



## 2022 Annual Report

For the Fiscal Year Ended December 31, 2022

336 Admiral Way, Edmonds, WA 98020  
Phone: (425) 774-0549  
Web site: [portofedmonds.org](http://portofedmonds.org)



2022 Commissioners

David Preston	President
Steven Johnston	Vice-President
James Orvis	Secretary
Jay Grant	Commissioner
Angela Harris	Commissioner

2022 Port Officers

Robert McChesney	Executive Director
Brandon Baker	Director of Marina Operations
Brian Menard	Director of Facilities and Maintenance
Tina Drennan	Manager of Finance and Accounting
Karin Michaud	Office Manager
Brittany Williams	Manager of Properties and Economic Development

# Port of Edmonds 2022 Annual Report

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PORT OF EDMONDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Port of Edmonds' (the Port's) financial performance provides an overview of the Port's financial activities for the fiscal year ended December 31, 2022. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Port and to identify any significant changes in financial position. Please read it in conjunction with the Port's financial statements.

The Port of Edmonds is a Special Purpose Municipal Government. The Port was created in 1948 by a vote of the citizens of the Port district. The district encompasses portions of the City of Edmonds and all of the Town of Woodway. Ports exist to build infrastructure and promote economic development and tourism within their districts. Ports are often, though not always, involved in transportation activities.

The Port of Edmonds operates a marina on Puget Sound for recreational boating. The marina consists of an in-water facility with approximately 660 slips, a dry stack storage facility with approximately 230 spaces, two public boat launches, a boatyard, a fuel dock, guest moorage, and parking facilities. In addition to the Port's marina operations, the Port rents its land to commercial users who then build suitable facilities on the land. The Port also owns and manages eight buildings, renting portions of those buildings to approximately 60 tenants. Major tenants include a hotel, an athletic club, three restaurants, a yacht broker/repair facility, and a yacht club.

Five elected Port Commissioners, elected to four-year terms, serve as the governing body of the Port. In accordance with the laws of the State of Washington, the Commissioners have appointed an Executive Director to manage Port operations, and a Port Auditor to manage the Port's finances. Currently, the Manager of Finance and Accounting serves as the appointed Port Auditor.

USING THE ANNUAL REPORT

Governmental accounting falls under the control of the Governmental Accounting Standards Board (GASB). All of the functions of the Port are considered in the numbers shown on the following pages, including the cost of general government of the Port District. Since the Port is a Special Purpose government, all of its assets and liabilities are shown in its Proprietary Fund. The Port incurs a substantial amount of governmental activity expense, such as Port management and administration, public facility maintenance, and public meeting expenses. All of these expenses of the Port are reported in the Proprietary Fund. The "one fund" model is used in compliance with the rules of GASB 34, which state that separately issued debt and separately issued classified assets are needed in order for a separate fund to exist. Most of the governmental costs are contained in the General and Administrative cost centers shown on the Port's financial reports. Since the Port is comprised of a single enterprise fund, no fund level financial statements are shown.

Ports perform their accounting and financial reporting of their activities very much like a business. The Port prepares an income statement, manages operations, and plans for capital

investments. Ports collect revenues from services performed for customers and pay for expenses related to those services. However, ports are municipal governments. As such, ports may collect property tax revenues from the property owners within the Port district. Ports will often use tax revenues to pay for debt incurred to construct facilities that are used to support port functions. Sometimes, ports may use a portion of their tax revenue to pay for operating expenses. The Port of Edmonds uses its tax revenue to pay for Commission costs, to supplement the cost of public amenities, and to promote economic development and tourism.

The financial statements provide a broad view of the Port's operations in a manner similar to a private-sector business. The financial statements take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid.

The Statement of Net Position (also known as the Balance Sheet) presents all of the Port's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in the Port's net position may serve as a useful indicator of whether the financial position of the Port is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents information showing how the Port's net position changed during the year. Revenues less expenses, when combined with other nonoperating items such as investment income, tax receipts and interest expense, results in a net increase or decrease in the Port's net position for the year.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, and investing and financing activities. A reconciliation of the cash provided by operating activities to the Port's operating income as reflected on the Statement of Revenues, Expenses, and Changes in Fund Net Position is also included.

The notes to the financial statements provide additional information that may not be readily apparent from the actual financial statements. The notes to the financial statements can be found immediately following the financial statements.

This discussion of the Port's financial statements includes an analysis of major changes in the assets and liabilities for 2022, as well as reviewing changes in revenues and expenses reflected in the financial statements.

## FINANCIAL ANALYSIS – STATEMENT OF NET POSITION

Summary of Statement of Net Position				
	2022	2021	Increase (Decrease)	% Change
Current Assets	\$ 14,813,312	\$ 12,760,190	\$ 2,053,122	16%
Noncurrent Assets	25,385,918	28,087,221	(2,701,303)	-10%
Capital Assets, Net	27,543,831	25,714,804	1,829,027	7%
<b>Total Assets</b>	<b>67,743,061</b>	<b>66,562,215</b>	<b>1,180,846</b>	<b>2%</b>
Deferred Outflows of Resources	764,605	325,903	438,702	135%
<b>Total Assets and Deferred Outflows of Resources</b>	<b>68,507,666</b>	<b>66,888,118</b>	<b>1,619,548</b>	<b>2%</b>
Current Liabilities	1,931,294	1,223,585	707,709	58%
Noncurrent Liabilities	2,105,921	2,352,348	(246,427)	-10%
<b>Total Liabilities</b>	<b>4,037,215</b>	<b>3,575,933</b>	<b>461,282</b>	<b>13%</b>
Deferred Inflows of Resources	13,663,922	15,842,277	(2,178,355)	-14%
Net investment in capital assets	27,543,831	25,714,804	1,829,027	7%
Restricted	626,265	307,355	318,910	104%
Unrestricted	22,636,433	21,447,749	1,188,684	6%
<b>Total Net Position</b>	<b>50,806,529</b>	<b>47,469,908</b>	<b>3,336,621</b>	<b>7%</b>
<b>Total Liabilities, Deferred Inflows of Revenues, and Net Position</b>	<b>\$ 68,507,666</b>	<b>\$ 66,888,118</b>	<b>\$ 1,619,548</b>	<b>2%</b>

The Port's current assets increased by \$2 million in 2022 as a result of the sale of an investment, an increase in current lease receivable, and an increase in prepaid expenses. Noncurrent assets decreased by \$2.7 million. The decrease is the difference between the called and matured investments retained as cash, a decrease in non-current lease receivable, and a decrease in net pension asset. Net capital assets increased by \$1.8 million, as a result of construction of the Port's new Administration and Maintenance building, which is scheduled for completion in 3<sup>rd</sup> quarter 2023.

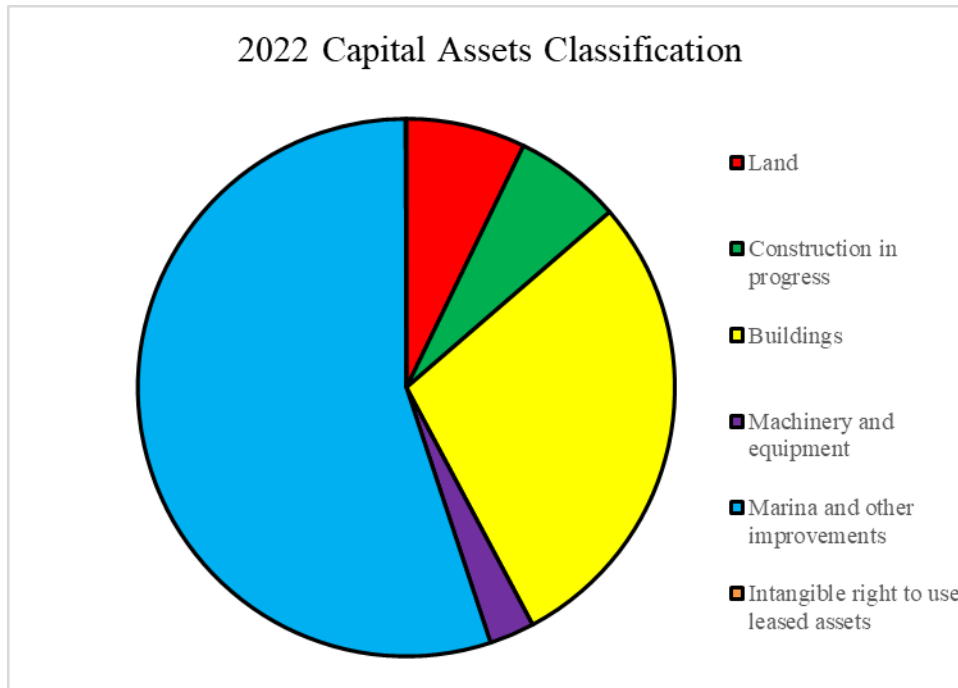
Deferred outflows of resources increased by \$439,000, primarily due to an increase in deferred pension outflow. See Note 7, *Pension Plans* for more information.

The Port's current liabilities increased by \$700,000. Construction and engineering costs for the new building, as well as reclassifying employee leave benefits as a current liability as opposed to a noncurrent liability caused this difference. Noncurrent liabilities decreased by \$250,000 due to the reclassification of employee leave benefits and increases in other postemployment benefits and net pension liability.

Deferred inflows of resources decreased by \$2.2 million, due to a decrease in net pension liability and a decrease in deferred lease inflow.

Net investment in capital assets increased by \$1.8 million as a result of the construction of the new Administration and Maintenance building. The Port restricted \$626,000 of net position as a result of the net pension asset, adjusted by the associated deferred outflows and inflows. As of December 31, 2022, the Port's assets exceeded its liabilities by \$50.8 million (net position), which is an increase of \$3.3 million or 7%.

CAPITAL ASSETS



<u>Capital Assets</u>	<u>2022</u>	<u>2021</u>
Land	\$ 4,323,675	\$ 4,323,675
Construction in progress	3,897,343	798,326
Buildings	17,166,874	17,132,209
Machinery and equipment	1,633,249	1,589,768
Marina and other improvements	33,102,721	33,086,488
Intangible right to use leased assets	25,129	20,244
	<u>\$ 60,148,991</u>	<u>\$ 56,950,710</u>

The Port has booked the acquisition of all assets at historical costs on its Statement of Net Position. GASB 34 requires the Port to capitalize and depreciate all of the assets owned or controlled by the Port, which is done on these financial statements. In 2022, the Port purchased and capitalized 2 HVAC units at the business park, a document management system, and a safety gate. The Port began construction of a new Administration and Maintenance Building in 2022, with total costs to December 31, 2022 of \$3.3 million, with another \$6 million in costs expected

in 2023. As of December 31, 2022, the Port is in the design and engineering stages of the North Seawall and Portwalk Rebuild, with expected construction to begin in 2025 or 2026. The Port has submitted for permits and is waiting for approval to proceed with the final design.

The Port's capital assets are classified into the following categories: land, construction in progress, buildings, marina and other improvements, machinery and equipment, and intangible right to use leased assets. Marina and other improvements include assets such as docks, breakwaters, the dry stack facility, roads, and landscaping. On the graph above, Intangible Right to Use Leased Asset is so minor compared to the Port's capital assets that it cannot be seen in the graph. See Note 4, *Capital Assets and Depreciation*, in the Notes to the Financial Statements for more information.

The Port maintained capital assets of \$60 million as of December 31, 2022. The book value of the capital assets increased by \$1.8 million in 2022 as a result of investments in capital assets, offset by depreciation. When the Port invests more than depreciation in new capital assets in a year, the book value of its asset base increases.

## LIABILITIES

The Port's current liabilities as of December 31, 2022, are debts that the Port will pay in 2023. The total current liabilities increased by \$700,000. Current liabilities include payments for expenses already incurred, unearned revenue, customer deposits, employee leave benefits, and the current portions of leased assets liability and other post-employment benefits liability.

The Port's long-term liabilities are the long-term portion of the leased assets liability, other postemployment benefits liability, net pension liability, environmental remediation liability, and underground storage tank retirement obligation, most of which will never be paid by the Port, but that the Port is required to show on its financial statements. See Notes 7, *Pension Plans*; 8, *Other Postemployment Benefit (OPEB) Plans*; 13, *Pollution Remediation Obligations*; and 14, *Underground Storage Tank Remediation Obligation* in the Notes to the Financial Statements for more information.



FINANCIAL ANALYSIS – REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Summary of Statement of Revenues, Expenses, and Changes in Fund Net Position				
	2022	2021	Increase (Decrease)	% Change
Marina Operations Revenues	\$ 8,491,750	\$ 7,524,643	\$ 967,107	13%
Property/Lease Rental Operations Revenues	2,253,855	2,006,375	247,480	12%
Total Revenues	10,745,605	9,531,018	1,214,587	13%
Operating Expenses	8,227,512	6,470,216	1,757,296	27%
Operating Income	2,518,093	3,060,802	(542,709)	-18%
Net Nonoperating Revenues/(Expenses)	788,528	899,302	(110,774)	-12%
Increase in Net Position	3,306,621	3,960,104	(653,483)	-17%
Net Position - Beginning	47,469,908	43,509,804	3,960,104	9%
Capital Contributions	30,000	-	30,000	100%
Net Position - Ending	\$ 50,806,529	\$ 47,469,908	\$ 3,336,621	7%

While the Statement of Net Position shows the change in net position, the Statement of Revenues, Expenses, and Changes in Fund Net Position provides answers as to the nature and source of these changes.

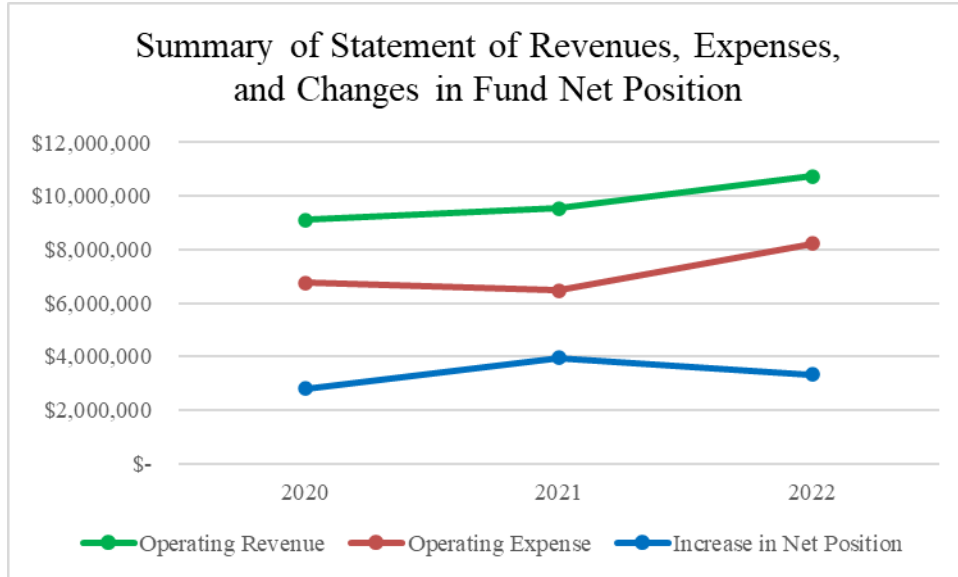
The Port's 2022 marina operations revenues were \$8.5 million, an increase of \$967,000 or 13% greater than the previous year. The reasons for this increase were a large increase in the price of fuel, an increase in moorage and dry storage occupancy, an increase in activity, and an increase in the prices of services charged by the Port. 2022 property/lease rental operations revenues were \$2.2 million, an increase of \$247,000 or 12% greater than the previous year. This increase is due to an increase in occupancy, an increase in activity, and an increase in rental rates.

The Port's 2022 operating expenses were \$8.2 million, an increase of \$1.8 million or 27% greater than the previous year's operating expense levels. The increase is a result of increased fuel costs for fuel the Port sells, a decrease of negative pension and other postemployment benefit accruals, increasing repairs on the aging marina facility and Harbor Square buildings, and salaries and wages, as the Port was fully staffed in 2022, but had a large number of unfilled positions in 2021.

The Port's operating income was \$2.5 million in 2022, which is \$550,000 or 18% less than 2021.

The Port's 2022 net non-operating revenues and expenses were \$789,000, a decrease of \$111,000 from the previous year. This difference includes an increase in interest income, an increase in property taxes, and a negative change in change in fair value of investments.

In 2022, the Port’s net position increased by \$3.3 million, as compared to \$4 million in 2021.



	<u>2020</u>	<u>2021</u>	<u>2022</u>
Operating Revenue	\$ 9,110,701	\$ 9,531,018	\$ 10,745,605
Operating Expense	6,751,786	6,470,216	8,227,512
Increase in Net Position	\$ 2,806,130	\$ 3,960,104	\$ 3,336,621

**CONTACTING THE PORT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Port’s finances and to show the Port’s accountability for the money it receives. If you have questions about this report, or if you need additional financial information, please contact Tina Drennan, Manager of Finance and Accounting, at the Port of Edmonds, 336 Admiral Way, Edmonds, WA 98020, by e-mail at [tdrennan@portofedmonds.org](mailto:tdrennan@portofedmonds.org), or by telephone at (425) 673-2009.

PORT OF EDMONDS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022

ASSETS

Current Assets

Cash and cash equivalents (Notes 1 and 2)	\$ 12,553,800
Accounts receivable (net of allowance for uncollectibles) (Note 1)	253,320
Lease receivable - current (Notes 1 and 11)	1,595,831
Taxes receivable (Notes 1 and 3)	6,951
Interest receivable (Notes 1 and 2)	47,973
Inventory (Note 1)	104,943
Prepaid expenses (Note 1)	250,494
Total Current Assets	<u>14,813,312</u>

Noncurrent Assets

Investments (Note 2)	13,506,397
Lease receivable - non-current (Notes 1 and 11)	11,253,256
Net pension asset (Notes 1 and 7)	626,265

Capital Assets

Capital Assets Not Being Depreciated (Notes 1 and 4)	
Land	4,323,675
Construction in progress (Note 4)	3,897,343
Capital Assets Being Depreciated (Notes 1 and 4)	
Buildings	17,166,874
Marina and other improvements	33,102,721
Machinery and equipment	1,633,249
Intangible right to use leased assets	25,129
Less: Accumulated depreciation and amortization	<u>(32,605,160)</u>
Total Net Capital Assets	<u>27,543,831</u>

Total Noncurrent Assets 52,929,749

TOTAL ASSETS \$ 67,743,061

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflow (Notes 1 and 7)	649,539
Deferred other post employment benefits outflow (Notes 1 and 8)	6,913
Deferred underground storage tank retirement outflow (Notes 1 and 14)	<u>108,153</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES \$ 764,605

See accompanying notes to the financial statements.

PORT OF EDMONDS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022

LIABILITIES

Current Liabilities

Accounts payable	\$ 503,843
Accrued expenses (Note 1)	365,119
Unearned revenue (Note 1)	22,944
Employee leave benefits (Note 1)	259,467
Customer deposits	761,178
Current portion of leased assets liability	4,917
Current portion of other post-employment benefits (Note 8)	13,826
Total Current Liabilities	<u>1,931,294</u>

Noncurrent Liabilities

Leased assets liability	13,593
Other postemployment benefits (Note 8)	830,506
Net pension liability (Notes 1 and 7)	360,297
Environmental remediation liability (Note 13)	612,500
Underground storage tank retirement obligation (Note 14)	289,025
Total Noncurrent Liabilities	<u>2,105,921</u>

TOTAL LIABILITIES 4,037,215

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows (Notes 1 and 7)	638,393
Deferred lease inflow (Notes 1 and 11)	13,025,529
Total Deferred Inflows of Resources	<u><u>13,663,922</u></u>

NET POSITION

Net investment in capital assets	27,543,831
Restricted for net pension asset	626,265
Unrestricted	22,636,433
TOTAL NET POSITION	<u><u>\$ 50,806,529</u></u>

See accompanying notes to the financial statements.

PORT OF EDMONDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2022

OPERATING REVENUES (Note 1)	
Marina operations	\$ 8,491,750
Property lease/rental operations	2,253,855
Total Operating Revenues	<u>10,745,605</u>
OPERATING EXPENSES (Note 1)	
General operations	5,264,902
Maintenance	704,181
General and administrative	879,341
Depreciation and amortization	1,379,088
Total Operating Expenses	<u>8,227,512</u>
Operating Income	<u>2,518,093</u>
NONOPERATING REVENUES (EXPENSES) (Note 1)	
Interest expense on leased assets liability	(495)
Investment income (Notes 1 and 2)	380,748
Interest income from lease activity (Notes 1 and 11)	592,266
Taxes levied for general purposes (Notes 1 and 3)	618,884
Grant proceeds (Note 12)	15,715
Change in fair value of investments (Note 2)	(818,590)
Total Nonoperating Revenues (Expenses)	<u>788,528</u>
Increase in net position	<u>3,306,621</u>
Net position as of January 1	47,469,908
Capital contributions	30,000
Net position as of December 31	<u>\$ 50,806,529</u>

See accompanying notes to the financial statements.

PORT OF EDMONDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 11,054,169
Payments to suppliers	(3,591,866)
Payments to employees	(3,406,616)
Net cash provided by operating activities	<u>4,055,687</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Proceeds from property taxes (Note 3)	616,888
Nonoperating receipts	15,715
Nonoperating expenses	-
Net cash provided by noncapital financing activities	<u>632,603</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases and construction of capital assets (Note 4)	(3,187,537)
Receipt of capital grant	30,000
Interest paid on leased assets	(495)
Net cash used by capital and related financing activities	<u>(3,158,032)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Maturities of investments (Note 2)	3,520,000
Purchases of investments (Note 2)	(3,766,792)
Interest and dividends	895,917
Net cash provided by investing activities	<u>649,125</u>
Net increase in cash and cash equivalents	<u>2,179,383</u>
Balances - beginning of the year	<u>10,374,417</u>
Balances - end of the year (Note 1)	<u>\$ 12,553,800</u>

See accompanying notes to the financial statements.

PORT OF EDMONDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 2,518,093
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization expense (Note 4)	1,379,088
Other post-employment benefits negative expense	(252,660)
Pension negative expense	(275,718)
Changes in assets and liabilities	
(Increase)/decrease in accounts receivable	249,642
(Increase)/decrease in inventory	(27,434)
(Increase)/decrease in prepaid expenses	(40,033)
Increase/(decrease) in accounts payable	374,416
Increase/(decrease) in accrued expenses	8,075
Increase/(decrease) in customer deposits	41,497
Increase/(decrease) in unearned revenue	9,399
Increase/(decrease) in lease inflow	8,025
Increase/(decrease) in employee leave benefits	63,297
Net cash provided by operating activities	<u>\$ 4,055,687</u>

See accompanying notes to the financial statements.

PORT OF EDMONDS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Port of Edmonds (the Port) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The Port was incorporated in December 1948 and operates under the laws of the State of Washington applicable to public port districts. The Port is a special purpose government and provides marina and property lease/rental operations to the general public and is supported primarily through user charges. The Port is governed by an elected five member board.

As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Port has no component units.

B. Basis of Accounting and Reporting

The accounting records of the Port are maintained in accordance with methods prescribed by the State Auditor under the authority of RCW 43.09. The Port uses the *Budgeting, Accounting and Reporting System for GAAP Cities, Counties, and Special Purpose Districts* in the State of Washington.

The Port's financial statements are reported using the economic resources measurement focus and the full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

All assets and all liabilities (whether current or noncurrent) associated with the Port's activity are included on the statement of net position. Net position is segregated into net investment in capital assets, and restricted and unrestricted components of net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. The Port discloses changes in cash flows on a separate statement that presents its operating, noncapital financing, capital and related financing, and investing activities.



The Port distinguishes between operating revenues and expenses and nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Port's principal ongoing operations. The principal operating revenues of the Port are charges to customers for boating services and land and building lease revenue. Operating expenses for the Port include general operations, maintenance, general and administrative, and depreciation. Revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2022, the treasurer was holding \$12,553,800 in short-term residual investments of surplus cash. This amount is classified on the Statement of Net Position as cash and cash equivalents.

The Port considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments – See Note 2, *Deposits and Investments*.

3. Receivables

Accounts receivable consist of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared. Accounts receivable has been recorded net of estimated uncollectible amounts.

Lease receivable consists of the present value of lease payments expected to be received over lease terms that exceed one year. Lease receivable – current is the portion that will be received in the upcoming year. Lease receivable – non-current is the portion that will be received more than a year from December 31, 2022 through the end of the lease term. As the Port estimates that all lease receivable amounts will be collected, no estimated uncollectible amounts are established.

Taxes receivable consists of property taxes and related interest and penalties (See Note 3, *Property Taxes*). Because property taxes are considered liens on property, no estimated uncollectible amounts are established.

Interest receivable consists of amounts earned on investments at the end of the year.

4. Inventory

Inventory consists of fuel and workyard supplies held for sale to customers. Inventory is valued by the FIFO (first-in, first-out basis) cost method, which approximates market value. The cost is recorded as cost of goods sold at the time the inventory items are consumed.

5. Prepaid Expenses

Prepaid expenses include items that were paid in the current year but will not be used until the following year. Examples are insurance, dues, advertising, marketing programs, and software maintenance agreements.

6. Capital Assets and Depreciation - See Note 4, *Capital Assets and Depreciation*.

Capital assets include land, buildings, equipment, improvements, and intangible right to use leased assets. Capital assets are defined by the Port as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost, where historical cost is not known. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The Port has acquired certain assets with funding provided by federal and state financial assistance programs. Depending on the terms of the agreements involved, the federal and state governments could retain an equity interest in these assets. However, the Port has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable account.

When an asset is sold, retired, or otherwise disposed of, the original cost of the property and the cost of installation, less salvage, is removed from the Port of Edmonds' capital asset accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method based on the following estimated useful lives:

Buildings and Structures	10 to 50 years
Machinery and Equipment	3 to 20 years
Other Improvements	10 to 50 years
Intangible Right to Use Leased Asset	Term of lease

7. Deferred Outflows/Inflows of Resources

The Port reports deferred outflows and deferred inflows separately on the Statement of Net Position. Deferred outflows represent a consumption of net assets that apply to a future period(s). Conversely, deferred inflows represent an acquisition of net assets that apply to a future period(s).

8. Employee Leave Benefits

Employee leave benefits are absences for which employees will be paid, such as vacation leave. The Port records employee leave benefits as an expense and liability when earned.

Each employee may carry forward 120 hours of vacation pay to the following year. Unused vacation pay is payable upon separation, retirement, or death.

Sick leave may accumulate up to 1,000 hours. Beginning in 2014, the Executive Director's contract allows him to be compensated for 100% of his sick pay upon termination. The Port began accruing this in 2014. No accrual is made for sick pay for other employees as it expires if unused.

9. Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating restricted net position related to the net pension asset, the Port includes the net pension asset only.

10. Accrued Expenses

Accrued expenses consist of accrued leasehold, payroll, sales, and business taxes, employee withholdings, accrued wages payable, and abandoned property.

11. Unearned Revenue

At December 31, 2022, the Port held \$22,944 in Unearned Revenue. These amounts are prepayments of rent and will be recognized as revenue in 2023.

12. Net Position Classification

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted. The Port's Statement of Net Position reports \$626,265 of restricted net position for pension asset as per Note 7, *Pension*. None of the restricted net position is restricted by enabling legislation.

13. Leases (Port as Lessor) – See Note 11, *Leases*

The Port is a lessor for noncancelable leases. Leases are contracts that convey control of a right to use the Port's land, buildings, or portions of buildings over a period of time that exceeds one year. For leases with a maximum possible term of 12 months or less at commencement, revenue is recognized based on the provisions of the lease contract. For all other leases, the Port recognizes a lease receivable and a deferred inflow when the lease commences.

At lease commencement, the lease receivable is initially measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as lease revenue using the interest rate method over the lease term.

Key estimates and judgments include how the Port determines (1) the discount rate it uses to calculate the present value of the expected lease payments, (2) lease term, and (3) lease payments.

1. The discount rate for leases is based on the rate of interest the lessee would be charged to borrow an amount equal to the lease payments, respectively, under similar terms at the commencement or remeasurement date. The Port determines the discount as follows:

- a. If the lease term is 20 years or more, the implicit rate in the lease agreement is used.
- b. If the lease term is less than 20 years, the lessee's borrowing rate is estimated as follows:

Total Lease Payments Over the Lease Term Plus Options to Extend	Discount Rate Used
\$500,000 or more	Prime
\$50,001 to \$499,999	Prime + 2.75%
\$25,001 to \$50,000	Prime + 3.25%
\$25,000 or less	Prime + 4.25%

2. The lease term includes the noncancellable period of the lease plus any additional periods covered by either a lessee or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and the lessor/vendor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease or subscription term. Lease terms for portions of buildings typically begin as a 1 year and a partial month term to a 7 year term, with lease extensions ranging from none to four extensions of 1 year to 5 years. Current Port leases have been extended from 2 to 24 years. The Port has two longer term building leases of 25 and 40 years with multiple lease extensions of 3 to 10 years each. Land leases are typically 30 to 50 years with two or more extensions of 5 to 15 years, as the tenant has invested in constructing and maintaining a building on the leased land.
3. Port procedure is to negotiate all leases at fair market value, considering market conditions, economic factors, property condition, and location, as well as other factors that may impact negotiating lease prices. Land lease rent ranges from \$5,000 to \$13,500 per month. Building leases and major portions of building leases rent range from \$19,000 to \$27,000 per month. Partial building lease rent ranges from \$650 to \$16,000 per month.

The Port monitors changes in circumstances that may require remeasurement of a lease receivable. When certain changes occur that are expected to significantly affect the amount of the lease, the receivable is remeasured and a corresponding adjustment is made to the deferred inflow of resources.

14. Leases (Port as Lessee) – See Note 11, *Leases*

The Port is a lessee for noncancelable leases. Leases are contracts that convey control of a right to use an asset over a period of time that exceeds one year. For leases with a maximum possible term of 12 months or less at commencement,

expenses are recognized based on the provisions of the lease contract. For all other leases, the Port recognizes an intangible right-to-use leased asset and a lease liability when the lease commences. The Port recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At lease commencement, the intangible asset and the lease liability is initially measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The intangible asset is amortized monthly using the straight-line method over the lease term.

Key estimates and judgments include (1) the discount rate used to calculate the present value of the expected lease payments, (2) lease term, and (3) lease payments.

1. The discount rate for leases is based on the rate of interest the Port would be charged to borrow an amount equal to the lease payments, respectively, under similar terms at the commencement or remeasurement date. The Port estimates that its borrowing rate would be similar to the rate its bank offers to government borrowers.
2. The lease term includes the noncancellable period of the lease plus any additional periods covered by either a lessee or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and the lessor/vendor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease or subscription term. The lease term for the Port's copier contract is 60 months.
3. The total monthly payments for leasing three copiers is \$450.

The Port monitors changes in circumstances that may require remeasurement of a lease liability. When certain changes occur that are expected to significantly affect the amount of the lease, the leased asset and liability are remeasured.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Deposits

Cash on hand at December 31, 2022 was \$1,000 in petty cash and change funds. The carrying amount of the Port's deposits, including the Local Government Investment Pool (LGIP), was \$12,552,800. Total cash and cash equivalents was \$12,553,800.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Port would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Port's policy is that bank deposits and certificates of deposit must be entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

B. Investments Authorized

The Port may invest in all types of securities approved by State law. Those securities include:

1. Savings or time accounts, including certificates of deposit, in designated qualified public depositories in accordance with RCW 39.58.
2. Certificates of deposit in commercial banks, savings and loan associations, and mutual savings banks doing business in this state, but not holding collateral pursuant to RCW 39.58, in an amount not in excess of FDIC or FSLIC insurance coverage.
3. Certificates, notes, or bonds of the United States, or other obligations of the U.S. government or its agencies, or of any corporation wholly owned by the government of the United States.
4. Federal home loan bank notes and bonds, Federal land bank bonds, Federal national mortgage association notes, debentures, and guaranteed certificates of participation.
5. Obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve systems.
6. Bonds of the state of Washington and any local government in the State of Washington that carry one of the three highest ratings of a nationally recognized rating agency.
7. General obligation bonds of a state other than the state of Washington and general obligation bonds of a local government of a state other than the state of Washington that carry one of the three highest ratings of a nationally recognized rating agency.
8. Shares of money market funds with portfolios consisting of securities otherwise authorized by law for investment by local governments.

C. Investments

It is the Port’s policy to invest all temporary cash surpluses. Port staff invests surplus cash according to Port Resolution Number 13-12. Investment objectives, in priority order, are safety, liquidity, and return on investment.

Investments are subject to the following risks:

Interest Rate Risk: Interest rate risk is the risk that an investment’s fair value decreases as market interest rates increase. Through its investment policy, the Port manages its exposure to fair value losses arising from increasing interest rates by setting maturity and effective duration limits for the Port’s Investment Portfolio. Securities within the portfolio are laddered and limited to maximum terms of five years.

As of December 31, 2022, the Port held the following investments:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>			
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-3</u>	<u>More Than 3</u>
U.S. Treasuries	\$ 2,310,114	\$ 496,286	\$ -	\$ 1,813,828
U.S Agencies	11,196,283	1,969,941	7,393,252	1,833,090
Total Investments	<u>\$ 13,506,397</u>	<u>\$ 2,466,227</u>	<u>\$ 7,393,252</u>	<u>\$ 3,646,918</u>

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Port manages this risk through its investment policy, which requires that only highly secure investments may be purchased.

At December 31, 2022, the Port’s investments had the following credit quality distribution for securities with credit exposure:

<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>BBB</u>	<u>BBBa and</u>	<u>Unrated</u>
	<u>Aaa</u>	<u>Aa</u>	<u>Baa</u>	<u>Below</u>	
U.S. Treasuries	\$ 2,310,114	\$ -	\$ -	\$ -	\$ -
U.S Agencies	11,196,283	-	-	-	-
Totals	<u>\$ 13,506,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk: Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction, the Port would not be able to recover the value of the investment or collateral securities that are in possession of an outside party. All security transactions entered into by the Port of Edmonds are conducted on a delivery-versus-payment (DVP) basis. Securities purchased by the Port are delivered against payment and held in a custodial safekeeping account. The Port has designated U.S. Bank as the third-party custodian. Safekeeping receipts evidence all transactions. None of the Port’s investments are held by counterparties.



Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The Port's U.S. Treasury and U.S. Agency investments are secured by the full faith and credit of the United States government. As all U.S. Treasury and U.S. Agency bonds are backed by the full faith and credit of the United States government, the Port's investment policy does not require diversification of U.S. bonds.

D. Investments in Local Government Investment Pool (LGIP)

The Port is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and is not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. 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.

As the maturity of LGIP investments is 3 months or less, the Port considers LGIP investments to be cash equivalents.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, or online at <http://www.tre.wa.gov>.

E. Investments Measured at Fair Value

The Port's investments, stated at fair value, are based on quoted market prices for similar assets in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in the fair value of an investment is recognized as an increase or decrease in the investment asset and investment income.

The Port measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

As of December 31, 2022, the Port held the following investments measured at fair value:

<u>Investments by Fair Value Level</u>	<u>12/31/2022</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Treasuries	\$ 2,310,114	\$ -	\$ 2,310,114	\$ -
U.S Agencies	11,196,283	-	11,196,283	-
<b>Total Investments Measured at Fair Value</b>	<b>\$13,506,397</b>	<b>\$ -</b>	<b>\$ 13,506,397</b>	<b>\$ -</b>

Total Investments in Statement of Net Position \$ 13,506,397

Investments Shown without Restriction \$ 13,506,397

**F. Change in Fair Value of Investments**

Change in fair value of investments of (\$818,590) is the difference between the price at December 31, 2021 or at which the Port of Edmonds purchased the securities, whichever is later, and the fair value at December 31, 2022. GASB Statement Number 31, paragraph 7, requires the Port to "...report investments at fair value in the balance sheets. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties..." The market value or fair value is reported to the Port by U.S. Bank, the Port's third-party safekeeping bank. If the Port holds the investments to maturity or call date, there will be no realized loss or gain.

G. Summary of Deposit and Investment Balances

The table below reconciles the Port’s deposits and investment balances as of December 31, 2022:

	<u>Total</u>
Cash and Cash Equivalents	
Cash on Hand	\$ 1,000
Deposits with Private Financial Institutions	12,506,467
Snohomish County Treasurer	5,224
LGIP	41,109
Total Cash and Cash Equivalents	<u>\$ 12,553,800</u>
Investments	
U.S. Treasuries	\$ 2,310,114
U.S Agencies	11,196,283
Total Investments	<u>\$ 13,506,397</u>

NOTE 3 – PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

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

Property taxes are recorded as a receivable when levied, offset by an unearned revenue. During the year, property tax revenues are recognized equally over all twelve months. Property taxes collected in advance of the fiscal year to which it applies are recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principle, and delinquent taxes are evaluated annually.

The Port may levy up to \$0.45 per \$1,000 of assessed valuation for general governmental services. Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate. The Port may also levy taxes at a lower rate.

The Port's regular levy for 2022 was approximately \$0.081 per \$1,000 on an assessed valuation of \$7,512,234,075 for a total regular tax levy of \$609,880.

**NOTE 4 – CAPITAL ASSETS AND DEPRECIATION**

Capital assets activity for the year ended December 31, 2022, was as follows:

	Beginning Balance			Ending Balance
	1/1/2022	Increases	Decreases	12/31/2022
Capital assets, not being depreciated				
Land	\$ 4,323,675	\$ -	\$ -	\$ 4,323,675
Construction in progress	798,326	3,164,765	65,748	3,897,343
<b>Total capital assets, not being depreciated</b>	<b>5,122,001</b>	<b>3,164,765</b>	<b>65,748</b>	<b>8,221,018</b>
Capital assets, being depreciated				
Buildings	17,132,209	34,665	-	17,166,874
Marina and other improvements	33,086,488	16,233	-	33,102,721
Machinery and equipment	1,589,768	43,481	-	1,633,249
Intangible right to use leased assets	20,244	4,885	-	25,129
<b>Total capital assets being depreciated</b>	<b>51,828,709</b>	<b>99,264</b>	<b>-</b>	<b>51,927,973</b>
Less accumulated depreciation for				
Buildings	8,977,452	655,230	-	9,632,682
Marina and other improvements	21,463,552	595,205	-	22,058,757
Machinery and equipment	792,540	114,282	-	906,822
Intangible right to use leased assets	2,362	4,537	-	6,899
<b>Total accumulated depreciation</b>	<b>31,235,906</b>	<b>1,369,254</b>	<b>-</b>	<b>32,605,160</b>
<b>Total capital assets, being depreciated, net</b>	<b>\$ 20,592,803</b>			<b>\$ 19,322,813</b>

## NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2022, the Port had one active construction project: the construction of a new administration and maintenance building. The Port was also in the permitting phase of the North Seawall and Portwalk Rebuild project. At year end, the Port’s commitments with contractors and consultants were as follows:

Project	Spent to Date	Remaining Commitment
New Administration and Maintenance Building	\$ 3,061,496	\$ 5,719,418
North Seawall and Portwalk Rebuild	493,380	267,078
	<u>\$ 3,554,876</u>	<u>\$ 5,986,496</u>

The Port will fund these commitments with reserves.

## NOTE 6 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

## NOTE 7 – PENSION – STATE SPONSORED (DRS) PLANS

The following table represents the aggregate pension amounts for all plans for the year 2022:

<b>Aggregate Pension Amounts - All Plans</b>	
Pension liabilities	\$ (360,297)
Pension assets	\$ 626,265
Deferred outflows of resources	\$ 649,539
Deferred inflows of resources	\$ (638,393)
Pension expense/expenditures	\$ (44,323)

### **State Sponsored Pension Plans**

Substantially all of the Port’s full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, 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 (DRS), 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).

## Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

### Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee*</b>
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.25%</b>	<b>6.00%</b>
September – December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.39%</b>	<b>6.00%</b>

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service

credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.39%</b>	<b>6.36%</b>

The Port’s actual PERS plan contributions were \$85,847.54 to PERS Plan 1 and \$145,548.13 to PERS Plan 2/3 for the year ended December 31, 2022.

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0%

Mortality rates were developed using the Society of Actuaries’ Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is



assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to product asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

### **Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

### **Estimated Rates of Return by Asset Class**

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	<b>100%</b>	

### Sensitivity of the Net Pension Liability/(Asset)

The table below presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	\$481,352	\$360,297	\$254,645
PERS 2/3	\$737,509	\$(626,265)	\$(1,746,691)

### Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

### Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the Port reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$360,297
PERS 2/3	\$(626,265)

At June 30, the Port's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.013353%	0.012940%	(0.000413)%
PERS 2/3	0.017158%	0.016886%	(0.000272)%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all Port plans.

### **Pension Expense**

For the year ended December 31, 2022, the Port recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$155,287
PERS 2/3	\$(199,611)
TOTAL	\$(44,324)

### **Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2022, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(59,712)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$44,608	\$0
TOTAL	\$44,608	\$(59,712)

<b>PERS 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$155,174	\$(14,177)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(463,002)
Changes of assumptions	\$349,056	\$(91,395)
Changes in proportion and differences between contributions and proportionate share of contributions	\$25,850	\$(10,107)
Contributions subsequent to the measurement date	\$74,851	\$0
<b>TOTAL</b>	<b>\$604,931</b>	<b>\$(578,681)</b>

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31</b>	<b>PERS 1</b>
2023	\$ (25,269)
2024	\$ (22,950)
2025	\$ (28,791)
2026	\$ 17,298
2027	\$ -
Thereafter	\$ -
<b>TOTAL</b>	<b>\$ (59,712)</b>

<b>Year ended December 31</b>	<b>PERS 2/3</b>
2023	\$ (136,352)
2024	\$ (119,784)
2025	\$ (151,563)
2026	\$ 210,900
2027	\$ 74,395
Thereafter	\$ 73,803
<b>TOTAL</b>	<b>\$ (48,601)</b>

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

In June 2015, the Governmental Accounting Standards Board issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Port adopted this standard in 2018.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year ending December 31, 2022:

<b>Aggregate OPEB Amounts – All Plans</b>	
OPEB liabilities	\$ 844,332
OPEB assets	\$ 0
Deferred outflows of resources	\$ 6,913
Deferred inflows of resources	\$ 0
OPEB expenses/expenditures	\$ (244,242)

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	N/A
Active employees	29
Total	33

The Port is not able to determine the number of inactive employees entitled to but not yet receiving benefits as eligibility is determined by the Washington State Office of Retirement Services and the Washington State Public Employees Benefit Board. Inactive employees entitled to but not yet receiving benefits would include any former Port employee who retires under the public employees’ retirement system and who are vested in that system. Retirees may also elect alternate coverage through Medicare and a Medicare supplemental plan.

A. OPEB Plan Description

The Port of Edmonds provides medical, dental, life, and long-term disability insurance to its full time employees and Commissioners through the Washington State Public Employees Benefit Board (PEBB). Port employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees’ retirement system and are vested in that system.

Other post-employment benefits (OPEB) are benefits provided to retired employees beyond those provided by their pension plans. Such benefits include medical, prescription drug, life, dental, and vision insurance. PEBB offers retirees access to all of these benefits and PEBB employers, through this single-employer defined benefit plan, provide monetary assistance, or subsidies, these benefits.

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a

substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

The Office of the State Actuary, a department within the primary government of the State of Washington, issues a publicly available Other Post-Employment Benefits Actuarial Valuation Report. The Other Post-Employment Benefits Actuarial Valuation Report may be obtained by writing to: Office of the State Actuary, PO Box 40914, Olympia, Washington 98504-0914 or it may be downloaded from the Office of the State Actuary website at <http://leg.wa.gov/osa/Pages/default.aspx>.

#### B. Subsidies

The Washington State Health Care Authority (HCA) administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidy, permitted under RCW 41.05.085, is a straightforward, set dollar amount for a specific group of people. The explicit subsidy lowers the monthly premium paid by retired members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually.

The implicit subsidy, set up under RCW 41.05.022, is more complex because it is not a direct payment from the employer on behalf of the member. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retirees.

#### C. Funding Policy

The Port funds the implicit and explicit subsidies on a pay-as-you-go basis, meaning that Port pays these costs as they occur or become due. Therefore, there are no assets accumulating in a qualifying trust.

#### Actuarial Methods and Assumptions

The Port used the alternative measurement method permitted under GASB Statement No. 75 and provided by the Office of the State Actuary. The Office of the State Actuary made the following assumptions:

- 2/3 of members select a Uniform Medical Plan (UMP) and 1/3 select a Kaiser Permanente (KP) plan.
- UMP pre- and post-Medicare costs and premiums are equal to the Uniform Medical Plan Classic.
- The KP pre-Medicare costs and premiums are a 50/50 blend of KP WA Classic and KP WA Value.
- The KP post-Medicare costs and premiums are equal to KP Medicare.

No inactive members entitled to but not currently receiving a benefit were included in the calculation.

The actuary estimated retirement service for each active employee based on the average entry age of 35 with a minimum service of 1 year. For example, an age 47 member is assumed to have 12 years of service. Service is a component of benefit eligibility.

Assumptions made for retirement, disability, termination, and mortality were based on the most recent *PEBB OPEB* valuation as of the publication date of the Office of State Actuary's calculation tool. For simplicity, the Office of the State Actuary assumed:

- Plan 2 decrement rates.
- All employees are retirement eligible at age 55 and all employees retire by age 70.
- Based on an average expected retirement age of 65, they applied active mortality rates for ages less than 65 and retiree mortality rates for ages 65+.
- Each primary member was assumed to be a 50/50 male/female split.
- 45% of current and future retirees cover a spouse.
- Eligible spouses are the same age as the primary member.
- Age-based primary members were selected for the tool based on the overall distribution of State employees and retirees that participate in PEBB.
- Dental benefits were not included when calculating the Total OPEB Liability, as dental benefits represent less than 2% of the accrued benefit obligations when last reviewed.

Other assumptions include:

<b>Discount Rate<sup>1</sup></b>	
Beginning of Measurement Year	2.16%
End of Measurement Year	3.54%
<b>Projected Salary Changes</b>	3.5% + Service-Based Increases
<b>Healthcare Trend Rates<sup>2</sup></b>	Initial rate ranges from about 2-11%, reaching an ultimate rate of approximately 4.3% in 2075.
<b>Mortality Rates</b>	
Base Mortality Table	PubG.H-2010 (General)
Age Setback	0 years
Mortality Improvements	MP-2017 Long-Term Rates
Projection Period	Generational
<b>Inflation Rate</b>	2.75%
<b>Post-Retirement Participation Percentage</b>	65%
<b>Percentage with Spouse Coverage</b>	45%

<sup>1</sup>Source: Bond Buyer General Obligation 20-Bond Municipal Index.

<sup>2</sup>Trend rate assumptions vary by medical plan. For additional detail on the healthcare trend rates, please see our [PEBB OPEB Healthcare Trend Assumptions](#) webpage.

The following sensitivity analysis presents the total OPEB liability of the Port calculated using the assumptions above.

Total OPEB Liability	1% Decrease	Current	1% Increase
Discount Rate	\$1,008,223	<b>\$844,332</b>	\$714,608
Healthcare Trend	\$694,339	<b>\$844,332</b>	\$1,042,847

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in total OPEB liability and related ratios is presented as required supplementary information following the notes to the financial statements.

#### D. Changes in the Total OPEB Liability

The following table shows the components of the Port's annual OPEB expense for the year, the benefit payments made, and changes in the Port's total OPEB liability as of June 30, 2022. The current portion of OPEB liability of \$13,826 is included as a current liability and the long-term portion of the OPEB liability of \$830,506 is included as a noncurrent liability in the Statement of Net Position.



<b>Total OPEB Liability at 7/1/2022</b>	<b>\$ 1,101,356</b>
Service Cost	78,277
Interest Cost	25,343
Changes in Experience Data and Assumptions	(347,862)
Changes in Benefit Terms	-
Benefit Payments	(12,782)
Other	-
<b>Total OPEB Liability at 6/30/2022</b>	<b><u>\$ 844,332</u></b>

The Port of Edmonds used the alternative measurement method, which does not calculate deferred outflows and inflows for anything other than payments subsequent to the measurement date. Payments subsequent to the measurement date of 6/30/2022 were \$6,913.

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Changes of assumptions	\$0	\$0
Payments subsequent to the measurement date	\$6,913	\$0
Total	\$6,913	\$0

E. Funded Status and Funding Progress

In order to fund the OPEB plan, the Port would have to establish an irrevocable trust, which means that the Port would no longer have control of the money put into the trust. Even if the Port left the PEBB program, the Port would not be able to get the money out of the trust. The plan is funding on a pay-as-you go basis and there are no assets accumulating in a qualifying trust.

NOTE 9 – RISK MANAGEMENT

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

The Enduris program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials’ Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler

and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claims made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

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

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

1. Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
2. Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.
3. Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays <sup>(1)</sup>
<b>Property<sup>(2)</sup>:</b>				
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 <sup>(3)</sup>	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense(EE) <sup>(4)</sup>	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
<b>Sublimit<sup>(5)</sup>:</b>				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per occurrence \$200 million aggregate	\$1,000 - \$250,000
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>(6)</sup></b>	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >\$750,000	\$1 billion	\$250 - \$1,000
<b>Crime Blanket<sup>(7)</sup></b>	Per Occurrence	\$50,000	\$1 million	\$1,000
<b>Named Position<sup>(8)</sup></b>	Per Occurrence	\$50,000	\$1 million	\$1,000
<b>Cyber<sup>(9)</sup></b>	Each Claim APIP Aggregate	\$100,000	\$2 million \$40 million	20% Copay
<b>Identity Fraud Expense Reimbursement<sup>(10)</sup></b>	Member Aggregate	\$0	\$25,000	\$0

- 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.
- Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The

waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.

5. This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
6. Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
7. Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$2 million.
8. Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
9. Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
10. Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

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

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

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

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

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance <u>1/1/2022</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/2022</u>	Due Within <u>One Year</u>
Leased asset liability	\$ 17,978	\$ 4,885	\$ 4,353	\$ 18,510	\$ 4,917
Employee leave benefits	196,170	63,297	259,467	(0)	259,467
Other post employment benefits	1,101,356	103,620	360,644	844,332	13,826
Net pension liability	163,071	197,226	-	360,297	-
Environmental remediation liability	612,500	-	-	612,500	-
Underground storage tank retirement	265,161	23,864	-	289,025	-
Total Long-Term Liabilities	\$ 2,356,236	\$ 392,892	\$ 624,464	\$ 2,124,664	\$ 278,210

NOTE 11 - LEASES

A. Lessee Activity

In 2020, the Port of Edmonds implemented GASB Statement No. 87, Leases. The Port of Edmonds has entered into three 60-month equipment lease agreements in the total amount of \$450 per month. Variable payments are required based on the number of copies made.

Leased assets activity for the year ended December 31, 2022, was as follows:

	Beginning Balance <u>1/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>12/31/2022</u>
Leased Equipment	\$ 20,244	\$ 4,885	\$ -	\$ 25,129
Accumulated Amortization on Leased Equipment	\$ 2,362	\$ 4,537	\$ -	\$ 6,899

2022 outflows of resources from lease activity were as follows:

Principal Payments in 2022	\$ 4,353
Interest Expense on Leased Asset	495
Variable Payments	2,102
Total	<u>\$ 6,950</u>

As of December 31, 2022, the principal and interest requirements to maturity are as follows:

Year Ended December 31	Principal	Interest	Total
2023	\$ 4,917	\$ 462	\$ 5,379
2024	5,056	323	5,379
2025	5,199	180	5,379
2026	2,812	49	2,861
2027	526	5	531
Total	\$ 18,510	\$ 1,019	\$ 19,529

B. Lessor Activity

In 2020, the Port of Edmonds implemented GASB Statement No. 87, Leases. Leases subject to GASB Statement No. 87 have a fixed term that exceed one-year. Therefore, moorage, dry storage, and other month-to-month leases are not considered in the discussion below. Many partial building lease agreements begin as a one-year, three-year, or five-year agreement and then are extended numerous times. The terms listed in the graph below are the total length of time the tenant has been leasing from the Port.

As of December 31, 2022, the Port participated as a lessor in the following lease agreements:

Lease Type	Full Service or NNN	Number of Leases	Term (Years)	Remaining Extensions	Monthly Rent	Rent Increases
Land Lease	NNN	1	50	Two 15-year terms	\$ 6,004	CPI annually
Land Lease	NNN	1	35	None	\$ 10,033	CPI and FMV alternating 5 years
Land Lease	NNN	1	34	Eight 5-year terms	\$ 13,499	CPI annually
Land Lease	NNN	1	30	Two 15-year terms	\$ 5,698	CPI annually, FMV every 5 years
Land Lease	NNN	1	30	Two 10-year terms	\$ 5,035	2.5% annually
Building Lease	NNN	1	40	Eight 5-year terms	\$ 26,850	FMV every 5 years
Partial Building Lease	NNN	1	25	Four 10-year terms	\$ 18,927	None, minimum annual guarantee
Partial Building Lease	NNN	1	24	None	\$ 5,417	CPI annually
Partial Building Lease	NNN	1	20	None	\$ 16,309	CPI annually
Partial Building Lease	NNN	5	17-22	None	\$1,027 - \$5,603	CPI annually
Partial Building Lease	Full Service	1	18	One 3-year term	\$ 10,586	CPI annually
Partial Building Lease	Full Service	7	13-19	None	\$1,241 - \$5,115	CPI annually
Partial Building Lease	NNN	1	15	None	\$ 2,129	CPI annually
Partial Building Lease	NNN	1	10	Two 5-year terms	\$ 4,618	CPI annually
Partial Building Lease	Full Service	1	10	One 5-year term	\$ 4,425	CPI or 3%, whichever is lesser, annually
Partial Building Lease	Full Service	5	8-11	None	\$655 - \$3,160	CPI annually
Partial Building Lease	Full Service	1	9	None	\$ 2,139	3% annually
Partial Building Lease	Full Service	1	6	Four 1-year terms	\$ 1,685	CPI annually
Partial Building Lease	NNN	2	5-6	None	\$1,979 - \$2,678	CPI annually
Partial Building Lease	NNN	1	5	One 2-year term	\$ 3,249	CPI annually
Partial Building Lease	NNN	1	5	Two 2-year terms	\$ 4,110	CPI annually
Partial Building Lease	Full Service	7	1-3	None	\$750 - \$3,140	CPI annually

Variable payments include common area maintenance charges for triple net (NNN) leases, utilities for some triple net leases, and a percentage of sales on a minimum annual guarantee lease agreement. In a triple net lease agreement, the tenant agrees to pay real estate taxes, building insurance, and maintenance, in addition to rent and utilities. Common area maintenance charges include utilities, repairs, and maintenance to common spaces like entryways, elevators, and restrooms in buildings and parking lots.

2022 inflows of resources from lease activity were as follows:

Lease Revenue from Lease Receivable	\$ 1,671,267
Interest Revenue	592,267
Variable Payments	269,466
Other Lease-Related Inflows Not Included in Lease Receivable Measurement	110,608
Total	<u>\$ 2,643,608</u>

The Port’s minimum future lease rental income on noncancelable operating lease terms remaining are as follows:

Year Ended December 31	Principal	Interest	Total
2023	\$ 1,547,630	\$ 530,675	\$ 2,078,305
2024	1,011,683	457,004	1,468,687
2025	962,106	406,696	1,368,802
2026	831,475	361,782	1,193,257
2027	681,851	327,651	1,009,502
2028-2032	3,400,736	1,211,281	4,612,017
2033-2037	2,621,200	594,411	3,215,611
2038-2042	1,594,690	140,691	1,735,381
2043-2047	149,514	5,774	155,288
Total	\$ 12,800,885	\$ 4,035,965	\$ 16,836,850

NOTE 12 – CONTINGENCIES AND LITIGATION

The Port has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes that it is probable that the Port will have to make payment. In the opinion of management, the Port’s cash and cash equivalents and insurance policies are adequate to pay all known or pending claims.

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

NOTE 13 – ENVIRONMENTAL REMEDIATION OBLIGATIONS

The Port of Edmonds is subject to laws and regulations relating to the protection of the environment. The Port’s policy is to accrue environmental and cleanup related costs when it is both probable that a liability has been incurred and when the amount can be reasonably estimated.

In November 2006, the Governmental Accounting Standards Board issued GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The provisions of this Statement are effective for fiscal periods beginning after December 15, 2007. The Port adopted this standard in 2008.

GASB Statement No. 49 requires disclosure of “obligations to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities.” GASB Statement No. 49 identifies five “obligating events” that require a government agency to disclose future outlays associated with remediation of contaminated sites. Once any of the five



obligating events occurs, the government agency must document the components of expected pollution remediation outlays that are reasonably estimable. At this time, the Port has determined that future cleanup costs associated with one site constitute the Port's pollution remediation obligations.

A. Nature and Source of Pollution Remediation Obligations

From 2003 to 2006, the Port of Edmonds was involved in cleaning up a property known as the Harbor Square property, which was purchased by the Port from the Union Oil Company in 1978. From 1924 to 1968, portions of the property were used as an oil and gasoline depot and distribution facility, a railcar cleaning facility, an asphalt batch plant, and heavy-equipment storage. Several remedial investigations were conducted at the property from 1989 to 2003. In June 2003, a supplemental site investigation was conducted at the direction of the Department of Ecology to further define the extent of contamination at the property identified during previous investigations, to help identify any additional areas of contamination, and to further evaluate any impacts to groundwater. The Port developed a remediation plan based on that investigation and commenced cleanup activities.

The Port's environmental engineering firm, Landau Associates, prepared a report for the Port of Edmonds in November 2003 that provided estimates of the cost of remediation activities at the Port of Edmonds' Harbor Square complex due to past industrial activities at the site. The estimated costs presented in the report are for all remediation activities anticipated at the site, which are described as Phase I through Phase III remediation in the report. Phase I and Phase II remediation efforts were essentially completed in 2005 and 2006. Phase III remediation remains to be completed.

B. Amount of Estimated Liability

The estimated cost of Phase III remediation was a range of \$150,000 to \$900,000, reflecting the uncertainty of the extent of contamination under existing structures that could not be readily accessed for assessment. Landau Associates estimates the liability to the Port of Edmonds associated with the future cleanup of known areas of contamination on Port property to be \$175,000 to \$1,050,000 (in 2008 dollars). The middle point of this estimated range is \$612,500.

As per GASB Statement No. 49, "Estimates of a pollution remediation liability should be adjusted when benchmarks are met or when new information indicates changes in estimated outlays due to, for example, changes in the remediation plan or operating conditions. These changes may include the type of equipment, facilities, and services that will be used, price increases or reductions for specific outlay elements such as ongoing monitoring requirements, changes in technology, and changes in legal or regulatory requirements."

The Port did not meet any benchmarks or receive new information that indicates changes in estimated outlays in 2022. Therefore, the Port did not make any adjustments to Environmental Remediation Liability in 2022.

C. Methods and Assumptions Used for the Estimate

The majority of the contamination to be addressed in Phase III remediation is located under existing buildings; some areas of residual contamination (expected to be relatively small) are located outside building footprints, but underneath paved surfaces. Phase III activities were not undertaken due to the inaccessibility of the contaminated areas, although the Port has committed to remediation at such time that the structures at the Harbor Square complex are removed for future development.

The Port has chosen to use only the best case and worse case for the ranges of potential outcomes. As the Port does not have a reasonable basis for specifying the probability and amount of a most likely potential cash flow, it is using only two data points, a range of \$175,000 to \$1,050,000.

D. Potential for Changes

As Phase III remediation may only be completed when the Harbor Square property is redeveloped, this estimate may be revised due to price increases or reductions, technology, and applicable laws or regulations.

E. Estimated Recoveries Reducing the Liability

The Port does not expect to receive any recoveries to reduce this liability.

NOTE 14 – UNDERGROUND STORAGE TANK RETIREMENT OBLIGATION

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement are effective for fiscal periods beginning after June 15, 2018. The Port adopted this standard in 2019.

The Port owns and operates a marina fueling facility. The fuel dispensers are supplied by 3 12,000 gallon, double-walled underground storage tanks that were installed in 1995. Washington Administrative Code (WAC) 173-360A requires owners and operators to monitor the tanks for leakage, provide insurance coverage for all leakage, submit to periodic testing of the tanks and monitoring equipment, provide training for certain staff, and to properly close the underground storage tanks when they are no longer needed.

The Port has chosen to measure the ARO based on the cost estimate for decommissioning and removing one 20,000 gallon gasoline underground storage tank prepared by DH Environmental, Inc. in October 2019, for the Port of Seattle. The estimate totaled \$82,382. Multiplying by the 3 tanks the Port owns, results in a liability of roughly \$250,000. This amount is reviewed annually to account for the effects of inflation or deflation, and to consider any factors significantly affecting the estimate; such as changes in technology, changes in legal or regulatory requirements, and changes to the type of equipment or services that may be used to

decommission the underground storage tanks. As of December 31, 2022, the asset retirement obligation for the Port's three underground storage tanks was \$289,025, an increase of 9.0% over 2021 to reflect the effects of inflation on the Port's estimate.

GASB 83 is retroactive to the date of the internal obligating event in September 1995 and is effective over the life of the underground storage tanks. The tanks originally had a 20 year estimated life, which was reevaluated in 2019 and increased to 40 years.

Upon retirement of the underground storage tanks, the Port will fund the decommissioning out of current reserves. There are no assets restricted for the payment of this liability.

#### NOTE 15 – COVID-19 PANDEMIC

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

Due to these limitations, some Port tenants experienced negative financial impacts and requested rent relief in the form of deferred rent. At the end of 2022, two remaining rent deferrals were outstanding for a total of \$165,000. Repayment will occur from 2023 through 2027. An allowance for doubtful accounts of \$40,000 was established in 2020.

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the Port is unknown at this time.

**SUPPLEMENTARY INFORMATION**

Port of Edmonds  
Schedule of Proportionate Share of the Net Pension Liability  
Washington State Public Employee Retirement Systems Plan 1  
As of June 30, 2022

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Employer's proportion of the net pension liability (asset)	0.014396%	0.013921%	0.012421%	0.013252%	0.013704%	0.013185%	0.013353%	0.012940%
Employer's proportionate share of the net pension liability	\$ 753,045	\$ 747,623	\$ 589,386	\$ 591,839	\$ 526,967	\$ 465,502	\$ 163,071	\$ 360,297
TOTAL	\$ 753,045	\$ 747,623	\$ 589,386	\$ 591,839	\$ 526,967	\$ 465,502	\$ 163,071	\$ 360,297
Employer's covered employee payroll	\$ 1,561,301	\$ 1,570,980	\$ 1,566,327	\$ 1,762,667	\$ 1,923,048	\$ 2,004,169	\$ 2,052,184	\$ 2,116,398
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	48.23%	47.59%	37.63%	33.58%	27.40%	23.23%	7.95%	17.02%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%

Port of Edmonds  
Schedule of Proportionate Share of the Net Pension Liability  
Washington State Public Employee Retirement Systems Plans 2 & 3  
As of June 30, 2022

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Employer's proportion of the net pension liability (asset)	0.016797%	0.016216%	0.015976%	0.017057%	0.017692%	0.017211%	0.017158%	0.016886%
Employer's proportionate share of the net pension liability (asset)	\$ 600,166	\$ 816,463	\$ 555,090	\$ 291,233	\$ 171,849	\$ 220,119	\$(1,709,213)	\$(626,265)
TOTAL	\$ 600,166	\$ 816,463	\$ 555,090	\$ 291,233	\$ 171,849	\$ 220,119	\$(1,709,213)	\$(626,265)
Employer's covered employee payroll	\$1,490,532	\$1,505,056	\$1,566,327	\$1,762,667	\$1,923,048	\$2,004,169	\$2,052,184	\$2,116,398
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	40.27%	54.25%	35.44%	16.52%	8.94%	10.98%	-83.29%	-29.59%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%

Port of Edmonds  
Schedule of Employer Contributions  
Washington State Employee Retirement Systems Plan 1  
As of December 31, 2022

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Statutorily or contractually required contributions	\$ 71,356	\$ 76,567	\$ 80,995	\$ 93,588	\$ 97,764	\$ 98,108	\$ 87,180	\$ 85,848
Contributions in relation to the statutorily or contractually required contributions	\$ (71,356)	\$ (76,567)	\$ (80,995)	\$ (93,588)	\$ (97,764)	\$ (98,108)	\$ (87,180)	\$ (85,848)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$ 1,538,725	\$ 1,564,005	\$ 1,652,801	\$ 1,849,424	\$ 1,974,739	\$ 2,046,919	\$ 2,013,352	\$ 2,288,483
Contributions as a percentage of covered employee payroll	4.64%	4.90%	4.90%	5.06%	4.95%	4.79%	4.33%	3.75%

Port of Edmonds  
Schedule of Employer Contributions  
Washington State Employee Retirement Systems Plans 2 & 3  
As of December 31, 2022

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Statutorily or contractually required contributions	\$ 82,765	\$ 95,473	\$ 113,423	\$ 138,691	\$ 152,328	\$ 162,117	\$ 144,840	\$ 145,548
Contributions in relation to the statutorily or contractually required contributions	\$ (82,765)	\$ (95,473)	\$ (113,423)	\$ (138,691)	\$ (152,328)	\$ (162,117)	\$ (144,840)	\$ (145,548)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$1,469,808	\$1,532,480	\$1,652,801	\$1,849,424	\$1,974,739	\$2,046,919	\$2,013,352	\$2,288,483
Contributions as a percentage of covered employee payroll	5.63%	6.23%	6.86%	7.50%	7.71%	7.92%	7.19%	6.36%



Port of Edmonds  
Schedule of Changes in Total OPEB Liability and Related Ratios  
As of June 30, 2022

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Total OPEB liability - beginning</b>	\$ 1,052,444	\$ 1,079,896	\$ 1,122,307	\$ 1,409,327	\$ 1,101,356
Service cost	61,926	52,469	57,899	93,572	78,277
Interest cost	39,645	43,460	40,945	32,925	25,343
Changes in benefit terms	-	-	-	-	-
Changes in experience data and assumptions	(60,067)	(34,624)	209,026	(408,158)	(347,862)
Benefit payments	(14,052)	(18,894)	(20,850)	(26,310)	(12,782)
Other changes	-	-	-	-	-
<b>Total OPEB liability - ending</b>	<u>\$ 1,079,896</u>	<u>\$ 1,122,307</u>	<u>\$ 1,409,327</u>	<u>\$ 1,101,356</u>	<u>\$ 844,332</u>
<b>Covered-employee payroll</b>	\$ 1,762,667	\$ 1,923,048	\$ 2,004,169	\$ 2,052,184	\$ 2,116,398
<b>Total OPEB liability as a % of covered payroll</b>	61.26%	58.36%	70.32%	53.67%	39.89%

**Notes to Schedule:**

Until a full 10-year trend is compiled, only information for those years available is presented.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

**Port of Edmonds**

Schedule 01

For the year ended December 31, 2022

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1759	401	Operations	3081900	Restricted Net Position - Beginning	\$307,355
1759	401	Operations	3086000	Net Investment in Capital Assets - Beginning	\$25,714,804
1759	401	Operations	3088900	Unrestricted Net Position - Beginning	\$21,447,749
1759	401	Operations	3111000	Property Tax	\$618,884
1759	401	Operations	3331500	Federal Indirect Grant from Department of Interior	\$3,758
1759	401	Operations	3339700	Federal Indirect Grant from Department of Homeland Security	\$11,957
1759	401	Operations	3445000	Sales of Fuel	\$2,012,701
1759	401	Operations	3446000	Airports and Ports Services	\$8,732,904
1759	401	Operations	3611000	Investment Earnings	\$380,748
1759	401	Operations	3613000	Gains (Losses) on Sale of Investments	(\$818,590)
1759	401	Operations	3614000	Other Interest	\$592,266
1759	401	Operations	5014600	Depreciation, Depletion, Amortization - Airports and Ports	\$1,379,088
1759	401	Operations	5460010	Airports and Ports	\$2,436,362
1759	401	Operations	5460020	Airports and Ports	\$509,520
1759	401	Operations	5460030	Airports and Ports	\$2,102,785
1759	401	Operations	5460040	Airports and Ports	\$1,799,757
1759	401	Operations	5081900	Restricted Net Position - Ending	\$626,265
1759	401	Operations	5086000	Net Investment in Capital Assets - Ending	\$27,543,831
1759	401	Operations	5088900	Unrestricted Net Position - Ending	\$22,636,433
1759	401	Operations	8100000	Current Assets	\$12,553,800
1759	401	Operations	8200000	Other Current Assets	\$2,259,512
1759	401	Operations	8300000	Noncurrent Assets	\$52,929,749
1759	401	Operations	8400000	Deferred Outflows	\$764,605
1759	401	Operations	8500000	Current Liabilities	\$1,931,294
1759	401	Operations	8600000	Noncurrent Liabilities	\$2,105,921
1759	401	Operations	8700000	Deferred Inflows	\$13,663,922
1759	401	Operations	3740690	Capital Contributions - State Grant from Other State Agencies	\$30,000
1759	401	Operations	3917000	Other Note/Contracts/Line of Credits	\$4,885
1759	401	Operations	5914670	Debt Repayment - Airports and Ports	\$4,353
1759	401	Operations	5924680	Interest and Other Debt Service Cost - Airports and Ports	\$495
1759	401	Operations	5944660	Capital Expenditures/Expenses - Airports and Ports	\$3,226,282

**Port of Edmonds  
Schedule of Liabilities  
For the Year Ended December 31, 2022**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.57	Leased asset liability	6/30/2027	17,978	4,885	4,353	18,510
259.12	Employee leave benefits		196,170	63,297	259,467	-
264.40	Other post-employment benefits		1,101,356	103,620	360,644	844,332
264.30	Net pension liability		163,071	197,226	-	360,297
263.93	Environmental remediation liability		612,500	-	-	612,500
263.93	Underground storage tank retirement		265,161	23,864	-	289,025
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>2,356,236</b>	<b>392,892</b>	<b>624,464</b>	<b>2,124,664</b>
<b>Total Liabilities:</b>			<b>2,356,236</b>	<b>392,892</b>	<b>624,464</b>	<b>2,124,664</b>

**Port of Edmonds  
 Schedule of Expenditures of State Financial Assistance  
 For the Year Ended December 31, 2022**

<b>State Agency Name</b>	<b>Program Title</b>	<b>Identification Number</b>	<b>Total</b>
State Grant from Secretary of State	Washington State Archives Local Records Grant Program - Technology Tools	G-7280	1,081
		<b>Sub-Total:</b>	<b>1,081</b>
		<b>Total State Grants Expended:</b>	<b>1,081</b>

**Port of Edmonds  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022**

<u>Federal Agency (Pass-Through Agency)</u>	<u>Federal Program</u>	<u>ALN Number</u>	<u>Other Award Number</u>	<u>Expenditures</u>			<u>Passed through to Subrecipients</u>	<u>Note</u>
				<u>From Pass- Through Awards</u>	<u>From Direct Awards</u>	<u>Total</u>		
U.S. FISH AND WILDLIFE SERVICE, INTERIOR, DEPARTMENT OF THE (via Washington State Parks and Recreation)	Clean Vessel Act	15.616	CV921-115	3,701	-	3,701	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via State of Washington Emergency Management Division)	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D20-862	11,957	-	11,957	-	
<b>Total Federal Awards Expended:</b>				<b>15,658</b>	<b>-</b>	<b>15,658</b>	<b>-</b>	

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Port’s financial statements. The Port uses Generally Accepted Accounting Principles (GAAP) as applied to governments.

Note 2 – Federal De Minimis 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 grant portion of the program costs. Entire program costs, including the Port’s portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or 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.