



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Grays Harbor

For the period January 1, 2020 through December 31, 2020

Published March 10, 2022

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**Office of the Washington State Auditor
Pat McCarthy**

March 10, 2022

Board of Commissioners
Port of Grays Harbor
Aberdeen, Washington

Report on Financial Statements

Please find attached our report on the Port of Grays Harbor's financial statements.

We are issuing this report in order to provide information on the Port's financial condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Port of Grays Harbor January 1, 2020 through December 31, 2020

Board of Commissioners
Port of Grays Harbor
Aberdeen, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Port of Grays Harbor, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated March 3, 2022.

As discussed in Note 16 to the financial statements, during the year ended December 31, 2020, the Port implemented Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*.

As discussed in Note 17 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Port is unknown.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a

material misstatement of the Port's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

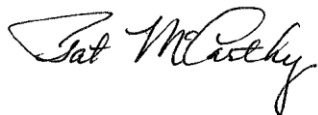
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of the Port's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

March 3, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Port of Grays Harbor January 1, 2020 through December 31, 2020

Board of Commissioners
Port of Grays Harbor
Aberdeen, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Grays Harbor, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Grays Harbor, as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 16 to the financial statements, in 2020, the Port adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Port is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2022 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

March 3, 2022

FINANCIAL SECTION

Port of Grays Harbor January 1, 2020 through December 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Fund Net Position – 2020

Statement of Revenues, Expenses and Changes in Fund Net Position – 2020

Statement of Cash Flows – 2020

Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2020

Schedules of Changes in Total OPEB Liability and Related Ratios – 2020

Schedule of Changes in Total Pension Liability and Related Ratios – Bar Pilots Retiree
Benefits – 2020

Port of Grays Harbor Management's Discussion and Analysis December 31, 2020

INTRODUCTION

The following narrative provides an overview and analysis of the Port of Grays Harbor's financial activities for the fiscal year ended December 31, 2020, with selected comparative information for the year ended December 31, 2019. Information contained in this Management's Discussion and Analysis (MD&A) has been prepared by Port management and should be considered in conjunction with the Port's financial statements and notes to the financial statements, which immediately follow this discussion.

The Port of Grays Harbor is a Special Purpose Municipal Government, created by a vote of the people of Grays Harbor County, Washington, in 1911. The Port's primary operations include four deep-water Marine Terminals for receiving and shipping international cargoes, a general aviation Regional Airport, a Marina for recreational and commercial boating, and 1,600 acres of industrial properties to support private business activities.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the Port's financial statements. The Port's financial statements include three parts: the Port's basic financial statements; the notes to the financial statements; and the required supplementary information.

The Port's basic financial statements include: the *Statement of Fund Net Position*; the *Statement of Revenues, Expenses and Changes in Fund Net Position*; and the *Statement of Cash Flows*.

Understanding the financial trend of the Port begins with the *Statement of Fund Net Position*, and with the *Statement of Revenues, Expenses and Changes in Fund Net Position*.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Port uses only one fund, an enterprise fund, which is a type of proprietary fund. An enterprise fund reports business type activities.

The *Statement of Fund Net Position* presents information on all of the Port's assets, liabilities and deferred inflows and outflows, with the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Port is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* shows how the Port's net position changed during the year. These changes are reported as soon as the underlying event occurs regardless of the timing of related cash flows.

The notes to the Port's financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found following this MD&A and the Port's basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Port's progress in funding its obligation to provide pension benefits to its employees.

FINANCIAL HIGHLIGHTS

- The assets of the Port and deferred outflows exceeded its liabilities and deferred inflows by \$134.0 million at the end of 2020 (reported as net position). Of this amount, \$26.0 million represents unrestricted net position, which may be used to meet the Port's ongoing obligations to its customers and creditors, and \$107.9 million was invested in capital assets (net of related debt).
- The Port's unrestricted net position decreased \$1.8 million (6.6 percent) from the previous year.
- The Port maintained a current ratio (current assets/current liabilities) of 5.5 to 1 at December 31, 2020, with total current assets of \$39.2 million and current liabilities of \$7.1 million. This current ratio compares to 6.2 the previous year.

The following table summarizes the Port's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of December 31, 2020 and 2019.

FUND NET POSITION December 31, 2020 and 2019 (in thousands)

	2020	2019
Assets:		
Current and other assets	\$ 39,239	\$ 38,430
Capital assets, net	120,731	121,931
Total Assets	159,970	160,361
Deferred Outflows of Resources		
Deferred outflow related to pensions	537	474
Deferred outflow related to OPEB	31	26
Total Deferred Outflows of Resources	568	500

FUND NET POSITION (continued)
December 31, 2020 and 2019
(in thousands)

	2020	2019
Liabilities:		
Current and other liabilities	7,126	6,205
Non-current liabilities	18,910	18,757
Total Liabilities	<u>26,036</u>	<u>24,962</u>
Deferred Inflows of Resources:		
Deferred inflows related to pensions	527	1,013
Total Deferred Inflows of Resources	<u>527</u>	<u>1,013</u>
Net Position:		
Net investment in capital assets	107,943	107,026
Unrestricted net position	26,032	27,860
Total Net Position	<u>\$ 133,975</u>	<u>\$ 134,886</u>

SUMMARY OF FINANCIAL OPERATIONS AND CHANGES IN FUND NET POSITION

The Statement of Revenues, Expenses, and Changes in Fund Net Position shows how the port's net position changed during the current fiscal year as a result of operations. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will only affect future period cash flows (e.g. uncollected accounts receivable).

- **Revenues:** Port revenues are reported in two categories: operating revenues and non-operating revenues, which include capital contributions.
 - **Operating Revenues:** Port operating revenues increased \$665,872 (2.0 percent) over 2019. The increase is a result of adjusting U.S. export market conditions. The Port's vessel calls and export cargo handling activity were down however, revenues increased \$394,636 (1.4 percent) in the Port's marine terminals, pilotage services and ship assist services divisions. All other divisions (industrial properties, airport and marina) increased \$271,236 (4.3 percent) from the previous year.
 - **Non-Operating Revenues:** 2020 non-operating revenue totaled \$3,572,022, a decrease of \$1,118,639 (23.8 percent) from 2019. \$575,078 of this total is due to a 2019 grant from Washington State to assist in funding the Port's local share of the U.S. Army Corps of Engineers Grays Harbor Navigation Improvement Project. These non-capital contributions are considered other non-operating revenues.
 - **Capital Contributions:** Capital contributions reflect amounts received from federal, state and local sources to provide funding assistance for new Port infrastructure and major renovation projects. 2020 capital contributions totaled \$1,397,441, down \$3,577,466 from 2019, and were used to fund 29.0 percent of the Port's 2020 capital asset acquisition and improvement projects.

- **Expenses:** Port expenses are reported in two categories: operating expenses and non-operating expenses.
 - **Operating Expenses:** Operating expenses increased \$1,813,899 (5.0 percent) in 2020. Operating expenses directly relate to services provided by the Port to its customers. (See preceding discussion regarding Port operating revenues and activity.)
 - **Non-Operating Expenses:** 2020 non-operating expenses totaled \$946,379, a decrease of \$1,411,288 (59.9 percent) from 2019. This decrease was caused primarily by the U.S. Army Corps of Engineers Grays Harbor Navigation Improvement Project to deepen the navigation channel serving the Port. The Port's local cost share contribution and expenses in 2020 for the Project totaled \$14,756, a \$789,620 decrease from 2019 expenses.

The following table summarizes the revenues, expenses and change in fund net position for fiscal years ending December 31, 2020 and 2019.

REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Years Ended December 31, 2020 and 2019
 (in thousands)

	2020	2019
Operating Revenues	\$ 34,424	\$ 33,758
Non-Operating Revenues	3,572	4,691
Total Revenues	37,996	38,449
Operating Expenses	38,163	36,349
Non-Operating Expenses	946	2,358
Total Expenses	39,109	38,707
Increase/(Decrease) in Net Position before Capital Contributions	(1,113)	(258)
Capital Contributions	1,397	4,975
Increase/(Decrease) in Net Position	284	4,717
Net Position at beginning of year	134,886	130,169
Change in Accounting Principle	(1,195)	-
Net Position at end of year	\$ 133,975	\$ 134,886

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Port's investment in capital assets as of December 31, 2020 totaled \$120 million (net of accumulated depreciation). The Port's capital assets include land, buildings, improvements (other than buildings), machinery and

equipment, and construction in progress. Overall, the net book value of the capital assets decreased \$1,112,425 in 2020 as the depreciation expense was more than the value of new assets acquired. Major capital asset events during 2020 included the following:

Westport Marina Dredging	\$986,488
Warehouse A Roof Replacement	533,773
New Pilot Boat Vega Acquisition	499,825

Additional information on the Port's capital assets can be found in note 4 of the Port's notes to the financial statements.

Long-Term Debt. At December 31, 2020 the Port's total long-term debt outstanding was \$21.0 million, of which \$1.9 million will mature during 2021. Of the total amount outstanding \$7.6 million is for general obligation bonds, \$1.9 million for long-term contracts payable, \$2.7 million for revenue bonds, \$6.9 million for pension and OPEB obligations, and \$2.0 million for other long-term debt.

Debt service principal payments on the Port's outstanding bonded debt will average \$845,400 per year over the next five (5) years.

The Port's outstanding general obligation bonds were issued in 2011 with a Moody's Investor Service A1 rating for the general obligation bonds. Moody's upgraded the rating for the Port's outstanding bonds to Aa3 on February 15, 2017. The bonds are not rated by Standard & Poor's. The Port's outstanding revenue bonds were issued in 2020 as direct placements with Timberland Bank and were not rated. Additional information on the Port's long-term debt can be found in note 7 of the Port's notes to the financial statements.

ECONOMIC OUTLOOK

The Port of Grays Harbor's mission is to promote trade and economic development for the region. The Port manages four major areas of operation to achieve this mission: Deep-water marine terminal docks and wharves; industrial (tenant-occupied) lands and buildings; a regional airport (FAA); and a commercial and recreational boat marina. The marine terminal division is the largest Port operation, accounting for 64 percent of the Port's revenues. The industrial property leasing activities, including the Satsop Business Park, account for 13.2 percent of revenues. There are several issues that could impact the future financial condition of the Port, including global economic conditions and changing market demands.

- **Marine Terminal Operations:** The Port has succeeded in attracting and continues to develop diverse cargo shipment business activities with long-term private industry partners. Primary commodities currently handled by the Port are bulk, break-bulk and roll-on/roll-off (RoRo) cargo. The Port's marine terminal division has experienced tremendous growth since 2009. Global import and export market conditions are highly sensitive to international economic conditions including the relative value of the U.S. dollar to foreign currencies. Following a business peak in 2014, the strong U.S. dollar resulted in a slowing of U.S. exports through the Port.

During 2020, international trade markets remained stable, and marine terminal division operating revenues increased 1.3% over 2019. Below is further discussion of the economic outlook for each commodity and private industry partner currently served by the Port.

- The Port's Terminal No. 2 bulk agricultural commodity export facility was completed in December 2003 and the equipment is privately owned by Ag Processing, Inc. (AGP). AGP expanded the export facility in 2011 by constructing six storage silos adjacent to the terminal. AGP maintains ownership and marketing rights for the facility, and contracts with the Port to operate the facility. Future revenue from Terminal No. 2 activity is expected to grow as AGP continues to expand processing capacity at its U.S. Midwest plants and increase production of commodities that will be exported through the Port. Revenue will continue to be subject to fluctuation depending upon export market conditions. Expenses will adjust with revenues and thereby limit the financial exposure for the Port to such fluctuations.
- In 2007, Imperium Renewables, now known as REG, built a biodiesel processing plant adjacent to Port Terminal Nos. 1 and 2, selecting the site in order to maintain access to multi-modal transportation systems necessary to their operation. During 2015, the privately owned facility was purchased by Renewable Energy Group, Inc., a leader in the U.S. advanced biofuels industry. Domestically, the biodiesel market is sensitive to both domestic and global market and economic conditions, as well as Government energy policy, including price subsidies for the bio-energy sectors.
- In January 2009, Westway Terminals, now known as BWC Terminals, leased property from the Port and subsequently constructed a liquid bulk storage and transfer facility also adjacent to Port Terminal Nos. 1 and 2. The activity at this facility is subject to fluctuation due to commodity prices and international market conditions.
- In January 2009, the Port entered into agreements with The Pasha Group to market and develop the Port's marine Terminal No. 4 to handle automobiles, over-high over-wide equipment and break-bulk cargo. Future activity is expected to grow, although will be subject to global import and export market conditions.
- Willis Enterprises conducts barge operations at Port Terminal No. 3 shipping wood chips to West Coast destinations, and log export customers utilize Port Terminal No. 4 to ship logs to the Pacific Rim. Future activity is expected to be stable, although will be subject to commodity pricing and other domestic and global market conditions.
- 2021 Budget and Business Forecast: For 2021, the Port forecasts a decrease in U.S. import and export activity, and slightly lower financial performance than the Port's 2020 fiscal year. Operating revenues are forecast to be \$28.5 million compared to \$34.4 million in 2020.

During the year, the Port will prepare monthly internal management financial reports and regularly conduct in depth reviews of global market conditions and other important business indicators. The Port utilizes flexible budgeting practices,

updating forecasts and adjusting spending plans quickly as needed throughout the year based upon the outcome of these in-depth market and business analyses.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Port's financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Port of Grays Harbor, Director of Finance and Administration, P.O. Box 660, Aberdeen, WA 98520, or by phoning (360) 533-9528.

PORT OF GRAYS HARBOR
STATEMENT OF FUND NET POSITION
December 31, 2020

	<u>2020</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash & Cash Equivalents (Note 1)	\$ 30,737,614
Grays Harbor Bar Pilots Retirement Trust (Note 15)	92,419
Investments (Note 2)	11,248
Accounts Receivable, Net of Reserve for Doubtful	
Accounts of \$73,651 (Note 1)	4,907,004
Taxes Receivable (Note 3)	201,418
Contracts Receivable (Note 1)	88,000
Interest Receivable (Note 1)	2,322
Inventory (Note 1)	213,854
Prepaid Expenses (Note 1)	2,985,156
TOTAL CURRENT ASSETS	<u>39,239,035</u>
NON-CURRENT ASSETS	
Contracts Receivable (Note 1)	638,000
Capital Assets (Note 4)	
Land	27,524,363
Construction in Progress	300,683
Capital Assets Being Depreciated (Note 4)	
Buildings and Structures	93,325,412
Machinery and Equipment	9,487,459
Improvements	139,520,196
Total Capital Assets Being Depreciated	<u>242,333,067</u>
Intangible Assets	
Less: Accumulated Depreciation	<u>(150,065,331)</u>
Total Net Capital Assets	<u>120,092,782</u>
TOTAL NON-CURRENT ASSETS	<u>120,730,781</u>
TOTAL ASSETS	<u><u>\$ 159,969,816</u></u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows Related to Pensions (Note 5)	\$ 536,790
Deferred Outflows Related to OPEB (Note 11)	30,716
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 567,506</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

PORT OF GRAYS HARBOR
STATEMENT OF FUND NET POSITION
December 31, 2020

	<u>2020</u>
	<u>LIABILITIES</u>
CURRENT LIABILITIES	
Warrants Payable	\$ 200,488
Accounts Payable	1,918,793
Compensated Absences (Note 1)	161,468
Accrued Interest Payable (Note 1)	38,702
Current Portion of Long-Term Liabilities (Note 7)	837,574
Accrued Expenses (Note 1)	649,556
Grays Harbor Bar Pilots Retirement (Note 15)	92,419
Pension Liability (Note 5)	96,421
OPEB Liability (Note 11)	61,432
Other Current Liabilities (Note 1)	3,068,930
TOTAL CURRENT LIABILITIES	<u>7,125,783</u>
NON-CURRENT LIABILITIES	
Compensated Absences (Note 1)	741,876
General Obligation Bonds (Note 7)	7,079,197
Revenue Bonds (Note 7)	2,421,000
Contracts Payable (Note 7)	1,812,116
Net Pension Liability (Note 5)	2,861,224
OPEB Liability (Note 11)	3,881,961
Other Non-Current Liabilities (Note 1)	112,800
TOTAL NON-CURRENT LIABILITIES	<u>18,910,174</u>
 TOTAL LIABILITIES	 <u><u>\$ 26,035,957</u></u>

	<u>DEFERRED INFLOWS OF RESOURCES</u>
Deferred Inflows Related to Pensions (Note 5)	\$ 526,710
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 526,710</u></u>

	<u>NET POSITION</u>
Net Investment in Capital Assets	\$ 107,942,895
Unrestricted	<u>26,031,760</u>
TOTAL NET POSITION	<u><u>\$ 133,974,655</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

PORT OF GRAYS HARBOR
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2020

	2020
OPERATING REVENUES	
Airport Operations	\$ 192,181
Marina Operations	1,264,211
Marine Terminal Operations	24,419,500
Property Lease/Rental Operations	3,316,545
Satsop Business Park Operations	1,728,126
Pilotage Operations	1,468,292
Ship Assist Services	1,942,533
Friends Landing Park Operations	92,365
	<hr/>
Total Operating Revenues	34,423,753
	<hr/>
OPERATING EXPENSES	
General Operations	27,250,073
Maintenance	2,723,934
General and Administrative	2,455,606
Depreciation (Note 4)	5,733,064
	<hr/>
Total Operating Expenses	38,162,677
	<hr/>
Operating Loss	(3,738,924)
	<hr/>
NON-OPERATING REVENUES (EXPENSES)	
Investment Income	236,371
Taxes Levied for (Note 3)	
General Purposes	2,746,165
Timber and Other Taxes	569,504
Gain (Loss) on Disposition of Assets	19,982
Interest Expense	(598,207)
Fisheries Enhancement/Public Facilities (Note 14)	(286,858)
Grays Harbor Navigation Channel Improvement Expense (Note 13)	(14,756)
Other Non-Operating Revenues (Expenses)	(46,558)
	<hr/>
Net Non-Operating Revenues	2,625,643
	<hr/>
Income Before Capital Contributions	(1,113,281)
	<hr/>
Capital Contributions (Note 1)	1,397,441
	<hr/>
Increase in Net Position	284,160
	<hr/>
Net Position - January 1	134,886,223
Accounting Change (Note 16)	(1,195,728)
	<hr/>
Net Position - December 31	\$ 133,974,655
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THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

PORT OF GRAYS HARBOR
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 36,645,767
Payments to suppliers	(13,745,531)
Payments to employees	(16,804,584)
Other payments (Note 14)	(288,829)
Net Cash Provided By Operating Activities	<u>5,806,823</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Property Taxes for Operations & Debt Service	2,727,895
Cash Received from Timber & Other Taxes	569,504
Interest Income - Other	53,740
Sale of Scrap & Other Non-Operating Revenue	8,146
Grants for Non-Capital Items	150,909
Miscellaneous Non-Operating Expenses	(165,878)
Net Cash Provided by Non-Capital Financing Activities	<u>3,344,316</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt (Note 7)	2,770,930
Capital Contributions	1,397,441
Purchase of Capital Assets	(5,143,425)
Principal Paid on Capital Debt	(4,807,317)
Interest Paid on Capital Debt	(596,286)
Other Receipts	107,982
Net Cash Used in Capital & Related Financing Activities	<u>(6,270,675)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales & Maturities of Investments	3,931
Investment Expense	(33,776)
Interest Income	182,440
Net Cash Provided by Investing Activities	<u>152,595</u>
Net Increase in Cash & Cash Equivalents	3,033,059
Cash & Cash Equivalents, Beginning of Year	27,704,555
Cash & Cash Equivalents, End of Year	<u><u>\$ 30,737,614</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

PORT OF GRAYS HARBOR
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

	<u>2020</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (3,738,924)
Adjustments to reconcile Net Operating Income (Loss)	
to Net Cash Provided by Operating Activities:	
Depreciation	5,923,244
Allowance for Uncollectible Accounts	59,497
Change in Assets & Liabilities:	
(Increase) Decrease in Accounts Receivable	2,194,258
(Increase) Decrease in Other Current Assets	(15,688)
Construction in Progress Work Expensed	332,606
Increase (Decrease) in Accounts & Warrants Payable	502,600
Increase (Decrease) in Other Current Liabilities	132,434
Increase (Decrease) in Other Long-Term Liabilities	705,625
Adjustment for election costs and other activity (Note 14)	(288,829)
Total Adjustments	<u>9,545,747</u>
Net Cash Provided By Operating Activities	<u><u>\$ 5,806,823</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

N/A

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

PORT OF GRAYS HARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Port of Grays Harbor (the "Port") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Port's accounting policies are described below.

A. Reporting Entity - The Port of Grays Harbor is a special purpose government governed by an elected three-member commission. Organized under the laws of the State of Washington applicable to public port districts (RCW Title 53), the Port is authorized to provide for the development and maintenance of harbors and terminals, promote tourism, and foster economic development. The Port may acquire land for sale or lease for industrial or commercial purposes and may create industrial development districts.

Created by the voters of Grays Harbor County in 1911, the Port operates marine terminal, marina, airport and industrial park facilities, providing services to customers and the general public. In 2020, the Port's Marine Terminal facility accounts for 71% of the Port's operating revenue, and includes five deep water berths serving trading partners located throughout the Pacific Rim. Services include intermodal yard management, cargo handling and transfer, and storage services. Primary cargos handled during 2020 were agricultural dry bulk commodities (83%), liquid bulk (13%), wood products (3%), and automobiles and equipment (1%). The Port operates within its corporate boundaries, which are contiguous with those of Grays Harbor County located on Washington's Pacific Coast.

The accompanying financial statements present the Port of Grays Harbor and its component unit, an entity for which the Port is considered to be financially accountable, as described below.

The Industrial Development Corporation of the Port of Grays Harbor was created in 1982 with the purpose to facilitate the issuance of tax-exempt, nonrecourse revenue bonds to finance qualified private industrial development projects within Port District boundaries. Under Washington law, these bonds are payable solely from revenues derived from the projects financed, are not a direct or contingent liability of the Port, and are not a lien on Port properties or revenues.

The Industrial Development Corporation is governed by a board comprised of the Port's three elected Commissioners. Although legally a separate entity, the Industrial Development Corporation is, in substance, part of the Port's operations, and its account balances and transactions are included as a blended unit within the Port's financial statements.

B. Basis of Accounting and Reporting - The accounting records of the Port of Grays Harbor are maintained in accordance with methods prescribed by the Auditor of the State of Washington under authority of Chapter 43.09 RCW. The Port uses the GAAP *Budgeting, Accounting and Reporting System* in the State of Washington.

The accounts of the Port of Grays Harbor are maintained on a cost of services or an economic resources measurement focus. This means that all assets and liabilities (whether current or non-current) associated with the Port's activities are included on its statement of fund net position (or balance sheet). Total net position is segregated into net investment in capital assets, and restricted and unrestricted components and includes assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources. The statement of revenues, expenses and changes in net position (or operating statement) presents increases (revenues and gains) and decreases (expenses and losses) in net position. The Port discloses

changes in cash flows by a separate statement which presents the results of operating, noncapital financing, capital and related financing and investing activities.

The Port of Grays Harbor uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are recognized.

The Port distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services in connection with the Port's principal ongoing operations. The Port's primary operating revenues result from charges to customers for use of Port facilities and services in the Port's Marine Terminal division and Industrial Properties. Other operating revenues also result from the Port's Westport Marina, Bowerman Airport, ship assist, bar pilot and rv park operations. Expenses associated with the generation of these revenues are reported as operating expenses, including cost of services provided, maintenance, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Assets, Deferred Outflows/Inflows of Resources, Liabilities and Net Position -

1. Cash and Cash Equivalents - It is the policy of the Port of Grays Harbor to invest all temporary cash surpluses. At December 31, 2020, short-term residual investments of cash totaled \$30,737,614. Bank balances and book values do not differ materially. These amounts are classified on the statement of fund net position as cash and cash equivalents.

For purposes of the statement of cash flows, 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. Grays Harbor Bar Pilots Retirement Trust - See Note 15.

3. Investments – Investments are stated at fair value, based on quoted market prices in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in the fair-value of investment is recognized as an increase or decrease to the investment assets and investment income.

Interest income on investments is recognized in non-operating revenue as earned. Changes in fair value of investments are recognized on the Statement of Revenues, Expenses, and Changes in Net Position.

As required by State law, all deposits and investments of the Port's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, or certificates of deposits with Washington State banks and savings and loan institutions, or other investments allowed by Chapter 39.59 RCW. Qualified bank depositories are those specified by the Washington Public Deposit Protection Commission. See Note 2.

4. Receivables - Taxes receivable consist of property taxes plus related interest and penalties (see Note 3). Because such taxes are considered liens on property, no reserve for doubtful accounts is established. Accrued interest receivable consists of amounts earned on investments, notes and contracts at the end of the year.

Customer accounts receivable consist of amounts owed by private individuals or organizations for services including amounts owed for which billings have not been prepared. Accounts receivable are reported net of estimated uncollectible amounts. Accounts are either written off to the allowance for doubtful accounts when deemed uncollectible and further collection efforts would not be beneficial, or an amount is reserved for a portion or all of the account receivable while collection efforts continue although the probability of successful collection is unlikely.

Contracts and interest receivable consist of amounts owed by private individuals or organizations for purchase of land from the Port.

5. Inventories - Inventories are valued by the first-in-first-out method which approximates the market value. It is the policy of the Port of Grays Harbor to expense most spare parts for equipment and facility repairs as acquired. An inventory of such items would not be material in relation to either financial position or results of operations.

6. Prepaid Expenses – Prepaid expenses are those expenses paid in advance and expensed in the period they are incurred. Prepaid expenses consist of insurance premiums, dues and memberships, and other prepaid commitments.

Other prepaid commitments as of December 31, 2020 include \$2,302,290 paid to and held on deposit with the U.S. Army Corps of Engineers (USACE) for the Port's cost share contribution (as Local Sponsor) for construction costs associated with the deepening of the Grays Harbor Navigation Channel. Construction of the project was completed in early 2019. The USACE is working on closing out the project. It is expected that the USACE will expend Port's funds and continue to work on project closeout throughout 2021.

7. Capital Assets and Depreciation – Capital assets are defined by the Port as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of five years or more. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

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

The Port has acquired certain assets with funding provided by federal and state government financial assistance programs. Depending on the terms of the agreements involved, the government 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.

Depreciation expense is charged as an expense to allocate the cost of capital assets over their estimated useful lives using the straight-line method. Buildings and improvements are assigned lives of 20 to 50 years, equipment 5 to 25 years and other improvements 5 to 50 years. See Note 4.

8. Compensated Absences - Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The Port records vested unpaid leave for compensated absences as an expense and liability when incurred. The Port does not accrue non-vested sick leave benefits.

Vacation pay, which may be accumulated up to a maximum of 400 hours, is payable upon resignation, termination or death. Sick leave may be accumulated up to a maximum of 720 hours, but is vested or payable upon resignation, termination or death following one year of employment to a maximum of 360 hours. Vested unpaid vacation and sick leave entitlements at December 31, 2020 totaled \$903,344. See Note 7.

9. Accrued Interest Payable - Consists of interest accrued on long-term debt issued by the Port. See Note 7.

10. Accrued Expenses - These accounts consist of accrued wages, accrued employee benefits, accrued payroll tax liabilities and accrued accounts payable.

11. Grays Harbor Bar Pilots Retirement – See Note 15.

12. Other Current Liabilities and Other Non-Current Liabilities – Included in Other Current and Other Non-Current liabilities are customer deposits, lease prepayments which do not meet revenue recognition criteria (see Note 9), taxes payable, retainages payable on public works contracts, contingency reserves (see Note 8), and pollution remediation obligations (see Note 10).

	Current Portion	Long-term Portion	Bal. Payable 12/31/2020
OTHER LIABILITIES			
Customer Lease Deposits	\$ 632,369	\$ -	\$ 632,369
Retainage Payable	147,329	-	147,329
Taxes Payable	132,537	-	132,537
Contingency Reserves (Note 8)	15,000	-	15,000
Unearned Revenue (Note 9)	1,218,186	112,800	1,330,986
Pollution Remediation Obligations (Note 10)	921,000	-	921,000
Other Liabilities	2,509	-	2,509
Total Other Liabilities	<u>\$ 3,068,930</u>	<u>\$ 112,800</u>	<u>\$ 3,181,730</u>

13. Capital Contributions - Contributions from other entities for capital asset acquisition are assumed from the transferee at their Fair Market Value.

14. Deferred Outflows/Inflows of Resources –Deferred outflows represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. Deferred inflows represent the Port's proportionate share of the difference between expected and actual investment earnings on pension plan investments by the Washington State Department of Retirement Systems (see Notes 5 and 11).

15. Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value (see Note 5).

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Bar Pilots Retiree Benefits (see Note 5) have been determined through actuarial analysis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits - The Port's deposits and certificates of deposit are entirely covered by Federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

B. Investments - As required by State law, all deposits and investments of the Port's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, the State Treasurer's Local Government Investment Pool (LGIP), or certificates of deposit with Washington State banks and savings and loan institutions.

Investments in Local Government Investment Pool (LGIP)

The Port is a participant in the Local Government Investment Pool which was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer

is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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, online at <http://www.tre.wa.gov>.

Investments Measured at Amortized Cost

As of December 31, 2020, the Port had the following investments at amortized cost:

Investment	Maturity	Amortized Cost
	Less than one	
Washington State Local Government Investment Pool	year	\$ 27,454,632
Total		\$ 27,454,632

Investments Measured at Fair Value

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: These are 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, 2020, the Port had the following investments at fair value:

Investment	Maturity	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government National Mortgage Association (GNMA)	2033	\$ 11,247	\$ -	\$ -
Total		\$ 11,247	\$ -	\$ -

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the Port of Grays Harbor would not be able to recover the value of the investment or collateral securities. Of the Port's total position of \$27,454,632 in LGIP, none (\$-0-) is exposed to custodial credit risk.

NOTE 3 - PROPERTY TAXES

The County Treasurer acts as agent to collect property taxes levied in Grays Harbor County for all taxing authorities. Collections are distributed after the end of each month to each taxing district. A revaluation of all property is required annually.

Under Washington law, property taxes are levied and become an enforceable lien against properties on January 1. Tax bills are mailed on February 14, and the first of two equal installment payments is due on April 30 with the second installment being due on October 31. The assessed value of property for the next year's levy is established on May 31 at 100% of market value.

Property taxes are recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The Port of Grays Harbor may levy up to \$0.45 per \$1,000 assessed valuation in support of general operations. The rate is limited by the Washington State Constitution and Washington State law, RCW 84.55.010.

The Port's regular levy for 2020 was \$0.3663 per \$1,000 on an assessed valuation of \$7,462,133,950 for a total regular levy of \$2,733,251.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

A. Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. The Port's policy is to capitalize all assets costing \$5,000 or more that have an estimated useful life of 5 years or more. Cost of maintenance, repairs and minor renewals is expensed.

All capital assets are valued at historical cost. The Port of Grays Harbor has acquired certain assets with funding provided by federal and state financial assistance programs. Depending on the terms of the agreements involved, the Federal or State government 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 accounts.

When capital assets are retired or otherwise disposed of, the original cost of the asset, any subsequently capitalized costs and any accumulated depreciation are removed from the capital asset accounts. Any gain or loss on the disposition of the asset is recognized as current income or expense.

During 2020, the Port surplussed and sold, via online auction, several pieces of capital equipment as well as other equipment expensed at acquisition. Assets originally costing \$259,242 were removed from the Port's capital assets and \$259,242 of accumulated depreciation associated with these assets was removed. Net asset disposal proceeds of \$19,982 are reported under non-operating activity.

An allowance for funds used during construction is capitalized as part of the cost of the plant. The procedure is intended to remove the cost of financing construction activity from the statements of revenues, expenses and changes in fund net position, and to treat such cost in the same manner as construction labor and material costs. In 2020 there were no interest costs capitalized for funds borrowed to finance the construction of capital assets.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives. Depreciation is calculated by the straight line method and commences in the year following completion of a project or in the month following acquisition of an asset. The Port utilizes the following useful lives for depreciation calculations:

Buildings & Structures	10 to 50 years
------------------------	----------------

Machinery & Equipment	5 to 20 years
Other Improvements	5 to 50 years

Depreciation expense for the year ended December 31, 2020 totaled \$5,923,244, of which \$5,733,064 was operating expense and \$190,181 was related to non-operating activity (see Note 14).

B. Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance 1/1/20	Additions	Deletions	Transfer/Other	Ending Balance 12/31/20
Capital assets not being depreciated					
Land	\$ 27,524,363	\$ -	\$ -	\$ -	\$ 27,524,363
Construction in Progress	4,561,061	4,935,611	9,195,989	-	300,683
Total capital assets not being depreciated	32,085,424	4,935,611	9,195,989	-	27,825,046
Capital assets being depreciated					
Buildings & Structures	92,379,172	946,240	-	-	93,325,412
Machinery & Equipment	9,125,137	621,564	259,242	-	9,487,459
Improvements	132,016,803	7,503,393	-	-	139,520,196
Total capital assets being depreciated	233,521,112	9,071,197	259,242	-	242,333,067
Less Accumulated Depreciation for:					
Buildings & Structures	58,541,562	2,291,238	-	-	60,832,800
Machinery & Equipment	8,334,148	142,114	259,242	-	8,217,020
Improvements	77,525,620	3,489,891	-	-	81,015,510
Total accumulated depreciation	144,401,329	5,923,244	259,242	-	150,065,331
Total capital assets being depreciated, net of depreciation	89,119,783	3,147,953	-	-	92,267,736
Net capital assets	\$ 121,205,207	\$ 8,083,564	\$ 9,195,989	\$ -	\$ 120,092,782

C. Construction and Other Significant Commitments - The Port of Grays Harbor has active construction projects and commitments to contractors as of December 31, 2020 as follows:

Project	Expended as of 12/31/20	Remaining Commitment
Westport Marina Dredging	\$ 5,915,506	\$ 184,519
T3 Dolphins	153,665	392,154
T4 Fender Repairs	3,487	395,119
Total	\$ 6,072,658	\$ 971,792

NOTE 5 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts – All Plans	
Pension liabilities	(\$2,957,645)
Pension assets	\$92,419
Deferred outflows of resources	\$536,790
Deferred inflows of resources	(\$526,709)
Pension expense/expenditures	\$174,059

A. State Sponsored Pension Plans - Substantially all of the Port of Grays Harbor'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 (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The DRS, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR 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 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 1 Actual Contribution Rates	Employer	Employee
January – August 2020:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September – December 2020:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	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 one percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according

to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 2/3 Actual Contribution Rates	Employer 2/3	Employee
January – August 2020:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%
September – December 2020:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

The Port's actual PERS plan contributions were \$235,630 to PERS Plan 1 and \$389,050 to PERS Plan 2/3 for the year ended December 31, 2020.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

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, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of Net Pension Liability/(Asset)

The table below presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$1,471,355	\$1,174,681	\$915,951
PERS 2/3	3,425,012	550,444	(1,816,764)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2020, the Port reported a pension liability for state-sponsored pension plans of \$1,725,125 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$1,174,681
PERS 2/3	550,444
Total	<u>\$1,725,125</u>

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

	Proportionate Share 6/30/2019	Proportionate Share 6/30/2020	Change in Proportion
PERS 1	0.034665%	0.033272%	(0.001393%)
PERS 2/3	0.044811%	0.043039%	(0.001772%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 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 plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the Port recognized pension expense for state-sponsored pension plans as follows:

Pension Expense	
PERS 1	\$ (5,400)
PERS 2/3	46,246
Total	<u>\$ 40,846</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, 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
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (6,540)
Contributions subsequent to the measurement date	119,062	0
Total	<u>\$119,062</u>	<u>\$ (6,540)</u>

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$197,051	\$ (68,984)
Net difference between projected and actual investment earnings on pension plan investments	0	(27,955)
Changes of assumptions	7,840	(376,001)
Changes in proportion and differences between contributions and proportionate share of contributions	17,740	(47,230)
Contributions subsequent to the measurement date	195,097	0
Total	<u>\$417,728</u>	<u>\$(520,170)</u>

PERS 1 & PERS 2/3 Combined	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$197,051	\$ (68,984)
Net difference between projected and actual investment earnings on pension plan investments	0	(34,495)
Changes of assumptions	7,840	(376,001)
Changes in proportion and differences between contributions and proportionate share of contributions	17,740	(47,229)
Contributions subsequent to the measurement date	314,159	0
Total	<u>\$536,790</u>	<u>\$(526,710)</u>

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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2021	\$(29,679)
2022	(933)
2023	9,056
2024	15,017
2025	--
Thereafter	--
Total	<u>\$ (6,540)</u>

Year ended December 31:	PERS 2/3
2021	\$(233,304)
2022	(59,498)
2023	4,881
2024	45,748
2025	(23,075)
Thereafter	(32,290)
Total	<u>\$(297,538)</u>

B. Bar Pilot Retiree Benefits – The Port of Grays Harbor is responsible for making the pension payments of three bar pilots who served the Port prior to October 1, 2001 and who participated in the Amended Retirement Program of Puget Sound Pilots.

The benefit is determined by multiplying 1.5% of a participant's Retirement Base by the years of service. Retirement Base means the average of the last three (3) years of projected annual income for an active pilot. Members are eligible for retirement at any age after having completed at least one (1) year of service. Upon the death of a retired pilot, a surviving spouse receives one-half (1/2) the benefit the retired pilot was receiving until the surviving spouse dies or remarries.

The Bar Pilot Retiree Benefit members include one (1) active and two (2) inactive or retired pilots. These payments constitute a defined benefit pension plan to which the Port makes contributions.

There are no assets accumulated in a qualifying trust:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are not irrevocable.
- Pension plan assets are not dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are not legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. Plan assets also are not legally protected from creditors of the plan members.

Senate Bill 6519 passed by the Washington State Legislature and signed by the Governor on March 15, 2018 provides specific authority for the Port to establish and collect a specific tariff charge to then pass thru and make retirement expense payments to the former Grays Harbor Bar Pilots with service prior to 2001 until such expenses are no longer owed. The Port paid \$96,421 in benefits to Bar Pilot Retirees in 2020.

Contributions

There are no contributions made by the employee or the employer for the Bar Pilot Retiree Benefits. However, the Port does charge a tariff of \$450 per pilot assignment to help defray the cost of the Bar Pilot Retiree Benefits. In 2020, there were 213 jobs resulting in \$95,850 to help cover Bar Pilot Retiree Benefits.

Actuarial Assumptions

The total pension liability (TPL) for the Bar Pilot Retiree Benefit was determined using the most recent actuarial valuation completed in 2021 with a valuation date of August 2, 2021.

Discount Rate

A discount rate used to measure the total pension liability for the Bar Pilot Retiree Benefit was 2.0 percent.

Sensitivity of Total Pension Liability/Asset

The table below represents the Port's total pension liability for the Bar Pilot Retiree Benefits using the discount rate of 2.0 percent, as well as what the Port's pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.0 percent) or 1-percentage point higher (3.0 percent) than the current rate.

	1% Decrease (1.0%)	Current Discount Rate (2.0%)	1% Increase (3.0%)
Bar Pilots Retiree Benefit	\$1,339,981	\$1,232,520	\$1,139,399

Changes in the Total Pension Liability

At December, 31, 2020, the Port reported total pension liability of \$1,232,520 for the Bar Pilot Retiree Benefit.

	Total Pension Liability
Balance at 1/1/2020	\$1,195,728
Changes for the year:	
Service Cost	29,795
Interest	32,376
Changes in Benefit Terms	0
Differences between expected and actual experience	0
Changes of assumptions	71,042
Benefit payments	(96,421)
Other changes	0
Net Changes	36,792
Balance at 12/31/2020	\$1,232,520

Actuarial Methods and Assumptions

Relevant Dates

- Actuarial Valuation Date December 31, 2020
- Measurement Dates December 31, 2020
- Fiscal Year Ends December 31, 2020

Actuarial Cost Method

- Entry Age Normal, level percent of salary

Assumptions

Interest Rate for Discounting Future Liabilities

- December 31, 2019: 2.75% per year, based on all years discounted at a municipal bond rate (based on Bond Buyer 20-Bond General Obligation Index as of December 31, 2019).
- December 31, 2020: 2.00% per year, based on all years discounted at a municipal bond rate (based on Bond Buyer 20-Bond General Obligation Index as of December 31, 2020).
- Assumed Form of Payment: 50% Joint & Survivor annuity if married, Life Annuity if single
- Assumed Commencement Date: Termination/retirement date
- Mortality: Pre-Retirement - None. Post-Retirement – RP-2014 Total Dataset Mortality Adjusted to 2006, projected fully generationally with Scale MP-2020.
- Distributive Income Growth: 3% per year
- Turnover Rates: Turnover Table T-1 with a minimum of 0.5% per year.
- Retirement Rates: 55-59 (2%), 60-61 (5%), 62-64 (15%), 65-69 (30%), 70 (100%)
- Disablement Rates: None assumed

- Future Service: All Pilots are expected to complete a full year of service in each future year of employment.

Changes Since Prior Valuation

- Not applicable

At December 31, 2020, the Port did not report deferred outflows of resources or deferred inflows of resources related to pensions from the Bar Pilots Retiree Benefits.

NOTE 6 - RISK MANAGEMENT

The Port is exposed to various risks of loss related to torts; damage to, theft of and destruction of assets or cargo; natural disasters; and employee injuries. To limit exposure, the Port of Grays Harbor purchases property, liability and related insurance coverage annually through a commercial insurance broker which provides coverage against most normal hazards. In comparison to prior years, there were no significant changes in the type and coverage of insurance policies purchased by the Port in 2020. Settlement claims have not exceeded commercial insurance coverage in any of the past three years.

The Port participates in the State of Washington workman's and unemployment compensation programs. Employee medical, dental, vision, long-term disability and life insurance coverages are provided for all eligible employees through standard plans offered by the Washington State Health Care Authority. The Port of Grays Harbor does not administer any of these plans.

On January 1, 2013, the Port merged with the Grays Harbor Public Development Authority (GHPDA), which was a member of Enduris. The Port elected to become a member of Enduris for the purpose of maintaining property insurance coverage for assets transferred by GHPDA to the Port located at the Satsop Business Park in Elma, WA. Property insurance coverage for all other assets owned by the Port is purchased from a commercial broker and is not included under the Enduris membership agreement.

Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. As of August 31, 2019, there were 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage

to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

The Pool is governed by a Board of Directors which is comprised of seven (7) board members. The Pool's members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

The amount of settlements has not exceeded the Port's insurance coverage for each of the past three fiscal years.

NOTE 7 - LONG-TERM DEBT

A. Long-Term Debt - The Port's long-term debt consists of bonds and loans for facility improvements, asset acquisition and expansion. As of December 31, 2020, contracts payable totaled \$1,867,364, revenue bonds payable (direct placements) were \$2,658,000 and general obligation bonds payable were \$7,660,000.

B. General Obligation and Revenue Bonds -

Bonds issued and outstanding as of December 31, 2020 are as follows:

2011 Limited Tax General Obligation Refunding Bonds (Series B), par amount \$2,030,000, issued May 2011 to refund the Port's 1999 outstanding LTGO Series B bonds. All issued and outstanding 1999 LTGO Series B bonds were called on June 27, 2011. Proceeds from the 1999 LTGO Series A bonds were used to finance various improvements at the Port's airport and marina, the acquisition of administrative and maintenance equipment, and the acquisition of land in Hoquiam, Washington, reserved for general government purposes. The 2011 LTGO Series B bonds bear interest payable semi-annually at rates of 3.75% and 4.375%, and are due in annual installments of \$315,000 to \$650,000 through 2026.

2011 Limited Tax General Obligation Bonds (Series C), par amount \$11,735,000, issued May 2011 to finance expansion of rail in the Port's marine terminal cargo yard. The 2011 LTGO Series C bonds bear interest payable semi-annually at rates of 4.0% to 5.75%, and are due in annual installments of \$185,000 to \$1,725,000 through December 2031.

The Port's Revenue Bonds from direct placements of \$2,785,000, were issued to Timberland Bank June 23, 2020 to finance the purchase of a 55-acre rail-served, industrial waterfront site adjacent to the Port's Marine Terminal 4 in Aberdeen, Washington. The revenue bonds from direct placements bear interest payable semi-annually at 2.5%, and are due in annual installments of \$303,450 to \$304,700 through 2030.

The following is a summary of bonds payable as of December 31, 2020:

	Current Portion	Long-term Portion	Premium (Discount)	Bal. Payable 12/31/2020
General Obligation Bonds				
2011 LTGO Refunding Series B	\$ 315,000	\$ 1,715,000	\$ (18,395)	\$ 2,011,605
2011 LTGO Series C	235,000	5,395,000	(17,082)	5,612,918
Total GO Bonds	550,000	7,110,000	(35,477)	7,624,523
Revenue Bonds (Direct Placements)				
Timberland Bank	237,000	2,421,000	-	2,658,000
Total Revenue Bonds	237,000	2,421,000	-	2,658,000
Total Bonds Payable	\$ 787,000	\$ 9,531,000	\$ (35,477)	\$ 10,282,523

As of December 31, 2020, the annual debt service requirements to maturity for the general obligation and revenue bonds outstanding are as follows:

YEAR	GO Bonds		Revenue Bonds (Direct Placements)	
	Principal	Interest	Principal	Interest
2021	\$ 550,000	\$ 394,994	\$ 237,000	\$ 66,450
2022	570,000	372,606	243,000	60,525
2023	590,000	351,231	249,000	54,450
2024	620,000	321,731	256,000	48,225
2025	650,000	290,731	262,000	41,825
2026-2030	3,785,000	926,994	1,411,000	107,575
2031	895,000	51,463	-	-
TOTALS	\$ 7,660,000	\$ 2,709,750	\$ 2,658,000	\$ 379,050

C. Contracts -

Long-term contracts payable outstanding as of December 31, 2020 are as follows:

	Current Portion	Long-term Portion	Bal. Payable 12/31/2020
CONTRACTS PAYABLE			
Contracts and Notes			
2004 CERB Loan (Warehouse H expansion)	\$ 9,748	\$ 39,976	\$ 49,724
2007 CERB Loan (Satsop Warehouse Construction)	-	206,029	206,029
2010 CERB Loan (Terminal 1 Berth Enhancements)	45,500	455,000	500,500
2011 CERB Loan (Marine Terminal Rail, Phase 1)	-	1,111,111	1,111,111
Total Contracts Payable	\$ 55,248	\$ 1,812,116	\$ 1,867,364

The annual debt service requirements to maturity for long-term contracts payable are as follows:

YEAR	Contracts Payable	
	Principal	Interest
2021	\$ 55,248	\$ 497
2022	234,791	1,430
2023	235,231	990
2024	235,674	547
2025	166,755	101
2026-2030	783,054	-
2031-2035	156,611	-
TOTALS	\$ 1,867,364	\$ 3,565

D. During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2020	Additions	Reductions	Ending Balance 12/31/2020	Due Within One Year
GO Bonds Payable	\$ 8,185,000	\$ -	\$ 525,000	\$ 7,660,000	\$ 550,000
Revenue Bonds Payable (Direct Placements)	-	2,785,000	127,000	2,658,000	237,000
Premiums/(Discounts)	(40,151)	-	(4,674)	(35,477)	(4,674)
Total Bonds Payable	8,144,849	2,785,000	647,326	10,282,523	782,326
Contracts Payable	6,034,548	-	4,167,184	1,867,364	55,248
Compensated Absences	751,059	508,255	355,970	903,344	161,468
Contingency Reserves	666,000	270,000	-	936,000	936,000
Unearned Lease Revenue	130,868	-	9,112	121,756	8,956
DRS Net Pension Liability	1,768,259	-	43,134	1,725,125	-
Bar Pilots Retiree Total Pension Liability	1,195,728	133,213	96,421	1,232,520	96,421
Total OPEB Liability	2,921,272	1,022,121	-	3,943,393	61,432
TOTALS	\$ 21,612,583	\$ 4,718,589	\$ 5,319,147	\$ 21,012,025	\$ 2,101,851

NOTE 8 - CONTINGENCIES AND LITIGATION

The Port of Grays Harbor has recorded in its financial statements all material liabilities, including an estimate for unresolved situations where, based on available information, management believes it is probable that the Port will have to make some payment. In the opinion of management, the Port's insurance policies are adequate to pay all known or pending claims in excess of applicable deductible amounts.

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

The Port's contingent liabilities at December 31, 2020 totaled \$936,000 consisting of \$921,000 in pollution remedial obligations (see Note 10) and \$15,000 in pending claims.

NOTE 9 - UNEARNED REVENUE

In accordance with generally accepted accounting principles, the Port has the following unearned receipts which will be amortized over the terms as noted:

Item Description	Issue Year	Amortization Method	Unamortized Amount 12/31/2020
Prepaid lease revenue	1994	Straight-line, 50 year term	\$ 39,791
Prepaid lease revenue	1994	Straight-line, 48 1/2 year term	81,746
Prepaid boat launch revenue	2001	Straight-line, 20 year term	219
Prepaid moorage revenue	2019	Straight-line, 1 year term	296,775
Prepaid lease revenue	2019	Straight-line, term varies Based on individual lease terms All 1 year or less	912,455
Total Unearned Revenue			\$ 1,330,986

NOTE 10 - POLLUTION REMEDIATION OBLIGATIONS

Costs incurred for pollution remediation that extend the life, increase the capacity, or improve the safety or efficiency of property owned by the Port are capitalized. The Port expenses costs which do not meet these criteria and accrues for obligations associated with such pollution remediation obligations when such losses are probable and reasonably estimable. Accruals for estimated losses from pollution remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change.

A. Chevron Oil Site (Westport, WA) – This site has been historically used by tenants operating a marine fuel facility. During 2014, it was determined that the Port is responsible for tank removal. During 2015, the Port's consultant developed a clean-up plan for tank removal with cost estimates of \$358,000. The Port continues to negotiate with the private operator for the remaining clean-up costs prior to moving forward with the project. As of December 31, 2020 net costs totaling \$450,000 have been accrued as a current liability for the Port to complete its responsibility for the tank removal.

B. Hungry Whale Site (Westport, WA) – This site is currently and has been historically used by tenants operating a vehicle fuel facility. During 2007, the Port of Grays Harbor, in cooperation with the Washington State Department of Ecology (DOE), completed an environmental site assessment and developed the phase 1 remediation plan. In 2016, the Port worked with DOE on an Updated Administrative Order which calls for additional monitoring and a Feasibility Study to determine current conditions and prepare a proposed Clean-up Action Plan with DOE. In 2017, the Port completed additional groundwater monitoring and developed a draft Remedial Investigation and Feasibility Study (RI/FS) and submitted it to Ecology for review. The Port and Ecology agreed to continue working on approval of the RI/FS but place further efforts on hold until funding could be identified. Applications for Toxics Cleanup Remedial Action Grant funding were submitted in 2017 and 2019 but were not successful. The RI/FS was finalized and approved in 2020 and the cost for the selected alternative estimated at \$1.39 million, with the total project cost including engineering, permitting and administration estimated at \$1.6 million. The project was selected for supplemental funding in 2020. At the end of the year, the Port and Ecology were finalizing a grant agreement with the Port's share of the project cost at \$400,000. Site is capped with asphalt and the vehicle fuel station continues to operate. Estimated remedial liability is \$50,000 in 2021 to complete the cleanup action plan, final design and permitting, and \$350,000 in 2022 for the Port's share of the cleanup costs.

C. Faber & Sons Site (Elma, WA) – This site is located at the Satsop Business Park and was leased to a recycling company. The tenant abandoned the site in late-2013 and the Port took immediate steps to protect and clean the site. Project is in a final monitoring phase. During 2017, a modification of the monitoring program to conduct annual testing was approved by the Department of Ecology. Annual sampling was conducted in 2018 through 2020 with levels of contamination reducing in each round. \$6,000 has been recorded as a contingent liability for continued monitoring in 2021.

D. Former Harbor Battery Site (Aberdeen, WA) – The site was previously used for industrial purposes and currently listed by the Department of Ecology. In 2017, the Port contracted with an environmental

consultant to complete an environmental site assessment including the review of existing documentation, the collection of soil samples, and the installation of monitoring wells with initial groundwater sampling. Lab results indicated that only one groundwater site had arsenic concentrations above the cleanup action levels. All other water and groundwater sites were below cleanup levels. A program to monitor groundwater on a quarterly basis was established to meet DOE requirements for issuing a letter of no further action, which should be completed in 2021. Four quarters of monitoring below MTCA cleanup levels were completed in 2018 and an application for approval under the voluntary cleanup program submitted in 2019. Initial response from DOE indicated additional research and onsite investigation will be needed before a no further action letter can be received. Without any proposed development to generate revenue, and based on the determination the site does not pose a threat to human or terrestrial health or the environment, the Port has determined not to move forward with the VCP approval. The estimated costs for the additional research and investigation is \$65,000, which has been recorded as a contingent liability as of 12/31/2020.

NOTE 11 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement No. 75 for the year 2020.

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$3,943,393
OPEB assets	\$0
Deferred outflows of resources	\$30,716
Deferred inflows of resources	\$0
OPEB expenses/expenditures	\$1,078,972

OPEB Plan Description

- A. The Port participates in the Public Employees Benefit Board (PEBB) health plan administered by the State of Washington Health Care Authority. It is a multiple employer plan which provides both active employee benefits and elective post-employment benefits. Port retirees are eligible to participate in the group plan on a self-pay basis.
- B. Regular full time Port employees and their families are eligible to participate in the PEBB. Benefits include medical/dental insurance, life insurance and long-term disability insurance. Port retirees are eligible to participate in the group plan on a self-pay basis. The benefit terms provided by the Port are established by Resolution and may be amended by the Port Commissioners.
- C. At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	0
Active employees	54
Total	<u>73</u>

- D. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.
- E. Group premium rates are established by the PEBB and paid on a monthly basis by the Port based upon the established rates for its active employee membership. Retirees make premium payments on a self-pay basis. Blending retiree and active employee rates creates an implicit rate subsidy and future post-employment benefit liability.

Assumptions and Other Inputs

The following presents the total OPEB liability of the Port of Grays Harbor calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8 percent) or 1-percentage point higher (7.8 percent) than the current rate.

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
Total OPEB Liability	\$3,232,233	\$3,943,393	\$4,876,663

The following presents the total OPEB liability of the Port of Grays Harbor calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5 percent) or 1-percentage point higher (4.5 percent) than the current rate.

	1% Decrease (2.5%)	Current Healthcare Cost Trend Rate (3.5%)	1% Increase (4.5%)
Total OPEB Liability	\$4,745,988	\$3,943,393	\$3,311,243

Changes in the Total OPEB Liability

Public Employee Benefits Board OPEB	
Total OPEB Liability at 1/1/2020	\$2,921,272
Service Cost	103,190
Interest	104,870
Changes in benefit terms	0
Changes in experience data and assumptions	870,912
Benefit payments	(56,851)
Other changes	0
Total OPEB Liability as of 12/31/2020	\$3,943,393

- A. The measurement date of the OPEB liability is June 30, 2020. The alternative method was used in place of an actual valuation.
- B. A total OPEB expense of \$1,078,972 was recognized during the reporting period.
- C. The balance of deferred outflows of resources related to OPEB is \$30,716.
- D. Other assumptions include:

Discount Rate ¹

Beginning of Measurement Year	3.50%
End of Measurement Year	2.21%

Projected Salary Changes

"3.5% + Service-Based Increase"

Healthcare Trend Rates ²

Initial rate is approximately 7%, trends down to about 5% in 2020.

Mortality Rates

Base Mortality Table	Healthy RP-2000
Age Setback	1 Year
Mortality Improvements	100% Scale BB
Projection Period	Generational

Inflation Rate

2.75%

Post-Retirement Participation Percentage

65%

Percentage with Spouse Coverage

45%

¹ Source: Bond Buyer General Obligation 20-Bond Municipal Index

² Trend rate assumptions vary slightly by medical plan. For additional detail on the healthcare trend rates, please see OSA's 2018 PEBB OPEB Actuarial Valuation Report.

The Port used the Alternative Measurement Method (AMM) Tool provided by the Office of the State Acutary that allows employers with fewer than 100 members to determine their OPEB liability under the Governmental Accounting Standards Board Statement No. 75. The AMM Online tool was prepared with a valuation date of June 30, 2020. In order to estimate the total OPEB liability as of the beginning of the measurement period, the total OPEB liability was projected backwards to the measurement date of June 30, 2019. For the backward projection of liability, the AMM Online tool reflected the estimated service

cost, assumed interest, and expected benefit payments. The Office of the State Actuary actuarial reports relied upon for purposes of the AMM Online tool are as follows:

- 2019 PEBB OPEB Actuarial Valuation Report
- OPEB Actuarial Valuation for the State's June 30, 2020 fiscal year-end.

For information on the above listed reports, refer to:
<http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>

The specific assumptions that the Office of the State Actuary made when developing the Alternative Measurement Method Tool were as follows:

- 2/3 of members select a Uniform Medical Plan (UMP) and 1/3 select a Kaiser Permanente (KP) plan.
- Estimated retirement service for each active member based on the average entry age of 35, with a minimum service of 1 year.
- Assumptions for retirement, disability, termination and mortality are based on the 2019 PEBB OPEB Actuarial Valuation Report.
- Each member is assumed to be a 50/50 male/female split.
- The age-based members selected were based upon the overall distribution of state employees and retirees that participate in PEBB.
- Dental benefits were not included when calculating the total OPEB liability as they represent less than 3 percent of the accrued benefit under the 2019 PEBB OPEB Actuarial Valuation Report.

- E. There were no changes in the Benefit Terms that affected the measurement of the total OPEB liability since the prior measurement date.

At December 31, 2020, the Port of Grays Harbor reported deferred outflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	
Differences between expected and actual experience	\$ 0
Changes of assumptions	0
Payments subsequent to the measurement date	30,716
Total	<u>\$30,716</u>

Deferred outflows of resources of \$30,716 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020.

NOTE 12 - LEASES

A. Port as Lessee – As of December 31, 2020, the Port of Grays Harbor had no material contracts where the Port leases property as a lessee.

B. Port as Lessor – The Port of Grays Harbor, as a lessor, enters into operating leases with tenants for the use of land and facilities at the Port Industrial Area, the Westport Marina, Bowerman Airport and its Satsop Business Park, under lease terms of 1 year to 30 years plus lease extensions. In addition, some properties are rented on a month-to-month basis. 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.

The Port currently has approximately 218 lease arrangements ranging in monthly payments between \$79 and \$26,000 with either fixed increases from 1 to 3 percent, Consumer Price Index rent escalation clauses, or market rate rent escalation clauses.

NOTE 13 - UNIQUE AND UNUSUAL TRANSACTIONS

A. Major Receivables – In 2020, \$21,260,150 (61.8%) of the Port's operating revenues were billed to two major customers.

B. Grays Harbor Navigation Improvement Project – The Port of Grays Harbor is the Local Sponsor of the Grays Harbor Navigation Channel (Channel). As Local Sponsor, the Port is responsible to participate with the U.S. Army Corps of Engineers (Corps) in funding improvements to the Channel.

In 2016, the Corps began construction work on the Grays Harbor Navigation Improvement Project (Project) to deepen the Channel from -36 feet to -38 feet. Total cost of the project is estimated by the Corps at \$20 million of which the Port is obligated to fund 25% or \$5 million dollars. Before construction began on the Project, the Port was required to transfer its share of the funding to the Corps. This prepayment, less the amount of Port funds expended by the Corps on the Project, is included in prepaid expenses on the Statement of Fund Net Position.

The Corps reports regularly to the Port what amount of the Port's funds have been used. At that time, the Port reduces its prepayment balance and increases the Grays Harbor Navigation Channel Improvement Expense on the Statement of Revenues, Expenses and Changes in Fund Net Position under non-operating activities. During 2020, the Corps reported that \$14,756 of the Ports funds on deposit had been expended.

NOTE 14 – OTHER INFORMATION

A. Operating Divisions – The Port of Grays Harbor groups its operating activity into business divisions, each with identifiable operating revenues, operating expenses and capital assets as follows: marine terminals; marina; airport; industrial properties; Satsop Business Park, pilotage services; ship assist services and an rv park. Other assets, liabilities, net position, nonoperating revenues and nonoperating expenses are recorded on a Port-wide basis only, and are not identifiable to a particular division.

Operating division data for the year ended December 31, 2020 is presented below (in thousands):

	Marine Terminal	Properties	Satsop Business Park	Marina	Airport	Pilotage Services	Other	Total
NET CAPITAL ASSETS:								
Balance 1/1/2020	\$ 41,012	\$ 20,349	\$ 44,631	\$ 6,507	\$ 4,021	\$ 102	\$ 4,583	\$ 121,205
Depreciation	(2,462)	(815)	(1,941)	(178)	(235)	(22)	(271)	(5,924)
Additions	167	629	90	3,549	4	526	20	4,985
Dispositions	(173)	-	-	-	-	-	-	(173)
Balance 12/31/2020	\$ 38,544	\$ 20,163	\$ 42,780	\$ 9,878	\$ 3,790	\$ 606	\$ 4,332	\$ 120,093
OPERATING ACTIVITY:								
Operating Revenues	\$ 24,420	\$ 3,317	\$ 1,728	\$ 1,264	\$ 192	\$ 1,468	\$ 2,035	\$ 34,424
Operating Expenses	(21,309)	(1,267)	(2,101)	(1,176)	(381)	(1,725)	(2,015)	(29,974)
General & Admin Expenses	(1,478)	(278)	(206)	(289)	(34)	(121)	(50)	(2,456)
Depreciation	(2,500)	(819)	(1,945)	(180)	(235)	(24)	(30)	(5,733)
Operating Income (Loss)	(867)	953	(2,524)	(381)	(458)	(402)	(60)	(3,739)
NON-OPERATING ACTIVITY:								
Tax Revenues	-	-	-	-	-	-	2,746	2,746
Capital Contributions	-	-	-	-	-	-	1,397	1,397
Non-operating Revenues (net of expenses)	-	-	-	-	-	-	(120)	(120)
NET INCOME (LOSS)	\$ (867)	\$ 953	\$ (2,524)	\$ (381)	\$ (458)	\$ (402)	\$ 3,963	\$ 284

B. Fisheries Enhancement/Public Facilities – The Port conducts fishery enhancement activities (aka net pen projects) in Westport and provides public access facilities in Montesano, Hoquiam and

Westport that do not generate revenues. In order to accurately report operational activities of the Port's business divisions, costs associated with these activities are reported as non-operating, including depreciation associated with the public access facilities' capital assets. For 2020, expenditures of \$96,677 and depreciation expense of \$190,181 were included in the total of \$286,858.

C. Adjustment to Operating Expenses Reported on the Statement of Cash Flows – Election expenses and other non-operating expenses reported as non-operating on the Statement of Revenue, Expenses, and Changes in Net Position are more accurately reported as operating activities on the Statement of Cash Flows. For 2020, this consists of the following:

Fisheries Enhancement/Public Facilities	\$286,858
Other Non-Operating Expenses	<u>1,971</u>
Total	\$288,829

NOTE 15 – SPECIAL ITEM – GRAYS HARBOR BAR PILOTS RETIREMENT EXPENSE TRUST FUND

Following a public hearing on August 9, 2001, the Washington State Board of Pilotage Commissioners, by lawful motion, directed “that funds derived from the application of the Grays Harbor Pilotage District tariff (Pension Charge) for the purposes of offsetting a proportionate share of pension expenses will be remitted to Puget Sound Pilots for payment to retirees of the Grays Harbor Pilotage District and that Puget Sound Pilots will include reporting of the revenue and expenses in their annual audited Financial Statements.” On March 15, 2018, Washington State Senate Bill SB6519 passed and amended RCW 53.08.390, Sec 2, 5(b) mandating that the Grays Harbor pilotage district must include a charge in its pilotage tariff for Grays Harbor to cover costs associated with the pilot retirement agreement expenses for Grays Harbor pilots employed prior to October 1, 2001. Effective April 2018, the Port of Grays Harbor began collecting and accounting for this charge and also began making retirement payments. The Port of Grays Harbor assumes no obligation or liability for the retirement payments but merely acts as the facilitator making retirement payments from dedicated revenues collected through the Grays Harbor Pilotage District Tariff.

Membership & Retirement Benefits

There are three (3) pilots who served the Grays Harbor pilotage district prior to October 1, 2001. Two (2) of the retired plan members (and their beneficiaries) are currently receiving retirement payments. There is still one (1) active plan member who will begin receiving benefits for service from April 1, 1993 through September 30, 2001 upon retirement from piloting in the State of Washington. Retirement benefits are calculated at two (2) percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the sixty (60) highest paid service credit months for service between April 1, 1993 through September 30, 2001. The years of service are limited to those between April 1, 1993 and September 30, 2001. The spouse of a retired pilot is eligible to receive 50% of the pension benefit upon the death of the pilot.

Retirement Contributions

The contributions for the retirement payments come from a Pension Charge in the Port of Grays Harbor's pilotage services tariff schedule. The Port collects a dedicated tariff revenue and deposits the revenues in a separate fund. In 2020, the Pension Charge was \$450 per pilotage assignment. The Pension Charge is set by resolution of the Port of Grays Harbor Commissioners. For 2020, there were 213 pilotage assignments resulting in retirement contributions of \$95,850.

In 2021, the Port of Grays Harbor Commissioners retained the Pension Charge of \$450 per pilotage assignment. The Port estimates that there will be 145 pilotage assignments in 2021 resulting in total retirement contributions of \$65,250.

Retirement Payments

For the year ending December 31, 2020, the Port made total retirement payments of \$96,421 for the two retired pilots and their beneficiaries. Retirement payments are made near the last day of each month. At December 31, 2020 the balance in the Grays Harbor Bar Pilots Retirement Expense Trust Fund was \$92,419.

In 2021, the Port estimates that it will make \$96,421 in retirement payments to the two retired pilots and their beneficiaries.

NOTE 16 – ACCOUNTING & REPORTING CHANGES

For the fiscal year ended December 31, 2020, the Port implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 63, and Amendments to Certain Provisions of GASB 67 and 68*. This Statement is intended to improve financial reporting of governments whose employees are provided with pensions that are not within the scope of Statement No. 68, improve the usefulness of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions not within the scope of Statement No. 68, and to clarify the application of certain provisions of Statements No. 67 and 68. In addition, it establishes requirements for defined contribution plans that are not within the scope of Statement No. 68. GASB 73 is effective for fiscal years beginning after June 15, 2016. The Port has implemented this pronouncement during the 2020 fiscal year. The Port recorded a beginning balance adjustment to long-term obligations of \$1,195,728 as a result of the implementation of GASB Statement No. 73.

For the fiscal year ended December 31, 2020, the Port implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for periods after June 15, 2019. This statement had some impact on the footnote disclosures related to government debt, including identification of direct borrowings and direct placements as clarifying which liabilities governments should include when disclosing information related to debt.

NOTE 17 – COVID 19

The Port proactively implemented safety measures, and operations have continued with some staff working remotely. Management continues to monitor the situation for any operational or financial effects and is ready to respond appropriately as needed. To date, the Port has not experienced any direct financial impacts due to the pandemic.

NOTE 18 – SUBSEQUENT EVENTS

A. On March 31, 2021, Overstock.com, Inc. terminated a lease on a 43,254 square foot office building and 5 acres of parking space at the Satsop Business Park. The lease was previously agreed to run through December 31, 2022. A settlement agreement was reached whereby Overstock.com, Inc. would pay the Port a lump sum amount of \$608,539.

B. On September 1, 2021, a dry bulk ship loader owned by Ag Processing Inc. of Omaha, Nebraska fell from a vertical position and landed on a vessel berthed at the Port's Terminal No. 2. The cause is not known at this time. With the loader unable to continue loading and out for repairs, operations at Terminal 2 ceased. Operations at Terminal 2 account for approximately 62% of Port revenues. On November 4, 2021, operations at Terminal 2 resumed utilizing two (2) portable loaders until repairs can be made to the permanent loader. A time frame for repairs to the permanent loader is not known at this time.

C. On September 14, 2021, the Port of Grays Harbor Commissioners approved Resolution No. 3034 authorizing the issuance and sale of limited tax general obligation and refunding bonds in the aggregate principal amount of not to exceed \$13,000,000, for the purpose of providing funds for certain acquisitions and improvements to port facilities and refunding certain outstanding limited tax general obligation bonds of the Port. On October 7, 2021, the Port issued \$12,155,010 in general obligation bonds as direct placements to Cashmere Valley Bank.

PORT OF GRAYS HARBOR
REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information (RSI) is an integral part of the accompanying financial statements. RSI generally includes schedules, statistical data, and other information.

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

As of June 30

Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021-2024
<u>PERS 1</u>							
Employer's proportion of the net pension liability (asset) PERS 1	0.002496%	0.000226%	0.0%	0.0%	0.0%	0.0%	
Employer's proportion of the net pension liability (asset) PERS 1 UAAL	0.036874%	0.034676%	0.034278%	0.034512%	0.034665%	0.033272%	
Employer's proportionate share of the net pension liability	\$2,059,417	\$1,874,402	\$1,626,518	\$1,541,318	\$1,332,992	\$1,174,681	
Covered payroll**	\$4,268,154	\$4,167,271	\$4,256,539	\$4,523,824	\$4,748,450	\$4,639,578	
Employer's proportionate share of the net pension liability as a percentage of covered payroll	48.25%	44.98%	38.21%	34.07%	28.07%	25.32%	
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	
<u>PERS 2/3</u>							
Employer's proportion of the net pension liability (asset) PERS 2/3	0.047658%	0.044372%	0.044093%	0.044065%	0.044811%	0.043039%	
Employer's proportionate share of the net pension liability	\$1,702,848	\$2,234,095	\$1,532,021	\$752,371	\$435,267	\$550,444	
Covered payroll**	\$4,151,702	\$4,086,937	\$4,256,539	\$4,523,824	\$4,748,450	\$4,639,578	
Employer's proportionate share of the net pension liability as a percentage of covered payroll	41.02%	54.66%	35.99%	16.63%	9.17%	11.86%	
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	

Notes to Schedules:

*Until a full 10-year trend is compiled, the Port will present information only for those years for which information is available.

**Covered payroll is the payroll on which contributions to a pension plan are based.

SCHEDULES OF EMPLOYER CONTRIBUTIONS

As of December 31

Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021-2024
<u>PERS 1</u>							
Statutorily or contractually required contributions	\$189,367	\$200,890	\$219,627	\$239,605	\$251,070	\$235,630	
Contributions in relation to the statutorily or contractually required contributions***	\$(189,367)	\$(200,890)	\$(219,627)	\$(239,605)	\$(251,070)	\$(235,630)	
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	
Covered payroll**	\$4,167,271	\$4,163,901	\$4,382,453	\$4,543,405	\$4,753,163	\$4,777,652	
Contributions as a percentage of covered payroll	4.54%	4.82%	5.01%	5.27%	5.28%	4.93%	
<u>PERS 2/3</u>							
Statutorily or contractually required contributions	\$240,093	\$262,390	\$307,697	\$354,675	\$391,803	\$389,050	
Contributions in relation to the statutorily or contractually required contributions***	\$(240,093)	\$(262,390)	\$(307,697)	\$(354,675)	\$(391,803)	\$(389,050)	
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	
Covered payroll**	\$4,142,990	\$4,163,901	\$4,382,453	\$4,543,405	\$4,753,163	\$4,777,652	
Contributions as a percentage of covered payroll	5.80%	6.30%	7.02%	7.81%	8.24%	8.14%	

Notes to Schedules:

*Until a full 10-year trend is compiled, the Port will present information only for those years for which information is available.

**Covered payroll is the payroll on which contributions to a pension plan are based.

***Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions.

SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Washington State Public Employees Benefits Board Plan As of June 30

Last 10 Fiscal Years*

	2018	2019	2020	2021-2027
Total OPEB liability – beginning	\$2,927,877	\$2,963,632	\$2,921,272	
Service cost	128,676	111,009	103,190	
Interest	108,679	117,888	104,870	
Changes in benefit terms	0	0	0	
Differences between expected and actual experience	(159,554)	(213,837)	870,912	
Changes of assumptions	0	0	0	
Benefit payments	(42,046)	(57,420)	(56,851)	
Other changes	0	0	0	
Total OPEB liability – ending	\$2,963,632	\$2,921,272	\$3,943,393	
Covered payroll**	4,591,193	4,674,258	4,353,926	
Total OPEB liability as a % of covered payroll	64.55%	62.50%	90.57%	

*Until a full 10-year trend is compiled, the Port will present information only for those years for which information is available.

**Covered payroll is all wages and leave time taken paid to OPEB eligible employees.

SCHEDULES OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS

Bar Pilots Retiree Benefits For the Year Ended December 31

Last 10 Fiscal Years*

	2020	2021-2029
Total Pension liability – beginning	\$1,195,728	
Service cost	29,795	
Interest	32,376	
Changes in benefit terms	0	
Differences between expected and actual experience	0	
Changes of assumptions	71,042	
Benefit payments	(96,421)	
Other changes	0	
Total Pension liability – ending	\$1,232,520	
Covered payroll**	283,723	
Total Pension liability as a % of covered payroll	434.41%	

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 68.

**Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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