,000.
- (8) Cyber coverage is included under the Pool's Property program on an optional basis. 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.
- (9) Pollution coverage is included under the Pool's Property program on an optional basis. Members are subject to a 20% co-pay per loss. The Pool's SIR is \$250,000, with certain specific deductibles ranging from \$250,000 to \$1 million. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Each member is provided with \$2,500 of Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance"). Members may elect to "buy up" the coverage from \$2,500 to \$1 million.
- (11) 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.
- (12) Enduris purchases Identity Fraud Expense Reimbursement coverage. Member claims are not subject to a deductible; the limit is \$25,000 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. No claim settlements were above the insurance coverage in the last three policy years.

Upon joining the Pool, members are contractually obligated to remain for at least 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

**PORT OF SHELTON**  
**NOTES TO FINANCIAL STATEMENT**  
For the Year Ended December 31, 2024

**NOTE 8 - RISK MANAGEMENT, CONTINUED:**

provisions for withdrawal or termination are applied. Any Member terminated or withdrawing from the Pool shall be liable pro-rata for any assessments levied against Members for any year in which that Member belonged to the Pool as if they were still a Member.

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

A seven-member Board of Directors governs the Pool. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly, oversees Enduris' business affairs, and provides 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 and Awards

In February 2024, the Port accepted as complete a building addition and site work improvements for an existing tenant at Johns Prairie. Utilizing the Committed Private Partner Program through the Community Economic Revitalization Board (CERB), the project funding consists of a \$1,500,000 loan, a \$500,000 grant award and a \$500,000 Port match for an initial project cost of \$2,500,000. The total project cost was \$2,908,233 and the balance was funded with Port cash. The initial annual payment of \$87,896 on the CERB loan is due January 2025. See Note 4 – *Long-Term Liabilities* and *Schedule of Liabilities* (Schedule 09).

In 2024, the Port applied for and was awarded a CERB loan through the Committed Private Partner Program to fund improvements to a building at Sanderson Field. The project includes converting an 11,500 square foot pre-engineered metal building for a food processing facility, office space and retail store. In August 2024, the Port entered into a contract for architectural services for an initial cost of \$177,480. The consultant provided an initial construction estimate of \$1,972,000 for the building improvements. The Port was awarded a CERB loan of \$1,750,000 with a local match requirement of \$883,072, utilizing a combination of Port cash and private capital investment from the Port's partner in the project. The Port has expended \$6,389 and has not received any loan reimbursements as of December 31, 2024. The Port anticipates completion of the project in 2026. See Note 10 – *Other Disclosures, Construction Commitments* and *Subsequent Events*.

**PORT OF SHELTON**  
**NOTES TO FINANCIAL STATEMENT**  
For the Year Ended December 31, 2024

**NOTE 10 - OTHER DISCLOSURES, CONTINUED:**

**Capital Assets and Awards, Continued**

In 2024, the Port was awarded a U.S. Department of Transportation Federal Aviation Administration (FAA) grant to fund a pavement maintenance overlay of taxiway and electrical improvements at Sanderson Field Airport. The Port anticipates the project will cost approximately \$4,782,266, of which FAA will fund \$4,300,328, Washington State Department of Transportation (WSDOT) will fund \$230,149 and the balance of \$251,789 will be funded with Port cash. In December 2024, the Port entered into a construction contract for \$4,318,312 with a contractor to complete the project. The Port anticipates entering into a contract with a consultant for construction management and engineering during 2025. The Port has expended \$4,124 and has not received any award reimbursements as of December 31, 2024. See Note 10 – *Other Disclosures, Construction Commitments and Subsequent Events*.

In December 2024, the Port entered into a federal award agreement with the United States Department of Commerce Economic Development Administration (EDA) to fund a site feasibility study for future construction of a Substation which will service the development of a two-acre site at Sanderson Field. The federal grant portion is \$100,000 and the match portion is \$25,000 for a total award of \$125,000. The Port intends to fund the match with assistance from another local government and/or Port cash. The Port has not expended any funds as of December 31, 2024 and anticipates completion of the study in 2026.

**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, there were two other affected buildings. One adjacent building (15,000 square feet) was temporarily impaired due to loss of electricity and was restored to full occupancy and is under lease in 2024. A second building (1,440 square feet) was also impaired and will be demolished during the construction phase of the building replacement. The Port and the insurance company have an agreed upon resolution resulting in an approved in-kind replacement insurance payout of \$5,726,135 on the replacement costs for the 30,000 square foot building.

The Port is currently negotiating a settlement in excess of \$900,000 for loss of rents, additional expenses and additional property damage. The settlement is anticipated to occur in 2025. The Port has received advance fire loss payments of \$2,917,931 for the building, and \$0 for the loss of rents, additional expenses and property damage as of December 31, 2024. The Port has expended \$1,250,284 as of December 31, 2024 utilizing insurance advances towards fire cleanup costs, restoring occupancy to the adjacent building and architectural fees for the replacement structure. 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.

During 2024, the architectural firm under contract for professional services provided an initial construction estimate of \$8,873,513 to replace the building, including contingency fees. The Port anticipates the total project to cost an estimated \$11,000,000. The Port was awarded a \$3,000,000 loan/grant from the CERB Prospective Development Program and anticipates being under contract with CERB in 2025. The Port intends to fund the construction project using insurance proceeds, the CERB award and approximately \$1,400,000 in Port cash or other financing options as they become available to complete the project. The Port anticipates completion of the project in 2027. See Note 10 – *Other Disclosures, Construction Commitments and Subsequent Events*.

**PORT OF SHELTON**  
**NOTES TO FINANCIAL STATEMENT**  
For the Year Ended December 31, 2024

**NOTE 10 - OTHER DISCLOSURES, CONTINUED:**

**Contingencies and Litigation**

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

**Contingencies and Litigation – Recoverable Awards**

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 award 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.

**Construction Commitments**

The Port has active construction projects as of December 31, 2024. 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 <sup>(1)</sup>	\$ 317,634	\$ 15,345
SF taxiway paving and lighting construction <sup>(2)</sup>	0	4,318,312
SF building 1 replacement engineering <sup>(1)</sup>	410,406	292,810
SF airport master plan <sup>(3)</sup>	42,583	457,375
SF building electrical repairs <sup>(4)</sup>	36,669	3,719
SF warehouse building renovations engineering <sup>(5)</sup>	6,389	171,091
<b>Total Construction Commitments</b>	<b>\$ 813,681</b>	<b>\$ 5,258,652</b>

<sup>(1)</sup> Advanced insurance recoveries

<sup>(2)</sup> Funded by \$4.3m FAA award, \$230k WSDOT award and Port cash

<sup>(3)</sup> Funded by \$448k FAA award, \$25k WSDOT award and Port cash

<sup>(4)</sup> Funded by Port cash

<sup>(5)</sup> Funded by \$1.75m CERB loan, \$833k match funded by Port cash and private partner investment

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

**PORT OF SHELTON**  
**NOTES TO FINANCIAL STATEMENT**  
For the Year Ended December 31, 2024

**NOTE 10 - OTHER DISCLOSURES, CONTINUED:**

Subsequent Events

The Port has evaluated events through May 29, 2025, which is the date the financial statements were available to be issued.

In January 2025, the Port Commission adopted Resolution 25-01 revising the personnel policies and practices set forth in the Employee Handbook. Included in the revised personnel policy, the Port replaced their traditional leave policy with a paid time off (PTO) policy. The PTO policy increases the amount of leave an employee can receive based on employment longevity with the Port in lieu of the traditional vacation and sick leave previously allowed. Under the new policy, regular full-time employees are allowed to accrue and carry-over up to 320 PTO hours at fiscal year-end. Regular-full time employees who have completed twelve months or more of continuous employment with the Port will be cashed out a maximum of 320 PTO hours upon separation. Grandfathered sick leave is forfeited and shall not be cashed out upon separation or retirement. See Note 1(E) – *Summary of Significant Accounting Policies, Compensated Absences*.

In January 2025, the Port entered into a contract with a consultant for construction management services for the SF taxiway paving and lighting construction project. The total contract value is \$420,506 and is funded by an FAA award, a WSDOT award and Port cash. See Note 10 – *Other Disclosures, Capital Assets and Awards and Construction Commitments*.

In January 2025, the Port entered into a contract with a consultant to provide a basin study/conveyance engineering report and a pre-design report for a conceptual design to determine the most optimal routing through the City of Shelton's wastewater system to provide services to Johns Prairie. The total contract value is \$200,000 and is funded using a Department of Commerce Industrial Site Readiness award of \$200,000 that was awarded to the Port in 2024.

In 2025, the Port continues to proceed forward on the replacement of the SF building lost to fire in 2021. On February 28, 2025, the Port entered into a contract with CERB for a Prospective Development Program loan of \$2,250,000 with a 1.5% interest rate and an award of \$750,000. There is a 50% match requirement and the Port intends to use insurance proceeds and Port cash for the match. CERB granted the Port a deferral of the first loan payment until January 31, 2027 to allow adequate time for construction completion and engaging a future tenant for the property. The Port anticipates construction to commence during 2025. See Note 10 – *Other Disclosures, Capital Assets – Impaired*.

In April 2025, the Port amended the contract for architectural services for revisions to the scope of work for the 11,500 square foot pre-engineered metal building renovations. The amendment increased the contract value \$38,200 for a total cost of \$215,680. See Note 10 – *Other Disclosures, Capital Assets and Awards and Construction Commitments*.



# Port of Shelton

Schedule 01

For the year ended December 31, 2024

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1746	401	Operations	3085100	Assigned Cash and Investments - Beginning	\$7,298,521
1746	401	Operations	3111000	Property Tax	\$859,669
1746	401	Operations	3312000	Federal Direct Award from Department of Transportation	\$63,620
1746	401	Operations	3340360	State Award from Department of Transportation	\$2,279
1746	401	Operations	3340420	State Award from Department of Commerce	\$200,000
1746	401	Operations	3370000	Local Awards, Entitlements, Tribal Government Distributions, and Other Payments	\$16,623
1746	401	Operations	3446000	Airports and Ports Services	\$1,945,227
1746	401	Operations	3611000	Investment Earnings	\$324,031
1746	401	Operations	3614000	Other Interest	\$5,804
1746	401	Operations	3699100	Miscellaneous Other Operating	\$3,280
1746	401	Operations	5460010	Airports and Ports	\$788,600
1746	401	Operations	5460020	Airports and Ports	\$344,256
1746	401	Operations	5460030	Airports and Ports	\$93,866
1746	401	Operations	5460040	Airports and Ports	\$759,930
1746	401	Operations	5085100	Assigned Cash and Investments - Ending	\$7,460,549
1746	401	Operations	3821000	Refundable Deposits	\$254,677
1746	401	Operations	3829000	Immaterial Fiduciary Collections	\$230,444
1746	401	Operations	3917000	Other Note/Contracts/Line of Credits	\$17,647
1746	401	Operations	3952000	Compensation for Loss/Impairment of Capital Assets (Cash Basis Only)	\$2,000

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1746	401	Operations	5821000	Refund of Deposits	\$215,783
1746	401	Operations	5829000	Immaterial Fiduciary Remittance	\$220,985
1746	401	Operations	5914670	Debt Repayment - Airports and Ports	\$161,311
1746	401	Operations	5924680	Interest and Other Debt Service Cost - Airports and Ports	\$11,669
1746	401	Operations	5944610	Capital Expenditures/Expenses - Airports and Ports	\$11,237
1746	401	Operations	5944660	Capital Expenditures/Expenses - Airports and Ports	\$1,115,080
1746	401	Operations	5944670	Capital Expenditures/Expenses - Airports and Ports	\$32,168
1746	401	Operations	5944680	Capital Expenditures/Expenses - Airports and Ports	\$8,388

**Port of Shelton**  
**Schedule of Liabilities (Schedule 09)**  
**For the Year Ended December 31, 2024**

ID. No.	Debt ID Title	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligation Debt/Liabilities</b>							
251.11	Non-voted General obligation bonds	Tax Exempt Serial Bonds for Buildings and Infrastructure, ISSUED 08/15/2005	03/01/2025	165,000	-	80,000	85,000
263.83	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	WA State Department of Health, Replace AC Waterline, ISSUED 9/14/2004	08/01/2024	7,158	-	7,158	-
263.83	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	WA State Department of Health, Replace AC Waterline, ISSUED 9/14/2004	08/01/2024	44,778	-	44,778	-
263.83	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	CERB/JP Roof and Infrastructure, ISSUED 08/28/2017	01/31/2038	233,778	-	14,014	219,764
263.83	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	CERB/JP Infrastructure, ISSUED 05/18/2017	07/31/2038	123,711	-	7,615	116,096
263.83	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	CERB/JP Site Work and Building Expansion, ISSUED 12/18/2018	01/31/2044	1,500,000	-	-	1,500,000
<b>Total General Obligation Debt/Liabilities:</b>				<b>2,074,425</b>	<b>-</b>	<b>153,565</b>	<b>1,920,860</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>							
259.12	Compensated Absences	Compensated Absences		60,200	122,259	-	182,459
263.57	Leases, SBITA, and PPPs	Lease - Copier		15,960	-	4,788	11,172
263.57	Leases, SBITA, and PPPs	Lease - Telephone		9,315	-	2,484	6,831
263.57	Leases, SBITA, and PPPs	Lease - Postage Machine		474	-	474	-
263.62	Notes Payable (promissory notes, BANs, TANs, GANs, etc.)	Promissory Note - Building	02/01/2032	294,247	-	32,168	262,079
264.30	Pension Liabilities	Pension Liabilities		84,119	-	23,582	60,537
264.40	OPEB Liabilities	OPEB Liabilities		486,861	-	60,170	426,691
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>				<b>951,176</b>	<b>122,259</b>	<b>123,666</b>	<b>949,769</b>
<b>Total Liabilities:</b>				<b>3,025,601</b>	<b>122,259</b>	<b>277,231</b>	<b>2,870,629</b>

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

<b>State Agency Name</b>	<b>Program Title</b>	<b>Identification Number</b>	<b>Total</b>
State Award from Department of Transportation	Washington Airport Aid Program	SHE-01-24	2,279
		<b>Sub-Total:</b>	<b>2,279</b>
	<b>Total State Grants Expended:</b>		<b>2,279</b>

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

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106		-	41,164	41,164	-	1.2.3
<b>Total Federal Awards Expended:</b>				<b>-</b>	<b>41,164</b>	<b>41,164</b>	<b>-</b>	

*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, 2024

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, 2024

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. “Voluntary Plan” for one or both program benefits, with accumulated resources (i.e. self-insurance program)
  - b. “Voluntary Plan” for one or both program benefits, but with no accumulated resources (i.e. risk assumption)
  - c. **Pay premiums to the State’s program for both benefits**
  - d. Purchase private insurance
  - e. Not applicable – no employees