PORT OF EDMONDS

PORT OF EDMONDS

2025 Annual Report

PORT OF EDMONDS

Commissioners

Janelle Cass	President
Selena Killin	Vice President
Jay Grant	Secretary
David Preston	Commissioner
Ross Dimmick	Commissioner

Port Officers

Brandon Baker	Executive Director
Brian Menard	Director of Facilities and Maintenance
Brittany Williams	Director of Economic Development
John Peterman	Director of Finance and Administration

Port of Edmonds
2025 Annual Report

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PORT OF EDMONDS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's 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, 2025 with comparisons to 2024. This discussion and analysis are designed to assist the reader in focusing on the Port's significant financial issues and activities 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. It was created in 1948 by a vote of the citizens of the Port district, which encompasses portions of the City of Edmonds and all the Town of Woodway.

The Port of Edmonds operates a Marina on Puget Sound for recreational boating. The Marina has an in-water facility with 664 slips, a dry storage facility for 220 vessels, two public boat launches, a workyard, a fuel dock, guest moorage, and parking facilities. In addition to the Port's Marina Operations, the Port leases 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. In addition to its lines of business, the Port provides the Portwalk, a popular community amenity, as well as hosting a series of environmental educational programs and community events.

The Port's governing body consists of five Port Commissioners who are elected and serve four year terms. 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. The Director of Finance and Administration is the appointed Port Auditor.

USING THE ANNUAL REPORT

Governmental accounting falls under the control of the Governmental Accounting Standards Board (GASB). All the functions of the Port are considered in the numbers shown on the following pages, including the cost of the general government of the Port district. Since the Port is a Special Purpose government, all its assets and liabilities are shown in its Proprietary Fund. The Port incurs substantial governmental activity expenses, such as Port management and administration, public facility maintenance, and public meeting expenses. All these expenses of the Port are reported in the Proprietary Fund. The "one fund" model complies with the rules of GASB 34, which states that separately issued debt and separately issued classified assets are needed 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. No fund level financial statements are shown since the Port comprises a single enterprise fund.

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 commission costs and capital expenditures.

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

The Statement of Net Position (also known as the Balance Sheet) presents all of the Port's assets plus deferred outflow of resources and liabilities plus deferred inflow of resources, 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 Port's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in 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, result in a net increase or decrease in the Port's net position for the year.

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

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

This discussion of the Port's financial statements includes an analysis of major changes in assets and liabilities for 2025 compared to 2024, as well as a review of changes in revenues and expenses reflected in the financial statements.

FINANCIAL ANALYSIS – STATEMENT OF NET POSITION

Summary of Statement of Net Position				
	2025	2024	Increase (Decrease)	% Change
Current Assets	$ 19,877,718	$ 15,335,535	$ 4,542,183	30%
Long-Term Assets	26,924,897	25,615,265	1,309,632	5%
Capital Assets, Net	31,546,974	32,693,826	(1,146,852)	-4%
Total Assets	78,349,589	73,644,627	4,704,963	6%
Deferred Outflows of Resources	971,456	908,502	62,954	7%
Total Assets and Deferred Outflows of Resources	79,321,045	74,553,128	4,767,917	6%
Current Liabilities	1,908,850	1,862,239	46,612	3%
Long-Term Liabilities	2,159,972	2,139,264	20,708	1%
Total Liabilities	4,068,822	4,001,503	67,319	2%
Deferred Inflows of Resources	13,015,133	11,744,830	1,270,303	11%
Net investment in capital assets	31,543,628	32,685,269	(1,141,641)	-3%
Restricted	675,616	566,582	109,034	19%
Unrestricted	30,017,846	25,554,945	4,462,901	17%
Total Net Position	62,237,090	58,806,796	3,430,295	6%
Total Liabilities, Deferred Inflows of Revenues, and Net Position	$ 79,321,045	$ 74,553,129	$ 4,767,916	6%

The Port's current assets increased by $4.8 million in 2025, mainly due to the increase in cash on hand, which the Port invests in the Local Government Investment Pool (LGIP). LGIP is a voluntary investment vehicle operated by the State Treasurer that provides safe, liquid, and competitive investment options for local government pursuant to RCW 43.250. LGIP's investment objectives are, in priority order: 1) safety of principal, 2) maintaining adequate liquidity to meet cash flows, and 3) providing a competitive interest rate relative to other comparable investment alternatives. LGIP offers 100% liquidity to its participants.

Long-term assets increased by $1.3 million. The increase is mainly due to an increase in lease receivables – non-current and net pension assets slightly offset by the difference between the called and matured investments retained as cash.

Net capital assets decreased by $1.1 million. This is mainly due to an increase in accumulated depreciation from the first full year of the Port's Administration and Maintenance building which was completed in 2024 slightly offset by an increase in construction in progress.

Deferred outflows of resources increased by $0.1 million, primarily due to an increase in deferred pension outflow.

Current liabilities include payments for expenses already incurred, unearned revenue, customer deposits, compensated absences, and the current portions of leased assets liability and other post-employment benefits liability. The Port's current liabilities increased by $0.05 million mainly due to increases in customer deposits.

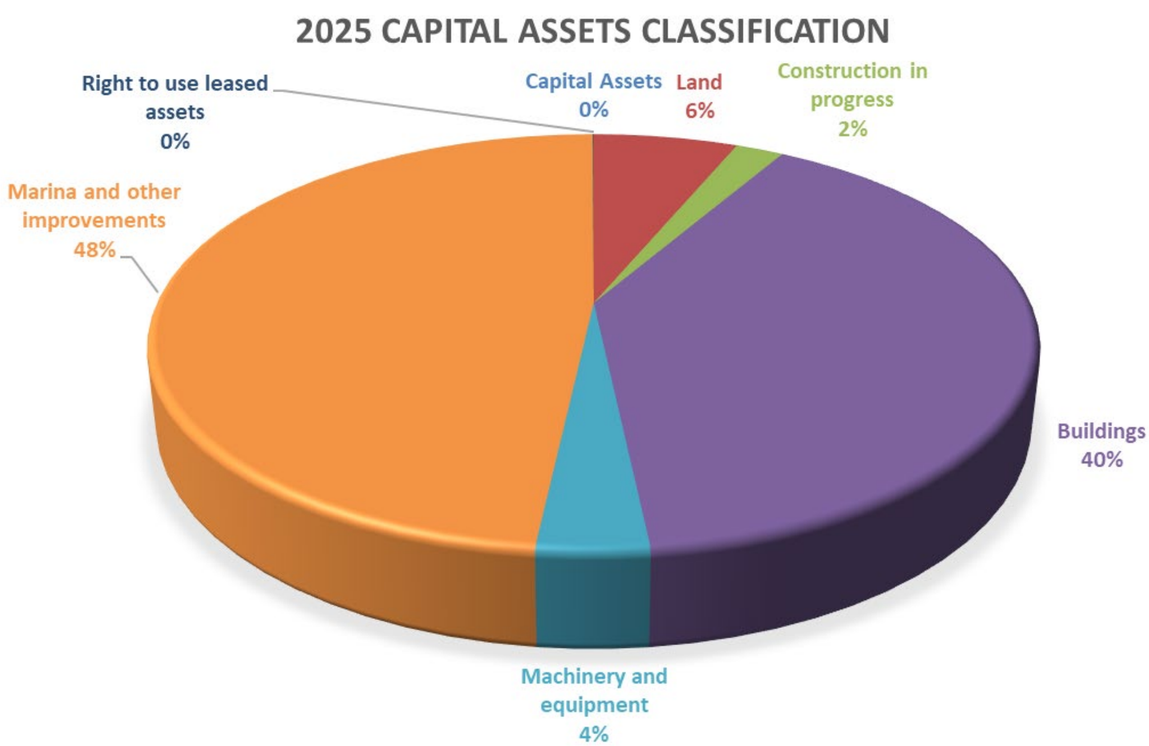
The Port's long-term liabilities are the long-term portion of the leased assets liability, compensated absences, other post-employment benefits liability, net pension liability, environmental remediation liability, and underground storage tank retirement obligation. Long-term liabilities increased by $0.02 million mainly due to increase in compensated absences and other postemployment benefits offset by decreased in net pension liability.

Deferred inflows of resources increase by $1.3 million, due to an increase in deferred lease inflow.

Net investment in capital assets decreased by $1.1 million mainly because of the increase in accumulated depreciation due to the completion of the new Administration and Maintenance building in 2024.

Restricted $0.7 million of net position results from the net pension asset. As of December 31, 2025, the Port's assets exceeded its liabilities by $62.2 million (net position), which is an increase of $3.4 million or 6%.

CAPITAL ASSETS



Capital Assets	2025	2024
Land	$ 4,323,675	$ 4,323,675
Construction in progress	1,434,574	1,006,780
Buildings	27,403,410	27,403,410
Machinery and equipment	2,364,479	2,300,809
Marina and other improvements	33,102,721	33,102,721
Right to use leased assets	25,129	25,129
	$ 68,653,987	$ 68,162,524

The Port records the acquisition of all assets at historical costs on its Statement of Net Position. In 2025, the Port launched an initiative to split the North Portwalk & Reconstruction Project into three phases. The Port began Phase I - new Administration and Maintenance Building in 2021 and placed the building in service in Q1 2024 with total costs of $10.2 million.

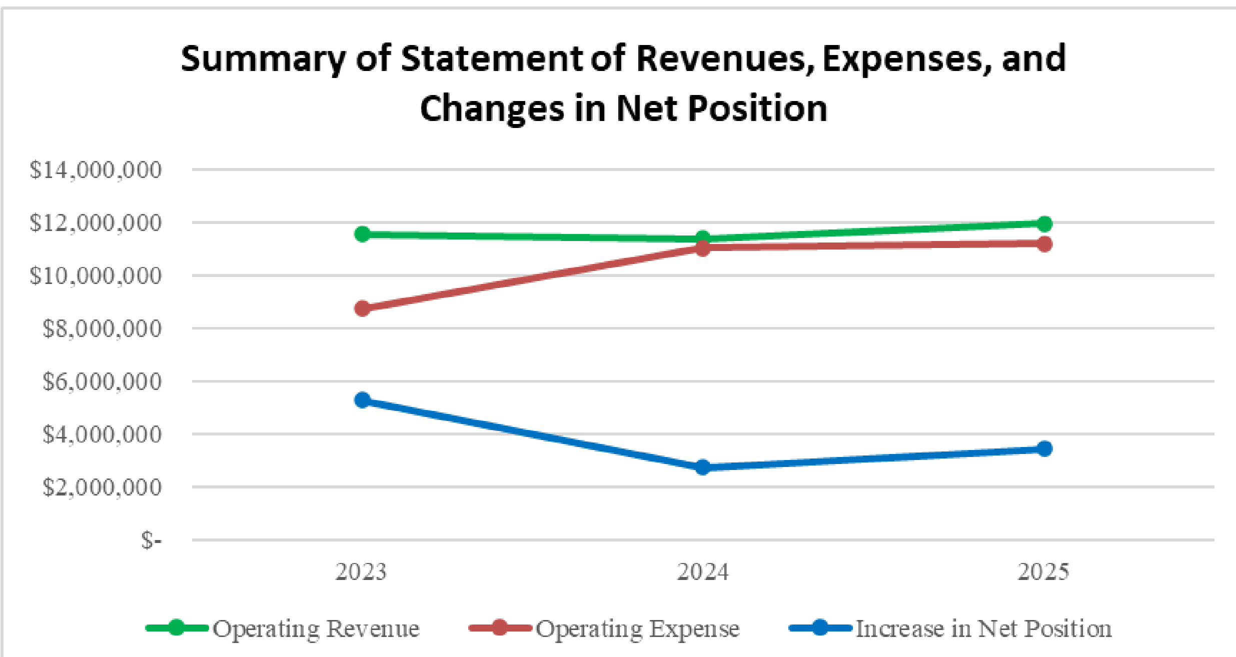
As of December 31, 2025, the Port is in the design, engineering, and permitting stages of the North Portwalk & Seawall Reconstruction Project, which has a total cost to date of $231k in Phase II for Site Prep and Electrification and $1.1 million for Phase III for North Seawall and Portwalk Rebuild. Of the $1.3 million in costs to date across both phases, $372k was incurred in 2025. Construction is expected to begin in 2026 for Phase II and 2028 for Phase III.

The Port's capital assets are classified into the following categories: land, construction in progress, buildings, marina and other improvements, machinery and equipment, and the right to use leased assets. Marina and other improvements include assets such as docks, breakwaters, the dry storage facility, roads, and landscaping. See Note 4, *Capital Assets and Depreciation*, in the Notes to the Financial Statements for more information.

The Port maintained capital assets of $68.7 million as of December 31, 2025, an increase of $0.5 million compared to December 31, 2024, due to an increase in construction in progress. When the Port invests more than depreciation in new capital assets in a year, the book value of its asset base increases.

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

Summary of Statement of Revenues, Expenses, and Changes in Net Position				
	2025	2024	Increase (Decrease)	% Change
Marina Operations Revenues	$ 9,599,578	$ 9,073,818	$ 525,759	6%
Rental Properties Revenues	2,347,131	2,319,245	27,885	1%
Total Revenues	11,946,709	11,393,063	553,644	5%
Operating Expenses	11,200,854	11,031,292	169,561	2%
Operating Income	745,855	361,771	384,084	106%
Net Nonoperating Revenues/(Expenses)	2,684,439	2,369,483	314,956	13%
Capital Contributions	-	-	-	0%
Increase in Net Position	3,430,294	2,731,254	699,040	26%
Net Position - Beginning	58,806,796	56,075,542	2,731,254	5%
Net Position - Ending	$ 62,237,090	$ 58,806,796	$ 3,430,294	6%



	2023	2024	2025
Operating Revenue	$ 11,548,250	$ 11,393,063	$ 11,946,709
Operating Expense	8,739,197	11,031,292	11,200,854
Increase in Net Position	$ 5,269,013	$ 2,731,254	$ 3,430,294

The Statement of Revenues, Expenses, and Changes in Net Position presents the changes in net position.

The Port's 2025 Marina Operations revenues were $9.6 million, an increase of $0.5 million or 6% compared to 2024. The increase is mainly due to an increase in Permanent Moorage and Dry Storage rates and an increase of fuel sales offset by a decrease in workyard sales compared to 2024. 2025 Rental Properties revenues were $2.35 million, an increase of $0.027 million or 1% compared to 2024.

The Port's 2025 operating expenses were $11.2 million, an increase of $0.17 million or 2% compared to 2024. The increase is the result of an increase in depreciation expense of $63K, an increase in general and administrative expense for economic development of $63K, and an increase in general operation expense for insurance and utilities of $65K. These increases were offset by a decrease in repair and maintenance expense of $22K.

The Port's operating income was $0.75 million in 2025, which is $0.4 million or 106% higher than in 2024.

The Port's 2025 net non-operating revenues and expenses were $2.7 million, an increase of $0.3 million or 13% when compared to 2024. This increase is mainly due to an increase in interest income and an increase in interest in lease income activity from new leases complying with GASB 87.

The Port's net position increased by $3.4 million in 2025 compared to $2.7 million in 2024.

STATE AND FEDERAL GRANT/APPROPRIATIONS

The Port has been applying for grants and appropriations at both the State and Federal level to assist in paying for infrastructure improvements. In 2024, the Port launched an initiative to split the North Portwalk & Reconstruction Project into three phases.

Phase I was constructing a new Administration and Maintenance building, which was completed in 2024 using the Port's capital improvement reserve funds.

Phase II is site preparation (removal of old Administration building) and electrification, with the projected start date of Q4 2026, with an estimate at $2.9 million.

Phase III includes reconstructing the seawall and renovating approximately 900 feet of the deteriorated waterfront boardwalk (i.e., North Portwalk) that extends between the old Port of Edmonds Administration Building and Olympic Beach. The project replaces the upper timber section of the two-tiered seawall with a steel sheet pile wall to provide long term durability and seismic resilience. Timber piles will be replaced with steel piles on the waterward side, repaired in place where feasible, and supplemented with new steel or composite piles on the landward side.

The treated wood boardwalk will be rebuilt within the same footprint and raised six inches to improve accessibility and separation from the adjacent drive/fire lane. The new walkway will feature steel framing, steel railings, and concrete deck panels with clear glass blocks that allow light to reach the water below. Additional improvements include new restroom facilities, expanded parking, landscaping, integrated lighting, wayfinding signage, and two public plazas with art and gathering space. The project enhances shoreline access, strengthens public amenities, and provides essential flood protection and resiliency. Construction is anticipated to begin in 2028, with an estimated cost of $35.0 million.

Currently, the Port has been awarded the following Capital Grants for Phase II:

Capital Plan	Grant Dollars		Port Dollars	Total Project Costs
	RCO	Electrificaiton		
Phase II - 2026	$ 500,000	$ 1,000,000	$ -	$ 1,500,000
Phase II - 2027	$ -	$ 500,919	$ 950,000	$ 1,450,919
Total	$ 500,000	$ 1,500,919	$ 950,000	$ 2,950,919

In 2023, the Port was awarded the Recreation and Conservation Office (RCO) Aquatic Lands Enhancement Account (ALEA) grant up to $500,000. The period of performance began on August 1, 2023 (project start date) and will end on December 31, 2026 (project end date). No allowable cost incurred before or after this period is eligible for reimbursement unless specifically provided for by written amendment or addendum to the Agreement. The Port plans to apply this grant for Phase II of the North Portwalk & Seawall Reconstruction Project as the demolition of the old building is considered development costs under RCO guidelines. As of December 31, 2025, reimbursements of $1.8K have been submitted or received for this grant.

In 2024, WSDOT awarded the Port Electrification Competitive Grant for Phase II of the North Portwalk & Seawall Reconstruction Project in the amount of $1.5 million. As of December 31, 2025, no reimbursements have been submitted or received for this grant.

As of December 31, 2025, no grants have been awarded for Phase III.

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 or need additional information, please visit our website at www.portofedmonds.gov or contact: Director of Finance and Administration, 471 Admiral Way, Edmonds, WA 98020. Telephone (425) 774-0549.

PORT OF EDMONDS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025

ASSETS		
Current Assets		
Cash and cash equivalents (Notes 1 and 2)	$	17,716,052
Accounts receivable (net of allowance for uncollectibles) (Note 1)		123,626
Lease receivable - current portion (Notes 1 and 11)		1,502,778
Taxes receivable (Notes 1 and 3)		8,245
Interest receivable (Notes 1 and 2)		79,421
Inventory (Note 1)		93,728
Prepaid expenses (Note 1)		353,868
Total Current Assets		19,877,718
Long-Term Assets		
Investments (Note 2)		14,914,500
Lease receivable - long-term (Notes 1 and 11)		11,334,781
Net pension asset (Notes 1 and 7)		675,616
Capital Assets		
Capital Assets Not Being Depreciated (Notes 1 and 4)		
Land		4,323,675
Construction in progress (Note 4)		1,434,574
Capital Assets Being Depreciated (Notes 1 and 4)		
Buildings		27,403,410
Marina and other improvements		33,102,721
Machinery and equipment		2,364,479
Right to use leased assets		25,129
Less: Accumulated depreciation and amortization		(37,107,014)
Total Net Capital Assets		31,546,974
Total Long-Term and Capital Assets		58,471,871
TOTAL ASSETS		78,349,589
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflow (Notes 1 and 7)		856,869
Deferred other post employment benefits outflow (Notes 1 and 8)		7,922
Deferred underground storage tank retirement outflow (Notes 1 and 14)		106,665
TOTAL DEFERRED OUTFLOWS OF RESOURCES		971,456
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	79,321,045

PORT OF EDMONDS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025

LIABILITIES		
Current Liabilities		
Accounts payable	$	183,043
Accrued expenses (Note 1)		457,067
Unearned revenue (Note 1)		181,494
Compensated absences - current portion (Note 1)		190,780
Customer deposits		877,801
Leased assets liability - current portion		2,820
Other post-employment benefits - current portion (Note 8)		15,845
Total Current Liabilities		1,908,850
Long-Term Liabilities		
Leased assets liability		526
Compensated absences - long-term (Note 1)		353,990
Other postemployment benefits (Note 8)		706,944
Net pension liability (Notes 1 and 7)		161,298
Environmental remediation liability (Note 13)		612,500
Underground storage tank retirement obligation (Note 14)		324,714
Total Long-Term Liabilities		2,159,972
TOTAL LIABILITIES		4,068,822
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflow (Notes 1 and 7)		223,804
Deferred lease inflow (Notes 1 and 11)		12,791,329
TOTAL DEFERRED INFLOWS OF RESOURCES		13,015,133
NET POSITION		
Net investment in capital assets		31,543,628
Restricted for net pension asset		675,616
Unrestricted		30,017,846
TOTAL NET POSITION		62,237,090
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	79,321,045

PORT OF EDMONDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2025

OPERATING REVENUES (Note 1)		
Marina operations	$	9,599,578
Property lease/rental operations		2,347,131
Total Operating Revenues	$	11,946,709
OPERATING EXPENSES (Note 1)		
General operations	$	6,177,948
Maintenance		1,164,653
General and administrative		2,187,682
Depreciation and amortization		1,670,571
Total Operating Expenses	$	11,200,854
Operating Income	$	745,855
NONOPERATING REVENUES (EXPENSES) (Note 1)		
Interest expense on leased assets liability (Note 11)	$	(168)
Investment income (Notes 1 and 2)		948,681
Interest income from lease activity (Notes 1 and 11)		691,919
Taxes levied for general purposes (Notes 1 and 3)		644,329
Grant proceeds (Note 12)		8,238
Change in fair value of investments (Note 2)		397,425
Gain (Loss) on disposition of fixed assets (Note 4)		2,430
Election expense		(8,415)
Total Nonoperating Revenues (Expenses)	$	2,684,439
Increase in net position	$	3,430,294
Net position as of January 1	$	58,806,796
Net position as of December 31	$	62,237,090

PORT OF EDMONDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$	745,855
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense (Note 4)	$	1,670,571
Other post-employment benefits expense	$	45,373
Pension expense	$	(268,337)
Changes in assets and liabilities		
(Increase)/decrease in accounts receivable	$	13,874
(Increase)/decrease in inventory	$	5,433
(Increase)/decrease in prepaid expenses	$	(6,270)
Increase/(decrease) in accounts payable	$	(69,962)
Increase/(decrease) in accrued expenses	$	(19,992)
Increase/(decrease) in customer deposits	$	95,851
Increase/(decrease) in unearned revenue	$	43,420
Increase/(decrease) in lease inflow	$	(46,230)
Increase/(decrease) in compensated absences - long-term	$	44,693
Net cash provided by operating activities	$	2,254,279

PORT OF EDMONDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 12,053,623
Payments to suppliers	(5,260,121)
Payments to employees	(4,539,223)
Net cash provided by operating activities	2,254,279
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from property taxes (Note 3)	644,374
Receipts from operating grants	6,474
Nonoperating expenses	(8,415)
Net cash provided by noncapital financing activities	642,433
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases and construction of capital assets (Note 4)	(513,166)
Receipts from capital grants	1,763
Interest paid on leased assets	(168)
Net cash used by capital and related financing activities	(511,571)
CASH FLOWS FROM INVESTING ACTIVITIES	
Maturities of investments (Note 2)	5,500,000
Purchases of investments (Note 2)	(5,024,260)
Interest and dividends	1,615,467
Net cash provided by investing activities	2,091,207
Net increase in cash and cash equivalents	4,476,348
Balances - beginning of the year	13,239,704
Balances - end of the year (Note 1)	$ 17,716,052

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 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 long-term) associated with the Port's activity are included in 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 the net position. The Port discloses changes in cash flows in 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 non-operating 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 revenues. Operating expenses for the Port include general operations, maintenance, general and administrative, and depreciation. Revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections.* The statement defines accounting changes and prescribes the accounting and financial reporting for each type of accounting change and error corrections. The requirements of this statement are effective for reporting periods beginning after June 15, 2023. The adoption of these requirements did not have a material effect on the Port's financial statements.

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. On December 31, 2025, the treasurer was holding $17.7 million 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 consists 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. The allowance for doubtful account is $50,000 as of December 31, 2025.

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, 2025, 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*). No estimated uncollectible amounts are established because property taxes are considered liens on property.

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

4. Inventory

Inventory consists of fuel held for sale to customers. Inventory is valued by the First In, First Out (FIFO) cost method, which approximates market value. The cost is recorded as general operations at the time the inventory items are consumed.

5. Prepaid Expenses

Prepaid expenses include items that were paid for but have not yet been incurred. 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 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 State and Federal 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 other 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
Right to Use Leased Asset	Term of lease

7. Deferred Outflows/Inflows of Resources

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

8. Compensated Absences

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. Employees are not paid for unused sick leave at time of termination, resignation, retirement or other separation from employment; however, in the case of an employee being rehired within twelve months of separation, previously accrued unused paid sick leave shall be reinstated.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The statement updates the recognition and measurement guidance for compensated absences to better meet the information needs of financial statement users. The requirements of this statement are effective for reporting periods beginning after December 15, 2023. The adoption of these requirements did not have a material effect on the Port's financial statements.

With the adoption of GASB Statement No. 101 in fiscal year 2024, vacation is recognized as a liability when earned and expected to be used or paid upon separation. The liability is measured using employees' current pay rates and available balance, including salary-related costs. The portion expected to be paid within one year is classified as a current liability under compensated absences – current portion, while the remaining balance is reported as a long-term liability under compensated absences – long-term. Accrued vacation benefit as of December 31, 2025, was $153,000 and reflective of changes associated with the implementation of GASB101, *Compensated Absences*. Accrued vacation benefit as of December 31, 2024, was $153,700. The total liability decreased by $700 from 2024 to 2025.

With the adoption of GASB Statement No. 101 in fiscal year 2024, sick leave is recognized as a liability when earned. Although there is no payout for unused sick leave at time of termination, resignation, retirement or other separation from employment, it accumulates and represents a future obligation that needs to be accounted for. The liability is measured using employees' current pay rates and assessment of the historical sick leave usage, including salary-related costs. The portion expected to be paid within one year is classified as a current liability under compensated absences – current portion, while the remaining balance is reported as a long-term liability under compensated absences – long-term. Accrued sick leave benefit as of December 31, 2025, was $0.39 million. Accrued sick leave benefit as of December 31, 2024, was $0.37 million. The total liability increased by $200,000 from 2024 to 2025.

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 they are due and payable in accordance with the benefit terms. Investments are reported to be of fair value.

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

On December 31, 2025, the Port held $0.2 million in Unearned Revenue. These amounts are prepayments of rent and will be recognized as revenue in 2026.

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 $0.7 million of restricted net position for pension asset as per Note 7, *Pension Plans*. 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 in the period earned. 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. The implicit rate is the internal rate of return on all payments or receipts related to the lease. It is the rate that equates the present value of the lease payments and the fair value of the leased asset at the inception of the lease.
    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 must agree to extend) are excluded from the lease or subscription term. Port leases have been extended from 2 to 25 years. The Port has six long-term land leases. These leases typically span 30 to 50 years and often include two or more extensions options of 5 to 15 years reflecting the tenant's investment in constructing and maintaining a building on Port-owned 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 leases rent ranges from $3,000 to $15,000 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 $400 to $12,500 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. <u>Leases (Port as Lessee)</u> – 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 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 a 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 right to use asset and the lease asset liability is 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 right to use 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 payment for leasing three copiers is $448.

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.

15. Subscription-based Information Technology Arrangements (SBITA) - A SBITA is a contract that conveys control of the right to use a third-party's information technology software. SBITAs that have maximum possible term under the SBITA contract of 12 months or less are considered a short-term SBITA and expensed as incurred. The Port recognized a subscription liability and an intangible right-to-use (RTU) subscription asset at the beginning of a SBITA, unless the SBITA is considered a short-term SBITA. A subscription liability is measured at the present value of subscription payments expected to be made during the subscription term using the Port's incremental borrowing rate. A subscription asset is initially recorded at the initial measurement of the subscription liability, plus subscription payments made at the commencement of the subscription term, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The commencement of the subscription term occurs when the Port has obtained control of the right to use the underlying subscription assets, and the subscription asset is placed into service. A subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying subscription asset.

Remeasurement of subscription liability occurs when there is a change in the subscription term and/or other changes that are likely to have a significant impact on the subscription liability. The Port calculates the amortization of the discount on the subscription liability and reports that amount as outflows of resources. SBITAs that do not have implicit interest rates, the incremental borrowing rates (IBR) are used. IBR's are estimated rates the Port would be charged for borrowing the payment amounts during the subscription term. Payments are allocated first to accrued interest liability and then to the lease liability. Variable payments based on the usage of the underlying assets are not included in the subscription liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred. The Port did not have any agreements that met definition of SBITA as of December 31, 2025.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

Cash on hand on December 31, 2025, 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 $17.7 million.

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 the 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. Deposits 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. Deposits 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 deposits 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.

C. 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 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 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.

D. Investments

It is the Port's policy to invest all temporary cash surpluses. Port staff invest surplus cash according to Port Resolution Number 13-12. The 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, 2025, the Port held the following investments:

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less Than 1	1-3	More Than 3
U.S. Treasuries	$ 8,020,020	$ 1,987,760	$ 4,048,320	$ 1,983,940
U.S Agencies	6,894,480	996,190	4,893,560	1,004,730
Total Investments	$ 14,914,500	$ 2,983,950	$ 8,941,880	$ 2,988,670

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.

On December 31, 2025, the Port's investments had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa	AA Aa	A	BBB Baa	BBBa and Below	Unrated
U.S. Treasuries	$ 8,020,020	$ -	$ 8,020,020	$ -	$ -	$ -	$ -
U.S Agencies	6,894,480	-	6,894,480	-	-	-	-
Total Investments	$ 14,914,500	$ -	$ 14,914,500	$ -	$ -	$ -	$ -

The US Treasury and its agencies were downgraded in 2025 by Moody's from Aaa to Aa1. S&P still has them as AA+.

Custodial Credit Risk: Custodial credit risk is the risk that in the 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 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 of 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.

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, 2025, the Port held the following investments measured at fair value:

Investments by Fair Value Level	12/31/2025	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasuries	$ 8,020,020	$ 8,020,020	$ -	$ -
U.S Agencies	6,894,480	-	6,894,480	-
Total Investments Measured at Fair Value	$ 14,914,500	$ 8,020,020	$ 6,894,480	$ -
Total Investments in Statement of Net Position	$ 14,914,500			
Investments Shown without Restriction	$ 14,914,500			

F. Change in Fair Value of Investments

Change in fair value of investments of $0.4 million is the difference between the price on December 31, 2024, or the date when the Port of Edmonds purchased the securities, whichever is later, and the fair value at December 31, 2025. 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, 2025:

Deposits and Investments	
Cash and Cash Equivalents	
Cash on Hand	$ 1,600
Deposits with Private Financial Institutions	3,429,305
Snohomish County Treasurer	3,309
LGIP	14,281,838
Total Cash and Cash Equivalents	$ 17,716,052
Investments	
U.S. Treasuries	$ 8,020,020
U.S Agencies	6,894,480
Total Investments	$ 14,914,500

NOTE 3 – PROPERTY TAXES

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

Property Tax Calendar	
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 202 5was approximately $0.067 per $1,000 on an assessed valuation of $9,494,295,991 for a total regular tax levy of $0.6 million.

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended December 31, 2025, was as follows:

	Beginning Balance 1/1/2025	Increases	(Decreases)	Ending Balance 12/31/2025
Capital assets, not being depreciated				
Land	$ 4,323,675	$ -	$ -	4,323,675
Construction in progress	1,006,780	427,793	-	1,434,574
Total capital assets, not being depreciated	5,330,455	427,793	-	5,758,248
Capital assets, being depreciated				
Buildings	27,403,410	-	-	27,403,410
Marina and other improvements	33,102,721	-	-	33,102,721
Machinery and equipment	2,300,809	63,669	-	2,364,479
Intangible right to use leased assets	25,129	-	-	25,129
Total capital assets being depreciated	62,832,069	63,669	-	62,895,739
Less accumulated depreciation for				
Buildings	11,164,738	921,021	-	12,085,759
Marina and other improvements	23,242,827	588,867	-	23,831,694
Machinery and equipment	1,044,182	123,402	-	1,167,584
Intangible right to use leased assets	16,950	5,026	-	21,976
Total accumulated depreciation	35,468,697	1,638,316	-	37,107,014
Total capital assets, being depreciated, net	$ 27,363,371			$ 25,788,725

NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2025, the Port is in the permitting phase of the North Seawall and Portwalk Reconstruction Project. At year end, the Port’s commitments with contractors and consultants were as follows:

Project	Spent to Date	Remaining Commitment
North Seawall and Portwalk Reconstruction Project	1,232,588	33,948,424
	$ 1,232,588	$ 33,948,424

**This schedule excludes payroll costs for capitalization*

The Port has spent approximately $1.3 million in the design and planning phase for the North Seawall and Portwalk Rebuild Project to date. The Port has not begun construction or entered into any contractual obligations; however the Port is committed to moving forward with this project.

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 2025:

Aggregate Pension Amounts - All Plans	
Pension liabilities	(161,298)
Pension assets	675,616
Deferred outflows of resources	856,869
Deferred inflows of resources	(223,804)
Pension expense/expenditures	(48,840)

State Sponsored Pension Plans

The majority 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 benefits 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.

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 0.20 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 2025 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
January – June 2025		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.55%	
Administrative Fee	0.20%	
Total	**9.11%**	**6.00%**
July – August 2025		
PERS Plan 1	5.38%	6.00%
PERS Plan 1 UAAL	— %	
Administrative Fee	0.20%	
Total	**5.58%**	**6.00%**
September – December 2025		
PERS Plan 1	5.38%	6.00%
PERS Plan 1 UAAL	— %	
Administrative Fee	0.20%	
Total	**5.58%**	**6.00%**

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 to be 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.

<u>Contributions</u>

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 0.20 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 2025 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2**
January – June 2025		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.55%	
Administrative Fee	0.20%	
Employee PERS Plan 3		Varies
Total	**9.11%**	**6.36%**
July - August 2025		
PERS Plan 2/3	5.38%	5.38%
PERS Plan 1 UAAL	— %	
Administrative Fee	0.20%	
Employee PERS Plan 3		Varies
Total	**5.58%**	**5.58%**
September – December 2025		
PERS Plan 2/3	5.38%	5.38%
PERS Plan 1 UAAL	— %	
Administrative Fee	0.20%	
Employee PERS Plan 3		Varies
Total	**5.58%**	**5.58%**

The Port's actual PERS plan contributions were $42,021 to PERS Plan 1 and $177,475 to PERS Plan 2/3 for the year ended December 31, 2025.

Actuarial Assumptions

The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2024 with a valuation date of June 30, 2024. The actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' Annual Comprehensive Financial Report located on the DRS website. The actuarial assumptions used in the June 30, 2024 valuation were based on the results of the 2013-2018 Demographic Experience Study Report and the 2023 Economic Experience Study.

The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2025. Plan liabilities were rolled forward from June 30, 2024, to June 30, 2025, 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 service-based salary increases.
- **Investment rate of return:** 7.00%

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 our 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. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Change in Assumptions and Methods: Actuarial results that OSA provided within this publication reflect the following changes in assumptions and methods:

<u>Assumption Changes:</u>

• Based on the 2025-27 Collective Bargaining Agreements (CBA) with the Washington State Patrol Trooper Association for the 2025-27 Biennium, the assumed general salary growth was increased to 17% in Fiscal Year (FY) 2026 for WSPRS.

<u>Method Changes:</u>

• OSA improved their modeling of benefits paid to retirees and beneficiaries in their month of death to better match current administration..

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for all plans included in this publication. 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 the assumptions described in OSA's certification letter within the DRS ACFR, the pension plan's 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 7.00% was used to determine the total liability.

Long-Term Expected Rate of Return

OSA selected a 7.00% long-term expected rate of return on pension plan investments 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 (CMAs) and simulated expected investment returns the WSIB provided. The CMAs contain three pieces of information for each class of assets WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs 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, 2025.

The inflation component used to create the table is 2.50% and represents the WSIB's long-term estimate of broad economic inflation consistent with their 2023 CMAs.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	19.0%	2.1%
Tangible Assets	8.0%	4.5%
Real Estate	18.0%	4.8%
Global Equity	30.0%	5.6%
Private Equity	25.0%	8.6%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the net pension liability of employers, calculated using the discount rate of 7.00% as well as what employers' net pension liability would be if it were calculated using a discount rate 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	$ 272,175	$ 161,298	$ 64,057
PERS 2/3	$ 1,096,358	$ (675,616)	$ (2,130,901)

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

As of December 31, 2025, the Port reported its proportionate share of the net pension liabilities/(assets) as follows:

	Liability (or Asset)
PERS 1	$ (161,298)
PERS 2/3	$ (675,616)

On June 30, 2025, measurement date, the Port's proportionate share of the collective net pension liabilities/(assets) was as follows:

	Proportionate Share 6/30/24	Proportionate Share 6/30/25	Change in Proportion
PERS 1	0.013260%	0.013681%	0.000517%
PERS 2/3	0.017187%	0.017704%	0.000421%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2025 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, 2025, the Port recognized pension expense/(credit) as follows:

	Pension Expense
PERS 1	$ (6,638)
PERS 2/3	$ (42,202)
TOTAL	$ (48,840)

Deferred Outflows of Resources and Deferred Inflows of Resources

On December 31, 2025, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -

Net difference between projected and actual investment earnings on pension plan investments	-	(11,089)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	3,767	-
TOTAL	$ 3,767	$ (11,089)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 493,970	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(152,143)
Changes of assumptions	261,100	(18,656)
Changes in proportion and differences between contributions and proportionate share of contributions	15,969	(41,915)
Contributions subsequent to the measurement date	82,064	-
TOTAL	$ 853,102	$ (212,715)

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, 2026.

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

Year ended December 31	PERS 1
2026	$ 10,581
2027	(7,708)
2028	(8,005)
2029	(5,957)
2030	-
Thereafter	-
Total	$ (11,089)

Year ended December 31	PERS 2/3
2026	$ 230,995
2027	87,821
2028	86,909

2029		30,594
2030		85,084
Thereafter		36,922
Total	$	558,323

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 ended December 31, 2025:

Aggregate OPEB Amounts – All Plans		
OPEB liabilities	$	722,569
OPEB assets	$	-
Deferred outflows of resources	$	7,922
Deferred inflows of resources	$	-
OPEB expenses/(credit)	$	56,483

At December 31, 2025, 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	35
Total	39

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 are 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 communication 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.

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:

- 3/4 of members select a Uniform Medical Plan (UMP) and 1/4 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 40/60 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 is 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. Years of service are 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:

- 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.

Other assumptions include:

Assumptions	
Discount Rate[1]	
Beginning of Measurement Year	3.93%
End of Measurement Year	5.20%
Projected Salary Changes	3.25% + Service-Based Increases
Healthcare Trend Rates[2]	Initial rate ranges from about (4.5%)-9.5%, reaching an ultimate rate of approximately 3.8% in 2080.
Mortality Rates	
Base Mortality Table	PubG.H-2010 (General)
Age Setback	0 years
Mortality Improvements	MP-2017 Long-Term Rates
Projection Period	Generational
Inflation Rate[3]	2.40%
Post-Retirement Participation Percentage	60%
Percentage with Spouse Coverage	45%

[1] *Source: Bond Buyer General Obligation 20-Bond Municipal Index.*

[2] *Trend rate assumptions vary by medical plan. For additional detail on the healthcare trend rates, please see our 2024 PEBB OPEB Actuarial Valuation Report.*

[3] *Based on the Consumer Price Index (CPI) : Urban Wage Earners & Clerical Workers, U.S. City Average, WA - All Items.*

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

Sensitivity Analysis			
Total OPEB Liability	**1% Decrease**	**Current**	**1% Increase**
Discount Rate	$843,361	**$722,789**	$625,685
Healthcare Trend	$612,266	**$722,789**	$864,507

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, 2025. The current portion of OPEB liability of $15,845 is included as a current liability and the long-term portion of the OPEB liability of $706,944 is included as a long-term liability in the Statement of Net Position.

Schedule of Changes in Total OPEB Liability		
Total OPEB Liability at 7/1/2024	**$**	**677,569**
Service Cost		31,514
Interest Cost		27,648
Changes in Experience Data and Assumptions		(41,195)
Changes in Benefit Terms		38,516
Benefit Payments		(11,263)
Other		-
Total OPEB Liability at 6/30/2025	**$**	**722,789**

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 6/30/2025 were $7,922, which will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2025.

All Plans	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	-	$	-
Changes of assumptions		-		-
Payments subsequent to the measurement date		7,922		-
Total	$	7,922	$	-

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

For the fiscal year ending August 31, 2025, Enduris had 497 members from various special-purpose districts across the state. Members make annual contributions to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members.

Membership requires a minimum one-year commitment, with 60 days' notice required to terminate before renewal. The Interlocal Governmental Agreement renews automatically unless withdrawal or termination options are exercised. Withdrawing or terminated members remain liable on a pro rata basis for any assessments levied against the membership during their period of membership, as if they were still a member.

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

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

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

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2025, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2025	Additions	Reductions	Ending Balance 12/31/2025	Due Within One Year
Leased asset liability	$ 8,557	$ -	$ 5,212	$ 3,345	$ 2,820
Compensated absences - long-term	522,120	22,650	-	544,770	190,780
Other post employment benefits	677,569	97,678	52,458	722,789	15,845
Net pension liability	235,609	-	74,311	161,298	-
Environmental remediation liability	612,500	-	-	612,500	-
Underground storage tank retirement	317,102	7,612	-	324,714	-
Total Long-Term Liabilities	$ 2,373,457	$ 127,940	$ 131,980	$ 2,369,417	$ 209,445

NOTE 11 - LEASES

A. Lessee Activity

The Port of Edmonds has entered into three 60-month equipment lease agreements with the total payment amount of $450 per month. The leases are subject to GASB Statement No. 87 accounting. Variable payments are required based on the number of copies made.

Leased assets activity for the year ended December 31, 2025, was as follows:

	Beginning Balance 1/1/2025	Increases	Decreases	Ending Balance 12/31/2025
Leased Equipment	$ 25,129			$ 25,129
Accumulated Amortization on Lease Equipment	16,950	5,026		21,976
Net Book Value of Leased Equipment	$ 8,179			$ 3,153

2025 outflows of resources from lease activity were as follows:

Principal Payments in 2025	**$**	**5,212**
Interest Expense on Leased Asset		**168**
Variable Payments		**3,452**
Total	**$**	**8,833**

As of December 31, 2025, the principal and interest requirements to maturity are as follows:

Year Ended December 31	Principal	Interest	Total
2026	2,812	49	2,861
2027	525	5	531
Total	$ 3,337	$ 54	$ 3,391

B. Lessor Activity

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

As of December 31, 2025, there were 48 qualifying leases in which the Port was a lessor:

Type	Length of Tenancy as of 12/31 (in years)	Lease End Date	# of Years Remaining	# of Options to Extend	Option Extension Period (in years)	Lease End Date Including Options	Lease End Date for GASB 87 Capitalization
Building	16.76	2026	0.2	0	0	2026	2026
Building	4.92	2026	0.3	1	5	2031	2031
Building	11.92	2026	0.5	0	0	2026	2026
Building	1.55	2026	0.5	0	0	2026	2026
Building	19.52	2026	0.5	0	0	2026	2026
Building	3.42	2026	0.6	0	0	2026	2026
Building	1.40	2026	0.7	0	0	2026	2026
Building	13.34	2026	0.7	0	0	2026	2026
Building	17.22	2026	0.8	0	0	2026	2026
Building	9.64	2026	0.8	0	0	2026	2026
Building	13.21	2026	0.8	0	0	2026	2026
Building	0.19	2026	0.8	0	0	2026	2026
Building	0.21	2026	0.8	0	0	2026	2026
Building	20.35	2026	0.9	1	3	2029	2026
Building	3.00	2026	0.9	0	0	2026	2026
Building	24.21	2026	1	0	0	2026	2026
Building	11.88	2027	1.2	0	0	2027	2027
Building	3.84	2027	1.2	0	0	2027	2027
Building	21.01	2027	1.4	0	0	2027	2027
Building	0.42	2027	1.6	0	0	2027	2027
Building	16.26	2027	1.7	0	0	2027	2027
Building	0.28	2027	1.7	0	0	2027	2027
Building	0.23	2027	1.8	0	0	2027	2027
Building	20.85	2027	1.9	0	0	2027	2027
Building	15.76	2028	2.2	0	0	2028	2028
Building	18.18	2028	2.7	0	0	2028	2028
Building	1.33	2028	2.7	0	0	2028	2028
Building	5.42	2028	2.8	2	2	2032	2028
Building	0.13	2028	2.9	0	0	2028	2028
Building	0.01	2028	3	0	0	2028	2028
Building	17.93	2029	3.2	0	0	2029	2029
Building	11.17	2029	3.8	0	0	2029	2029
Building	11.68	2029	4	0	0	2029	2029
Building	11.01	2030	4.2	5	1	2035	2030
Building	0.84	2030	4.2	0	0	2030	2030
Building	0.75	2030	4.2	0	0	2030	2030
Building	41.40	2030	4.5	4	5	2050	2040
Land	34.16	2030	4.5	4	5	2050	2040
Building	24.35	2030	4.9	0	0	2030	2030
Building	0.67	2031	5.3	0	0	2031	2031
Building	1.31	2033	7.7	0	0	2033	2033
Building	27.35	2033	7.7	3	10	2063	2033
Building	13.17	2033	7.7	3	10	2063	2033
Land	41.86	2033	7.8	2	15	2063	2033
Land	41.86	2033	8	2	15	2063	2033
Land	16.56	2039	13.5	2	15	2069	2039
Land	11.76	2044	18.5	2	10	2064	2044
Land	31.44	2075	49.5	1	15	2090	2090

Variable Payments – Rent includes annual CPI adjustments and a percentage of sales on minimum annual guaranteed lease agreements. Variable Payments – CAMs include common area maintenance charges (CAMs) for triple net (NNN) leases and utilities for some triple net leases. 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.

2025 inflows of resources from lease activity were as follows:

Lease Revenue from Lease Receivable	$ 1,563,481
Interest Revenue	691,919
Variable Payments - Rent	164,951
Variable Payments - CAMs	220,401
Total	$ 2,420,352

As of December 31, 2025, future lease receivable principal and interest payments are as follows:

Year Ended December 31	Principal	Interest	Total
2026	$ 1,502,778	$ 728,119	$ 2,230,897
2027	1,103,246	618,975	1,722,221
2028	1,014,064	538,408	1,552,472
2029	963,114	399,533	1,362,646
2030	845,039	413,853	1,258,892
2031-2035	3,034,282	1,848,809	4,883,092
2036-2040	2,451,801	1,388,793	3,840,594
2041-2045	320,251	1,118,202	1,438,452
2046-2050	-	1,090,000	1,090,000
2051-2055	-	1,090,000	1,090,000
2056-2060	-	1,090,000	1,090,000
2061-2065	-	1,090,000	1,090,000
2066-2070	-	1,090,000	1,090,000
2071-2075	43,069	1,046,931	1,090,000
2076-2080	285,501	804,500	1,090,000
2081-2085	499,263	590,737	1,090,000
2086-2090	775,151	205,849	981,000
Total	$12,837,559	$15,152,710	$27,990,269

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 the management, the Port's cash and cash equivalents and insurance policies are adequate to pay all known or pending claims.

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 liability has been incurred and when the amount can be reasonably estimated.

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 in 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.

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 2025. Therefore, the Port did not make any adjustments to Environmental Remediation Liability in 2025.

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 uses only two data points, a range of $175,000 to $1,050,000.

D. Potential for Changes

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 Liability

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

NOTE 14 – UNDERGROUND STORAGE TANK RETIREMENT OBLIGATION

The Port owns and operates a Marina 4 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 properly close the underground storage tanks when they are no longer needed.

The Port has chosen to measure the asset retirement obligation 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, 2025, the asset retirement obligation for the Port's three underground storage tanks was $324,714, an increase of 2.4% over 2024 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 retiring the underground storage tanks, the Port will fund the decommissioning out of current reserves. No assets are restricted for the payment of this liability.

SUPPLEMENTARY INFORMATION

Port of Edmonds
Schedule 01 - Schedul of Revenues and Expenditures
For the year ended December 31, 2025

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1759	401	Operations	3081900	Restricted Net Position - Beginning	566,582
1759	401	Operations	3086000	Net Investment in Capital Assets - Beginning	32,693,826
1759	401	Operations	3088900	Unrestricted Net Position - Beginning	25,546,388
1759	401	Operations	3445000	Sales of Fuel	1,922,774
1759	401	Operations	3446000	Airports and Ports Services	10,023,935
1759	401	Operations	3331500	Federal Indirect Grant from Department of Interior	6,474
1759	401	Operations	3340270	State Award from Recreation and Conservation Office	1,763
1759	401	Operations	3611000	Investment Earnings	948,681
1759	401	Operations	3613000	Gains (Losses) on Sale of Investments	397,425
1759	401	Operations	3614000	Other Interest	691,919
1759	401	Operations	3111000	Property Tax	644,329
1759	401	Operations	3730000	Gains (Losses)	2,430
1759	401	Operations	5460010	Airports and Ports	3,249,963
1759	401	Operations	5460020	Airports and Ports	1,077,919
1759	401	Operations	5460030	Airports and Ports	2,020,017
1759	401	Operations	5460040	Airports and Ports	3,182,384
1759	401	Operations	5014600	Depreciation, Depletion, Amortization - Airports and Ports	1,670,571
1759	401	Operations	5924680	Interest and Other Debt Service Cost - Airports and Ports	168
1759	401	Operations	5985040	Other Nonoperating Expenses	8,415
1759	401	Operations	3917000	Leased Assets	-
1759	401	Operations	5914670	Debt Repayment - Airports and Ports	5,212
1759	401	Operations	5081900	Restricted Net Position - Ending	675,616
1759	401	Operations	5086000	Net Investment in Capital Assets - Ending	31,543,628
1759	401	Operations	5088900	Unrestricted Net Position - Ending	30,017,846
1759	401	Operations	8100000	Cash, Cash Equivalents and Investments	17,716,052
1759	401	Operations	8200000	Other Current assets	2,161,667
1759	401	Operations	8300000	Noncurrent Assets	58,471,870
1759	401	Operations	8400000	Deferred Outflows	971,456
1759	401	Operations	8500000	Current Liabilities	1,908,849
1759	401	Operations	8600000	Noncurrent Liabilities	2,159,972
1759	401	Operations	8700000	Deferred Inflows	13,015,133
1759	401	Operations	5944660	Capital Expenditures/Expenses - Airports and Ports	507,954

Port of Edmonds
Schedule 09 - Schedule of Liabilities
For the Year Ended December 31, 2025

ID. No.	Debt ID Title	Description	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.57	Leases, SBITA, and PPPs	Leased asset liability	8,557	-	5,211	3,346
259.12	Compensated Absences	Compensated absences	522,120	22,650	-	544,770
264.40	OPEB Liabilities	Other post-employment benefits	677,569	97,678	52,458	722,789
264.30	Pension Liabilities	Net pension liability	235,609	-	74,311	161,298
263.93	Environmental Liabilities	Environmental remediation liability	612,500	-	-	612,500
263.93	Environmental Liabilities	Underground storage tank retirement	317,102	7,612	-	324,714
		Total Revenue and Other (non G.O.) Debt/Liabilities:	**686,126**	**127,939**	**131,980**	**1,756,917**
		Total Liabilities:	**686,126**	**127,939**	**131,980**	**1,756,917**

Port of Edmonds
Schedule 15 - Schedule of State Financial Assistance
For the Year Ended December 31, 2025

State Agency BARS Account	Program Title	Identificaton #	Amount
Recreation and Conservation Office	Aquatic Lands Enhancement Acct	22-1731D	$ 1,763

Port of Edmonds
Schedule 16 - Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures From Pass-Through Awards	Expenditures From Direct Awards	Expenditures Total	Passed through to Subrecipients	Note
U.S. FISH AND WILDLIFE SERVICE, INTERIOR, DEPARTMENT OF THE (via Washington State Parks and Recreation)	Clean Vessel Act	15.616	CVA 527-114	6,474	-	6,474	-	
			Total Federal Awards Expended:	**6,474**	**-**	**6,474**	**-**	

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.

Port of Edmonds
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Washington State Public Employee Retirement Systems Plan 1
As of June 30, 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Employer's proportion of the net pension liability (asset)	0.013921%	0.012421%	0.013252%	0.013704%	0.013185%	0.013353%	0.012940%	0.013653%	0.013260%	0.013681%
Employer's proportionate share of the net pension liability (asset)	$ 747,623	$ 589,386	$ 591,839	$ 526,967	$ 465,502	$ 163,071	$ 360,297	311,661	235,609	161,298
Total	$ 747,623	$ 589,386	$ 591,839	$ 526,967	$ 465,502	$ 163,071	$ 360,297	$ 311,661	$ 235,609	$ 161,298
Employer's covered employee payroll	$ 1,570,980	$ 1,566,327	$ 1,762,667	$ 1,923,048	$ 2,004,169	$ 2,052,184	$ 2,116,398	$ 2,434,719	$ 2,659,820	$ 2,954,294
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	47.59%	37.63%	33.58%	27.40%	23.23%	7.95%	17.02%	12.80%	8.86%	5.46%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%	80.16%	84.05%	89.07%

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, 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Employer's proportion of the net pension liability (asset)	0.016216%	0.015976%	0.017057%	0.017692%	0.017211%	0.017158%	0.016886%	0.017612%	0.017187%	0.017704%
Employer's proportionate share of the net pension liability (asset)	$ 816,463	$ 555,090	$ 291,233	$ 171,849	$ 220,119	$ (1,709,213)	$ (626,265)	$ (721,860)	$ (566,582)	$ (675,616)
Total	$ 816,463	$ 555,090	$ 291,233	$ 171,849	$ 220,119	$ (1,709,213)	$ (626,265)	$ (721,860)	$ (566,582)	$ (675,616)
Employer's covered employee payroll	$ 1,505,056	$ 1,566,327	$ 1,762,667	$ 1,923,048	$ 2,004,169	$ 2,052,184	$ 2,116,398	$ 2,434,719	$ 2,659,820	$ 2,954,294
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	54.25%	35.44%	16.52%	8.94%	10.98%	-83.29%	-29.59%	-29.65%	-21.30%	-22.87%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%	107.02%	105.17%	105.53%

Port of Edmonds
Schedule of Employer Contributions
Washington State Public Employee Retirement Systems Plan 1
For the year ended December 31, 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Statutorily or contractually required contributions	$ 76,567	$ 80,995	$ 93,588	$ 97,764	$ 98,108	$ 87,180	$ 85,848	$ 87,742	$ 77,244	$ 42,021
Contributions in relation to the statutorily or contractually required contributions	$ (76,567)	$ (80,995)	$ (93,588)	$ (97,764)	$ (98,108)	$ (87,180)	$ (85,848)	$ (87,742)	$ (77,244)	$ (42,021)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employer payroll	$ 1,564,005	$ 1,652,801	$ 1,849,424	$ 1,974,739	$ 2,046,919	$ 2,013,352	$ 2,288,483	$ 2,568,753	$ 2,803,008	$ 2,998,617
Contributions as a percentage of covered employee payroll	4.90%	4.90%	5.06%	4.95%	4.79%	4.33%	3.75%	3.42%	2.76%	1.40%

Port of Edmonds
Schedule of Employer Contributions
Washington State Public Employee Retirement Systems Plans 2 & 3
For the year ended December 31, 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Statutorily or contractually required contributions	$ 95,473	$ 113,423	$ 138,691	$ 152,328	$ 162,117	$ 144,840	$ 145,548	$ 163,373	$ 178,272	$ 177,475
Contributions in relation to the statutorily or contractually required contributions	$ (95,473)	$ (113,423)	$ (138,691)	$ (152,328)	$ (162,117)	$ (144,840)	$ (145,548)	$ (163,373)	$ (178,272)	$ (177,475)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employer payroll	$ 1,532,480	$ 1,652,801	$ 1,849,424	$ 1,974,739	$ 2,046,919	$ 2,013,352	$ 2,288,483	$ 2,568,753	$ 2,803,008	$ 2,998,617
Contributions as a percentage of covered employee payroll	6.23%	6.86%	7.50%	7.71%	7.92%	7.19%	6.36%	6.36%	6.36%	5.92%

Port of Edmonds
Schedule of Changes in Total OPEB Liability and Related Ratios
As of June 30, 2025

	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability - beginning	$ 1,052,444	$ 1,079,896	$ 1,122,307	$ 1,409,327	$ 1,101,356	$ 844,332	$ 609,416	$677,569
Service Cost	61,926	52,469	57,899	93,572	78,277	45,644	30,851	$31,514
Interest Cost	39,645	43,460	40,945	32,925	25,343	31,265	23,137	$27,648
Changes in Experience Data and Assumptions	(60,067)	(34,624)	209,026	(408,158)	(347,862)	(298,122)	27,034	($41,195)
Changes in Benefit Terms	-	-	-	-	-	-	-	$38,516
Benefit Payments	(14,052)	(18,894)	(20,850)	(26,310)	(12,782)	(13,703)	(12,869)	($11,263)
Other	-	-	-	-	-	-	-	$0
Total OPEB liability - ending	$ 1,079,896	$ 1,122,307	$ 1,409,327	$ 1,101,356	$ 844,332	$ 609,416	$ 677,569	$ 722,789
Covered-employee payroll	$ 1,762,667	$ 1,923,048	$ 2,004,169	$ 2,052,184	$ 2,116,398	$ 2,434,719	$ 2,659,820	$ 2,954,294
Total OPEB liability as a % of covered-employee payroll	61.26%	58.36%	70.32%	53.67%	39.89%	25.03%	25.47%	24.47%

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