



ANNUAL FINANCIAL REPORT

December 31, 2025

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 12/31/2025

GOVERNMENT INFORMATION:

Official Mailing Address	<u>21 W Sanderson Way</u>
	<u>Shelton, WA 98584</u>
Official Website Address	<u>www.portofshelton.com</u>
Official E-mail Address	<u>wendys@portofshelton.com</u>
Official Phone Number	<u>360-426-1151</u>

AUDIT CONTACT or PREPARER INFORMATION and CERTIFICATION:

Audit Contact or Preparer Name and Title	<u>Wendy E Smith Executive Director</u>
Contact Phone Number	<u>360-426-1151</u>
Contact E-mail Address	<u>wendys@portofshelton.com</u>

I certify 28th day of May, 2026, that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to ensure accurate financial reporting, comply with applicable laws and safeguard public resources, including controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.


Signatures

Wendy E Smith (wendys@portofshelton.com)

Port of Shelton
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2025

		<u>401 Operations</u>
Beginning Cash and Investments		
308	Beginning Cash and Investments	7,460,549
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	883,591
320	Licenses and Permits	-
330	Intergovernmental Revenues	4,627,128
340	Charges for Goods and Services	2,613,593
350	Fines and Penalties	-
360	Miscellaneous Revenues	295,256
Total Revenues:		<u>8,419,568</u>
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	2,560,920
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>2,560,920</u>
Excess (Deficiency) Revenues over Expenditures:		<u>5,858,648</u>
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	2,460,441
Total Other Increases in Fund Resources:		<u>2,478,088</u>
Other Decreases in Fund Resources		
594-595	Capital Expenditures	5,021,630
591-593, 599	Debt Service	208,827
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	252,159
Total Other Decreases in Fund Resources:		<u>5,482,616</u>
Increase (Decrease) in Cash and Investments:		<u>2,854,120</u>
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	10,314,669
50891	Unassigned	-
Total Ending Cash and Investments		<u>10,314,669</u>

The accompanying notes are an integral part of this statement.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2025

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, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 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 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.

The Port's paid time off plan (PTO) may be accumulated up to 320 hours for regular full-time employees and 160 hours for regular part-time employees at year-end. Upon completion of twelve (12) months or more of continuous employment, PTO is payable upon separation or retirement for a maximum of 320 hours for regular full-time employees and 160 hours for regular part-time employees. PTO is forfeited for employment less than twelve (12) months. Grandfathered Sick Leave is sick leave that employees accumulated to December 31, 2024, after which no longer accrues. Grandfathered Sick Leave is forfeited upon separation of employment, either voluntarily or involuntarily. 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

Leases are reported as liabilities if the total payments over the life of the lease is more than \$5,000. See Note 5 – *Leases and Schedule of Liabilities* (Schedule 09).

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, 2025

NOTE 2 - DEPOSITS AND INVESTMENTS:

Investments are reported at face value, unless indicated otherwise. Deposits and investments by type at December 31, 2025 are as follows:

Type of Deposit or Investment	Port's Own Deposits and Investments
Bank Deposits	\$ 1,147,365
Heritage Bank Public Now Invest	599,825
Local Government Investment Pool (LGIP)	8,567,479
Total	\$ 10,314,669

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, 2025

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 2025 was \$0.1992540 per \$1,000 on an assessed valuation of \$4,422,379,846 for a total regular levy of \$881,177.

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, 2025.

The debt service requirements for subordinated interagency loans and a promissory note are as follows:

Year ending December 31	Principal	Interest	Total
2026	122,619	32,366	154,985
2027	124,956	30,029	154,985
2028	127,344	27,641	154,985
2029	129,783	25,202	154,985
2030	132,276	22,708	154,984
2031-2035	537,373	83,136	620,509
2036-2040	473,533	45,547	519,080
2041-2044	338,787	12,799	351,586
Totals	\$ 1,986,671	\$ 279,428	\$ 2,266,099

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2025

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

	Beginning Balance 01/01/2025	Additions	Reductions	Ending Balance 12/31/2025
Compensated Absences*	\$ 182,459	\$ 17,318		\$ 199,777

*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 resulted 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 total amount paid for leases in 2025 was \$7,272. As of December 31, 2025, the future lease payments are as follows:

Year Ended December 31	Total
2026	\$ 7,272
2027	\$ 3,459
Total	\$ 10,731

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2025

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 2025	
Number of Active Plan Members	12
Number of Retired Plan Members	3
Contributions Made	\$ 11,493
*Total OPEB Liability	\$ 328,392

**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, 2025 (*the measurement date of the plans*), the Port's proportionate share of the collective net pension liabilities (assets), was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 20,410	0.003702%	\$ 43,646
PERS 2/3	\$ 50,870	0.004793%	\$ (182,909)

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, 2025

NOTE 8 - RISK MANAGEMENT:

The Port is a member of Enduris Washington (“Enduris” or “the Pool”) under an interlocal governmental agreement. Enduris was established as a Washington Risk Pool under RCW 48.62.031, allowing local government entities to self-insure risks independently or collectively, purchase insurance or reinsurance together, and contract for services like risk management, claims processing, and administration. Enduris is fully funded by its member participants. Members submit claims to the Pool, which evaluates coverage and manages the claims process.

For the fiscal year ending August 31, 2025, Enduris had 497 members from various special-purpose districts across the state. Members make annual contributions to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. Membership requires a minimum one-year commitment, with 60 days' notice required to terminate before renewal. The Interlocal Governmental Agreement renews automatically unless withdrawal or termination options are exercised. Withdrawing or terminated members remain liable on a pro rata basis for any assessments levied against the membership during their period of membership, as if they were still a member.

The Enduris program offers various forms of joint self-insurance and reinsurance coverage for its members, including Liability coverage (general, auto, public officials' errors and omissions, terrorism, employment practices), Property coverage (buildings, contents, equipment, boiler/machinery, business interruption), Auto Physical Damage, Cyber coverage, Pollution coverage, Crime Blanket coverage, Named Position coverage, Alliant Deadly Weapon Response Program (ADWRP) coverage, and Identity Fraud Reimbursement coverage. Blanket Accident Insurance is provided for specific participating districts. Pollution, Cyber, Blanket Accident, ADWRP, and Identity Fraud Expense Reimbursement coverage are claims-made and reported; Crime coverage is discovery-based; all other coverage is occurrence-based.

Members may pay a deductible or co-pay for each covered loss, as per the terms of their coverage. Each year, members receive a Memorandum of Coverage detailing their specific coverage, limits, and deductibles. In certain instances, the Pool may allow members to elect limits, coverage, deductibles, and co-pays specific to their needs. Enduris pays for covered losses above the member's deductible or co-pay for the specific coverage, up to the Pool's self-insured retention (SIR), and then uses excess/reinsurance from unrelated insurance companies to indemnify covered losses beyond the SIR up to the coverage maximum limit.

Enduris issues an annual Financial Report that includes financial statements and other required supplementary information. The latest Enduris Washington Financial Statements Audit Report is available on the SAO website. <https://sao.wa.gov/reports-data/audit-reports>.

NOTE 9 - ENVIRONMENTAL AND CERTAIN ASSET RETIREMENT LIABILITIES:

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

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2025

NOTE 10 - OTHER DISCLOSURES:

Capital Assets and Awards

The Port entered into a contract with the Community Economic Revitalization Board (CERB), consisting of a low interest 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, to renovate an 11,500 square foot warehouse building at Sanderson Field. In December 2025, the Port awarded a construction contract to the lowest responsible bidder for a total amount of \$3,101,966 for the building renovations. Subsequently, the Port requested an amendment from CERB to increase funding by \$700,000 for a total loan obligation of \$2,450,000 and increase the match to \$920,000 for a total contract amount of \$3,370,000. The Port anticipates a total estimated project cost of \$3,477,175 including contingencies. The Port has expended \$162,440 and has not requested any loan reimbursements as of December 31, 2025. The Port anticipates completion of the project in 2026. See Note 10 – *Other Disclosures, Construction Commitments and Subsequent Events*.

The Port was awarded a U.S. Department of Transportation Federal Aviation Administration (FAA) grant and a Washington State Department of Transportation (WSDOT) grant to fund a taxiway pavement maintenance and electrical improvements project at Sanderson Field Airport. The Port commenced construction in 2025 for a total estimated project cost of \$4,778,225, of which FAA will fund \$4,300,328, Washington State Department of Transportation (WSDOT) will fund \$230,149 and the balance of \$247,748 will be funded with Port cash. The Port has expended \$4,316,964 and has received \$3,884,759 from FAA and \$178,910 from WSDOT in award reimbursements as of December 31, 2025. The Port anticipates project completion in 2026. See Note 10 – *Other Disclosures, Construction Commitments and Subsequent Events*.

In February 2025, the Port entered into a contract with CERB through the Prospective Development Construction Program, consisting of a \$2,250,000 low interest loan, a \$750,000 grant and a local match of \$8,055,000, to fund construction of a 29,900 square foot pre-engineered manufacturing facility with two (2) 15-ton bridge cranes at Sanderson Field. The facility will replace the 30,000 square foot building that was permanently impaired due to a fire in 2021. The Port and the insurance company have an agreed upon resolution for \$5,727,135 for the replacement costs of the permanently impaired building and \$968,635 for loss of rents, additional expenses and property damage for total insurance proceeds of \$6,695,770. The Port's consultant provided an initial cost estimate of \$11,000,000 and the actual construction bids came in lower than estimated. In August 2025, the Port entered into a contract with a construction company for \$6,771,781 to perform the work. The Port anticipates a total estimated project cost of \$8,587,857 and intends to request a reduction in the local match identified in the 2024 CERB contract. The Port has expended \$1,626,466 in total project costs, including cleanup of the impaired building, and has received \$5,503,283 in insurance proceeds as of December 31, 2025. The Port anticipates receiving the balance of insurance proceeds of \$1,192,487 and intends to request the initial CERB reimbursement in 2026. The Port anticipates completion of the project in 2027. 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 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.

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2025

NOTE 10 - OTHER DISCLOSURES, CONTINUED:

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, 2025. Included are projects at the Port's Sanderson Field (SF) location.

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

Project	Spent to Date	Remaining Commitment
SF taxiway paving and lighting construction ⁽¹⁾	\$ 4,308,682	\$ 430,136
SF airport master plan ⁽²⁾	412,802	87,156
SF building 1 replacement engineering & construction ⁽³⁾	711,643	6,912,734
SF warehouse building renovations engineering & construction ⁽⁴⁾	157,910	3,159,735
SF substation engineering plan ⁽⁵⁾	0	117,300
SF north gate replacement ⁽⁶⁾	0	17,548
Total Construction Commitments	\$ 5,591,037	\$ 10,724,609

⁽¹⁾ Funded by \$4.3m FAA award, \$230k WSDOT award and Port cash

⁽²⁾ Funded by \$448k FAA award, \$25k WSDOT award and Port cash

⁽³⁾ Funded by insurance proceeds; \$2.25m CERB loan and \$750,000 CERB grant

⁽⁴⁾ Funded by \$2.45m CERB loan, \$920k match funded by Port cash and private partner investment

⁽⁵⁾ Funded by \$100,000 EDA grant and a local government partner

⁽⁶⁾ Funded by insurance proceeds

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

PORT OF SHELTON
NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2025

NOTE 10 - OTHER DISCLOSURES, CONTINUED:

Subsequent Events

Warehouse Building Renovations Project

In February 2026, the Port entered into Amendment A with CERB to increase the loan funding amount from \$1,750,000 to \$2,450,000 for the warehouse building renovations project. In 2026, the Port submitted the initial request for loan disbursement and received a total of \$511,274. The first CERB loan payment will be due in 2027. See Note 10 – *Other Disclosures, Capital Assets and Awards and Construction Commitments*.

In 2026, the Port approved a proposal and two change orders totaling \$91,349 resulting from unforeseen conditions. The additional expenses consist of interior and exterior building modifications, special inspection and materials testing services, and a redesign of the condenser loop system. The Port anticipates utilizing Port cash for additional contract commitments. See Note 10 – *Capital Assets and Awards and Construction Commitments*.

Building 1 Replacement Project

In January 2026, the Port Commission authorized the Executive Director to execute a change order for repaving the road adjacent to the new manufacturing facility in an amount not to exceed \$325,000. The final value of the change order is yet to be determined and the Port anticipates executing the change order in June 2026. The Port intends to utilize funding from insurance proceeds and CERB. See Note 10 – *Other Disclosures, Capital Assets and Awards and Construction Commitments*.

In 2026, the Port received the final insurance settlement proceeds totaling \$1,192,487 for the 30,000 square foot building that was permanently impaired due to fire in 2021. See Note 10 – *Other Disclosures, Capital Assets and Awards*.

In 2026, the Port approved two change orders totaling \$115,798 for design services related to repaving the road adjacent to the new manufacturing facility and associated stormwater improvements. The Port intends to utilize funding from insurance proceeds and CERB. See Note 10 – *Other Disclosures, Capital Assets and Awards and Construction Commitments*.

In May 2026, the Port approved a change order for stormwater revisions in the amount of \$221,035. The Port intends to utilize funding from insurance proceeds and CERB. See Note 10 – *Other Disclosures, Capital Assets and Awards and Construction Commitments*.

Substation Feasibility Study

In April 2026, the Port's consultant completed a site feasibility study for future construction of a Substation which will service the development of a two-acre site at Sanderson Field. The study was funded by the United States Department of Commerce Economic Development Administration (EDA). The total amount expended in 2026 was \$115,347, of which EDA will reimburse the Port 80%, or \$92,278, and the balance will be funded by another local government agency. The Port anticipates receiving the funding in 2026. See Note 10 – *Other Disclosures, Construction Commitments*.

Port of Shelton

Schedule 01

For the year ended December 31, 2025

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1746	401	Operations	3085100	Assigned Cash and Investments - Beginning	\$7,460,549
1746	401	Operations	3111000	Property Tax	\$883,591
1746	401	Operations	3312000	Federal Direct Award from Department of Transportation	\$4,217,956
1746	401	Operations	3340360	State Award from Department of Transportation	\$194,645
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	\$14,527
1746	401	Operations	3446000	Airports and Ports Services	\$2,613,593
1746	401	Operations	3611000	Investment Earnings	\$287,659
1746	401	Operations	3614000	Other Interest	\$5,068
1746	401	Operations	3699100	Miscellaneous Other Operating	\$2,529
1746	401	Operations	5460010	Airports and Ports	\$894,627
1746	401	Operations	5460020	Airports and Ports	\$355,553
1746	401	Operations	5460030	Airports and Ports	\$107,798
1746	401	Operations	5460040	Airports and Ports	\$1,202,942
1746	401	Operations	5085100	Assigned Cash and Investments - Ending	\$10,314,669
1746	401	Operations	3821000	Refundable Deposits	\$13,302
1746	401	Operations	3829000	Immaterial Fiduciary Collections	\$289,393
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)	\$2,157,746

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1746	401	Operations	5821000	Refund of Deposits	\$14,289
1746	401	Operations	5829000	Immaterial Fiduciary Remittance	\$237,870
1746	401	Operations	5914670	Debt Repayment - Airports and Ports	\$170,395
1746	401	Operations	5924680	Interest and Other Debt Service Cost - Airports and Ports	\$38,432
1746	401	Operations	5944660	Capital Expenditures/Expenses - Airports and Ports	\$4,981,075
1746	401	Operations	5944670	Capital Expenditures/Expenses - Airports and Ports	\$33,146
1746	401	Operations	5944680	Capital Expenditures/Expenses - Airports and Ports	\$7,409

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

ID. No.	Debt ID Title	Description	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Non-voted General obligation bonds	Tax Exempt Serial Bonds for Buildings and Infrastructure, ISSUED 08/15/2005	85,000	-	85,000	-
263.83	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	CERB/JP Roof and Infrastructure, ISSUED 08/28/2017	219,764	-	14,224	205,540
263.83	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	CERB/JP Infrastructure, ISSUED 05/18/2017	116,096	-	7,701	108,395
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	1,500,000	-	56,198	1,443,802
Total General Obligation Debt/Liabilities:			1,920,860	-	163,123	1,757,737
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	Compensated Absences	182,459	17,318	-	199,777
263.62	Notes Payable (promissory notes, BANs, TANs, GANs, etc.)	Promissory Note - Building	262,079	-	33,146	228,933
264.30	Pension Liabilities	Pension Liabilities	60,537	-	16,891	43,646
264.40	OPEB Liabilities	OPEB Liabilities	426,691	-	98,299	328,392
263.57	Leases, SBITA, and PPPs	Lease - Copier	11,172	-	4,788	6,384
263.57	Leases, SBITA, and PPPs	Lease - Telephone	6,831	-	2,484	4,347
Total Revenue and Other (non G.O.) Debt/Liabilities:			949,769	17,318	155,608	811,479
Total Liabilities:			2,870,629	17,318	318,731	2,569,216

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

State Agency Name	Program Title	Identification Number	Total
State Award from Department of Transportation	Washington Airport Aid Program	SHE-01-23	215,238
State Award from Department of Transportation	Washington Airport Aid Program	SHE-01-24	18,511
Sub-Total:			233,749
State Award from Department of Commerce	Industrial Site Readiness Program	25-76310-003	200,000
Sub-Total:			200,000
Total State Grants Expended:			433,749

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

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			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		-	3,881,556	3,881,556	-	1.2.3
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106		-	333,197	333,197	-	1.2.3
Total ALN 20.106:				-	4,214,753	4,214,753	-	
Total Federal Awards Expended:				-	4,214,753	4,214,753	-	

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, 2025

Note 1 - Basis of Accounting

This Schedule is prepared on the same cash basis of accounting as the Port's financial statement and in accordance with requirements contained in Uniform Guidance. 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.

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, 2025

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

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.