



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## Port of Bellingham

For the period January 1, 2023 through December 31, 2023

*Published July 1, 2024*

Report No. 1035140



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

July 1, 2024

Board of Commissioners  
Port of Bellingham  
Bellingham, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Port of Bellingham's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Port of Bellingham January 1, 2023 through December 31, 2023

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Port of Bellingham are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Port.

#### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Port’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
20.106	Airport Improvement Program
20.106	COVID-19 – Airport Improvement Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Port qualified as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

## 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 Bellingham January 1, 2023 through December 31, 2023**

Board of Commissioners  
Port of Bellingham  
Bellingham, 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 Bellingham, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated June 25, 2024.

### **REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or

significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

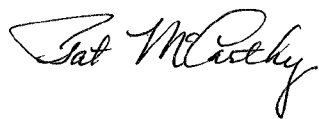
## **REPORT ON COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

June 25, 2024

## INDEPENDENT AUDITOR'S REPORT

### Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

#### **Port of Bellingham January 1, 2023 through December 31, 2023**

Board of Commissioners  
Port of Bellingham  
Bellingham, Washington

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

#### **Opinion on Each Major Federal Program**

We have audited the compliance of the Port of Bellingham, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended December 31, 2023. The Port's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Port and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on



compliance for each major federal program. Our audit does not provide a legal determination on the Port's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Port's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Port's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Port's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Port's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Port's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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 that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

June 25, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Port of Bellingham January 1, 2023 through December 31, 2023**

Board of Commissioners  
Port of Bellingham  
Bellingham, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinion**

We have audited the accompanying financial statements of the Port of Bellingham, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Port of Bellingham, as of December 31, 2023, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## 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 in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024 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 the effectiveness of the Port's 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 style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

June 25, 2024

## **FINANCIAL SECTION**

### **Port of Bellingham January 1, 2023 through December 31, 2023**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2023

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2023

Statement of Revenues, Expenses and Changes in Net Position – 2023

Statement of Cash Flows – 2023

Notes to Financial Statements – 2023

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, LEOFF 2  
– 2023

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2 – 2023

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2023

Notes to the Schedule of Expenditures of Federal Awards – 2023



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Introduction**

This Document contains the Port of Bellingham's (the Port's) Management Discussion and Analysis (MD&A) of financial activities and performance for the fiscal year ended December 31, 2023. Information contained in this MD&A has been prepared by the Finance Department and should be considered in conjunction with the financial statements and notes.

The notes are essential to a full understanding of the data contained in the financial statements. This report also includes statistical and economic data, and required supplementary information.

### **Overview of the Financial Statements**

The financial section of this annual report consists of three parts – MD&A, the basic financial statements, and the notes to the financial statements. The basic financial statements include: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

Analysis of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position is useful in understanding whether the Port's financial position has improved as a result of the year's activities. The Statement of Net Position presents information on all of the Port's assets and liabilities. The Port's total liabilities and deferred inflows subtracted from the Port's total assets and deferred outflows results in a calculation of the Port's net position. The growth or diminishment of the net position may serve as an indicator of whether the financial position of the Port is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position reflect how the operating and non-operating activities of the Port affected changes in the net position of the Port. These activities are recorded under the accrual basis of accounting reflecting the timing of the underlying event regardless of the timing of the related cash flows.

Although the financial statements provide useful information in assessing the financial health of the Port, consideration of other factors not shown on the financial reports should be evaluated to assess the Port's true financial condition. Factors such as changes in the Port's tax base and the condition of the Port's asset base are also important when assessing the overall financial condition of the Port.

Government entities typically account for activities by utilizing "fund" accounting. A fund is a grouping of related accounts that is used to maintain control or to restrict the use of resources that have been segregated for specific activities or objectives. The Port uses only one fund, a proprietary fund, which reports all business type activities of the Port.

The Port has also established the Industrial Development Corporation of the Port of Bellingham (IDC). The IDC is a wholly owned subsidiary corporation of the Port. The IDC is a public corporation authorized by State statute to facilitate the issuance of tax-exempt revenue bonds to finance industrial development within the corporate boundaries of the Port. The Industrial Development Corporation is governed by the Port of Bellingham's three-member Port Commission and the Port's Chief Financial Officer acts as Treasurer of the IDC Board.

## Financial Analysis of the Port

### Net Position

The assets and deferred outflows of the Port exceeded its liabilities and deferred inflows at December 31, 2023 by nearly \$299 million. Total assets of the Port at year-end were \$515 million, while total liabilities were \$135 million.

The Port's long-term debt outstanding was \$25.5 million, which is a decrease from 2022 due to the scheduled debt payments. The Port's net investment in capital assets was \$304.6 million. Unrestricted net position was negative \$13.3 million, reflecting the full estimated liability for the environmental remediation work but not offset by the expected Department of Ecology MTCA grants. It is anticipated that in the future the Port will raise funds for this estimated future liability.

Statements of Net Position	2023	2022
Current Assets	\$ 72,031,455	\$ 73,999,428
Capital Assets:		
Capital assets not being depreciated	125,182,906	118,812,477
Capital assets being depreciated	205,658,197	203,429,942
Other Assets	111,637,571	109,848,219
Total Assets	<u>\$ 514,510,129</u>	<u>\$ 506,090,066</u>
Deferred Outflows of Resources	\$ 2,513,844	\$ 2,489,274
Current Liabilities	\$ 34,837,281	\$ 14,446,007
Non-current Liabilities	100,119,131	128,756,010
Total Liabilities	<u>\$ 134,956,412</u>	<u>\$ 143,202,017</u>
Deferred Inflows of Resources	\$ 83,141,655	\$ 88,193,229
Net Position:		
Net investment in capital assets	\$ 304,649,158	\$ 292,228,993
Restricted	7,552,414	6,389,274
Unrestricted	(13,275,666)	(21,434,173)
Total Net Position	<u>\$ 298,925,906</u>	<u>\$ 277,184,094</u>

### **Changes in Net Position**

In 2023, Port operating revenues increased from 2022 totaling over \$28 million, an increase of nearly 4%. The Marine Terminals division had the largest increase, 14% over 2022 due to increased cargo activity.

The airport served approximately the same number of passengers in 2023 as it did in 2022, with revenues slightly higher year over year. The Marinas had a moderate increase due to scheduled rate increases. The Real Estate division showed a slight increase in revenues from the previous year.

Total operating expenses (before depreciation) totaled \$27.5 million, 22% above the prior year due to several factors including an increase in activity post-pandemic, and inflation. Depreciation expenses totaled \$14.7 million, which is just over 2022.

Post-pandemic recovery, high occupancy rates at the marinas and commercial leases, and increased cargo activity all contributed to an increase in net position by over \$21 million from 2022, to \$299 million. Overall, the financial position of the Port improved in 2023.

**Statements of Revenues, Expenses and Changes in Net Position**

	<b>2023</b>	<b>2022</b>
<b>Operating Revenues:</b>		
Airport operations	\$ 6,984,666	\$ 6,926,931
Marina operations	10,113,773	9,711,597
Marine terminal operations	3,964,753	3,477,066
Property lease operations	6,470,701	6,443,314
Other	469,608	397,120
<b>Total Operating Revenues</b>	<b>\$ 28,003,501</b>	<b>\$ 26,956,028</b>
<b>Non-operating Revenues:</b>		
Ad valorem tax revenues	\$ 7,971,300	\$ 7,777,403
Investment income	8,253,971	5,599,290
Environmental insurance claim revenue and adjustmen	4,541,055	(8,525,527)
Environmental grant revenues	3,517,144	2,925,827
Other non-operating income	11,506,476	7,130,344
<b>Total non-Operating Revenues</b>	<b>\$ 35,789,946</b>	<b>\$ 14,907,337</b>
<b>Total Revenues</b>	<b>\$ 63,793,447</b>	<b>\$ 41,863,365</b>
<b>Expenses:</b>		
General operating expenses	\$ 20,291,831	\$ 16,306,885
Maintenance expenses	3,940,832	3,353,249
General and administrative expenses	2,501,726	2,804,826
Depreciation/Amortization expense	15,550,627	14,882,357
Non-operating expenses	9,361,036	5,744,446
<b>Total Expenses</b>	<b>\$ 51,646,052</b>	<b>\$ 43,091,763</b>
<b>Increase (Decrease) in Net Position before Capital Contributions</b>	<b>\$ 12,147,395</b>	<b>\$ (1,228,398)</b>
<b>Capital Contributions</b>	<b>\$ 9,594,417</b>	<b>\$ 9,446,530</b>
<b>Change in Net Position</b>	<b>\$ 21,741,812</b>	<b>\$ 8,218,132</b>
<b>Net Position - Beginning of Period</b>	<b>\$ 277,184,094</b>	<b>\$ 268,965,962</b>
<b>Net Position - End of Period</b>	<b>\$ 298,925,906</b>	<b>\$ 277,184,094</b>

## Capital Assets and Debt Administration

### Capital Assets

As of December 31, 2023, the Port had nearly \$331 million (net of accumulated depreciation) in capital and intangible assets. The Port's capital assets include land, buildings, improvements, machinery, equipment and construction in progress. Capital assets (net of accumulated depreciation) at December 31, 2022, totaled \$323 million. Capital assets, net of depreciation, increased in 2023 due to significant construction projects. See Notes 4 and 10. Capital projects which individually totaled spending in excess of \$500,000 during 2023 were:

• Snow Removal Equipment Facility	\$3,734,531
• Repair steel support at Cruise Terminal	\$2,566,055
• Upgrade Power to Shipping Terminal	\$1,915,487
• 1000 F Street Building Fire Suppression	\$1,541,084
• Phase III Repairs at Shipping Terminal	\$1,278,532
• Taxiway F	\$1,059,257
• Broadband – Nooksack Area	\$949,520
• MCI Pier Fender Piles	\$738,083
• Runway Safety Area	\$719,166
• Design and Permit Stormwater at FMIP	\$582,052
• Rail Road Crossing at Alaska Ferry Location	\$542,307
• Harbor Mall Reroof	\$509,097

Over \$20.8 million was spent during 2023 on construction of capital assets. See note 4.

There are no restrictions, commitments, or other limitations that significantly affect the availability of fund resources for future use.

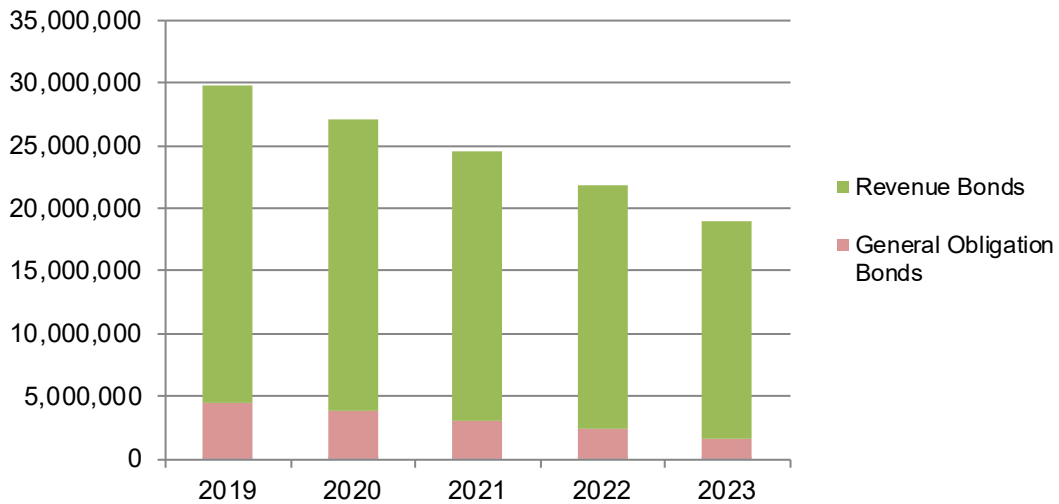
## **Debt Administration**

At December 31, 2023, long-term debt obligations totaled \$125.8 million of which \$25.7 million is due within one year. The total bonded debt is comprised of \$1.6 million balance in general obligation debt, and \$23 million (net of premiums and discounts) representing bonds secured by revenue sources of the Port. The terms of the Port debt vary per issue with interest rates ranging from 1.35% to 7%. Revenue bond debt will be fully amortized by 2030 while currently outstanding General Obligation Bond debt will be fully amortized by the year 2025. Moody's Investor Services rates the Port's general obligation bonds as Aa2 and the Port's issued Revenue Bonds as A2. The remainder of the Port's debt is primarily pension liability and environmental remediation. See Note 8.

The Port through various contractual relationships has assumed contingent liability for environment cleanup of various properties acquired by the Port. Total environmental cleanup activities have been estimated as of December 31, 2023 at \$143.7 million. Per GASB 49, effective 2008, the Port expects to capitalize \$46.6 million of the environmental remediation efforts, leaving \$97 million as a liability. The Port has purchased insurance which is expected to fund over \$16.6 million of the liability and expects to receive grants from the State of Washington for approximately ½ of the liability costs. In addition to these funding sources, the Port continues to pursue environmental contributions payments from liable 3<sup>rd</sup> parties. See Note 13.

### Outstanding Bonded Debt

Fiscal Year Ended	General Obligation Bonds	Revenue Bonds	Total Bonded Debt
2019	\$ 4,440,000	\$ 25,395,000	\$ 29,835,000
2020	\$ 3,760,000	\$ 23,290,000	\$ 27,050,000
2021	\$ 3,060,000	\$ 21,410,000	\$ 24,470,000
2022	\$ 2,340,000	\$ 19,450,000	\$ 21,790,000
2023	\$ 1,595,000	\$ 17,400,000	\$ 18,995,000





## **2024 Budget**

The Port's 2024 budget anticipates Operating Revenues to increase from \$27 million in 2023 to over \$33.6 million in 2024, with the largest increase in the Marine Terminals Division due to increased barge activity using the facility. Operating expenses are budgeted at \$34 million, an increase of approximately \$11 million.

In 2024, \$19.1 million, net of anticipated grants, is forecasted for capital projects. This total includes capital improvements and purchases of over \$1.2 million at the airport, nearly \$5 million in real estate projects, \$400 thousand at the shipping terminal, and \$4.3 million at the Waterfront district, as well as various public access projects. Many of these projects are complex and are anticipated to occur over multiple years and are currently in various stages of planning, design, and permitting.

Property taxes for 2024 are levied at .1320 per 1,000 valuation rate, resulting in a total levy of just over \$8 million. \$844 thousand of this amount is levied for the General Obligation Fund. The levy rate for 2023 was .1515 for a levy amount of \$7.9 million.

The Port's budget is developed with consultation of much of the Port's management and through analysis of Port operations. However, all budgets inherently are forecasts and the actual results will likely vary from that provided for in the budget. Assumptions regarding interest rates, economic growth and natural disasters are among the many factors that may cause a significant variance of actual results to the budget.

## **Contacting the Port's Financial Management**

The Port of Bellingham designed this financial report to provide our citizens, customers, investors and creditors with an overview of the Port's finances. If you have questions or need additional information please visit our website at [www.portofbellingham.com](http://www.portofbellingham.com) or contact: Chief Financial Officer, 1801 Roeder Avenue, Bellingham, WA 98225-2257. Telephone 360-676-2500.

**PORT OF BELLINGHAM**  
**STATEMENT OF NET POSITION**  
**December 31, 2023**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents (Note 1)	\$ 59,315,677
Investments (Note 2)	999,101
Restricted current assets:	
Cash and cash equivalents (Note 1)	319,175
Taxes receivable	144,806
Due from other governments	1,117,954
Accounts receivable (net of allowance for uncollectible)	2,260,684
Current portion of lease receivable	4,613,913
Interest receivable	756,827
Notes receivable	401,541
Other receivables	425,531
Prepays	1,676,246

**TOTAL CURRENT ASSETS**

**72,031,455**

**NON-CURRENT ASSETS:**

<b>Investments (Note 2)</b>	10,035,139
<b>Capital assets not being depreciated (Note 4)</b>	
Land	82,539,727
Construction in progress	42,643,179
<b>Capital assets being depreciated (Note 4)</b>	
Intangible assets (Note 4)	1,262,438
Equipment	19,744,880
Buildings and Structures	191,029,846
Improvements other than buildings	242,979,922
Less: Accumulated depreciation	(249,358,889)
<b>Other noncurrent assets</b>	
Net Pension Asset	3,185,855
Lease Receivable (Note 16)	77,871,972
Joint Venture (Note 15)	262,948
Restricted noncurrent assets:	
Investments (Note 2)	3,671,657
Environmental Insurance	16,610,000

**TOTAL NON-CURRENT ASSETS**

**442,478,674**

**TOTAL ASSETS**

**\$ 514,510,129**

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflow for pension (GASB 68) (Note 6)	2,513,844
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**TOTAL DEFERRED OUTFLOWS OF RESOURCES**

**\$ 2,513,844**

The notes to the financial statements are an integral part of this statement.

**PORT OF BELLINGHAM**  
**STATEMENT OF NET POSITION**  
**December 31, 2023**

**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts payable	\$ 3,459,529
Accrued expenses	1,426,464
Accrued interest payable	88,867
Other current payables	4,171,040
Current portion of long-term obligations (Note 8)	5,177,370
Current portion of environmental remediation	20,514,011
<b>TOTAL CURRENT LIABILITIES</b>	<b>34,837,281</b>

**NON-CURRENT LIABILITIES:**

Long-term debt	
General obligations bonds	831,498
Revenue bonds	18,914,710
Environmental remediation	76,534,939
Notes payable	2,002,541
Capital purchase agreement	542,730
Net pension liability	1,141,412
Compensated absences	151,301
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>100,119,131</b>

**TOTAL LIABILITIES** **\$ 134,956,412**

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflow for a service concession arrangement (Note 14)	2,478,504
Deferred Inflows for leases (GASB 87) (Note 16)	78,527,407
Deferred Inflows for pensions (GASB 68) (Note 6)	2,135,744
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 83,141,655</b>

**NET POSITION**

Net investment in capital assets	304,649,158
Restricted for debt service	3,015,000
Restricted for blended component unit	44,011
Restricted for revolving loan program	275,164
Restricted for insurance reserve	656,657
Restricted for net pension asset	3,561,582
Unrestricted	(13,275,666)
<b>TOTAL NET POSITION</b>	<b>\$ 298,925,906</b>

The notes to the financial statements are an integral part of this statement.

**PORT OF BELLINGHAM**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2023**

<b>OPERATING REVENUES:</b>	
Airport operations	\$ 6,984,666
Marina operations	10,113,773
Marine terminal operations	3,964,753
Property lease operations	6,470,701
Other	469,608
<b>Total Operating Revenues</b>	<b>28,003,501</b>
<b>OPERATING EXPENSES:</b>	
General operations	20,291,831
Maintenance	3,940,832
General and administrative	2,501,726
Amortization of intangibles	806,433
Depreciation	14,744,194
<b>Total Operating Expenses</b>	<b>42,285,016</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(14,281,515)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Environmental grant revenues	3,517,144
Other grant revenues	1,699,945
Investment income	8,253,971
Taxes levied for:	
General purposes	7,115,068
Debt service principal/interest	856,232
Miscellaneous taxes	80,479
Other revenues	9,726,052
Environmental remediation adjustment	3,966,667
Environmental remediation expense	(294,483)
Environmental insurance claims revenue	574,388
Gains (Losses) on Disposal of Assets	(1,393,351)
Election Expense	(135,405)
Interest expense	(781,485)
Environmental grant expense	(5,793,384)
Other grant expense	(962,928)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>26,428,910</b>
<b>Income (loss) before capital contributions</b>	<b>12,147,395</b>
<b>Capital Contributions</b>	<b>7,932,206</b>
<b>Capital Contributions - Contractually Restricted (Note 13)</b>	<b>1,662,211</b>
<b>Increase (Decrease) in Net Position</b>	<b>21,741,812</b>
<b>Net position - beginning of period</b>	<b>277,184,094</b>
<b>Net position - end of period</b>	<b>\$ 298,925,906</b>

The notes to the financial statements are an integral part of this statement.

**PORT OF BELLINGHAM**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2023

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 26,697,364
Payments to suppliers	(17,250,860)
Payments to employees	(8,901,244)

<b>Net cash provided by operating activities</b>	<b>545,260</b>
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**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Receipts from property taxes	6,965,736
Receipts from other taxes and financing fees	68,660
Receipts from non-operating grants	6,125,657
Payments for non-operating grants	(6,756,311)

<b>Net cash provided (used) by non-capital financing activities</b>	<b>6,403,742</b>
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**CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES**

Principal paid on capital debt	(2,827,303)
Interest paid on capital debt	(1,127,627)
Cash received from property taxes for general obligation bonds	856,122
Purchases of capital assets	(24,693,673)
Capital contributions	10,867,891
Other receipts (payments)	10,590,469

<b>Net cash provided (used) by capital and related financing activities</b>	<b>(6,334,121)</b>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sales and maturities of investments	1,968,958
Payments for purchases of investments	(4,485,810)
Interest and dividends	2,608,501

<b>Net cash provided by investing activities</b>	<b>91,649</b>
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<b>Net increase (decrease) in cash and cash equivalents</b>	<b>706,530</b>
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<b>Balances - beginning of the year</b>	<b>58,928,322</b>
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<b>Balances - end of the year</b>	<b>\$ 59,634,852</b>
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The notes to the financial statements are an integral part of this statement.

**PORT OF BELLINGHAM**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2023**

**RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Net Operating Income (Loss)	\$	(14,281,515)
Depreciation		14,744,194
Change in assets and liabilities:		
(Incr)Decr in accounts receivable		(1,150,946)
(Incr)Decr in other current assets		3,903,792
(Incr)Decr in work for others		(133,516)
(Incr)Decr in customer deposits		(21,676)
Incr(Decr) in accounts payable		496,611
Incr(Decr) in other liabilities		(1,691,254)
Non Cash GASB 68 pension expense		(1,320,431)
Total Adjustments		14,826,775
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$</b>	<b>545,260</b>

**SCHEDULE OF NON-CASH ACTIVITIES**

Change in Value of Intangible Assets, for amortization	(806,433)
Unrealized Gains or Losses	(143,315)
Environmental Claim adjustment	3,966,667
Disposals of Capital Assets	(2,872,044)
Change in Deferred Inflows for Pensions	(691,190)
Change in Deferred Inflows for Leases	4,349,096
Change in Pension Asset	507,135
<b>TOTAL NON-CASH ACTIVITIES</b>	<b>\$ 4,309,916</b>

The notes to the financial statements are an integral part of this statement.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

The Port is a municipal corporation organized under the Washington Port Laws (RCW Title 53). Created by a vote of the people of Whatcom County in 1920, the Port is authorized by statute of the State of Washington to provide for the development and maintenance of harbors and marine terminals, the development and maintenance of aviation facilities, to promote tourism, and to foster economic activity in Whatcom County. The Port may acquire land for sale or lease for industrial or commercial purposes and may create industrial development districts.

The Port is independent from other local or state governments and is administered by a three-member Port Commission elected by Whatcom County voters to four year terms operating within district boundaries. These legislative districts for the Port Commission previously matched those of the three Whatcom County Council districts. In 2016, the County changed to five legislative districts. In January, 2017, the Port Commission voted to reaffirm the same three voting boundaries as established before the County's change.

As required by GAAP, management has considered all potential component units in defining the reporting entity. These financial statements present the Port and its component unit. The component unit discussed below is included in the district's reporting entity because of the significance of its operational or financial relationship with the district.

The Industrial Development Corporation (IDC), a public corporation, is authorized to facilitate the issuance of tax-exempt non-recourse revenue bonds to finance industrial development within the corporate boundaries of the Port. Revenue bonds issued by the Corporation are payable from revenues derived as a result of the industrial development facilities funded by the revenue bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than industrial facilities for which they are issued.

The IDC is governed by a four-member Board of Directors, which is comprised of the same members as sit on the Port Commission and a staff member, Tamara Sobjack, appointed as Treasurer. The IDC is considered a blended component unit of the Port and is included within the Port's financial statements. Separate financial statements of the individual component unit discussed above can be obtained from the Port administrative offices at 1801 Roeder Avenue in Bellingham, WA.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

In 2012, the Port was designated as Whatcom County's Associate Development Organization (ADO) as defined by RCW 43.330.110 to broadly represent the community interests in local economic development issues. At the time of this designation, an Economic Development Administration Revolving Loan Fund (RLF) was transferred to the Port. This fund is kept separate from the Port's general revenue funds and provides financing for economic development activities.

**Basis of Presentation**

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

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. The principal operating revenues of the Port are moorage, dockage, commercial leases, airline fees, and other revenues generated through the normal operations of the airport, marinas, marine terminals, and leasing of commercial properties. Operating expenses for the Port include the cost of sales and services, utilities, administrative expenses, depreciation on capital assets, etc. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Budgetary Information****1. Scope of Budget**

An annual budget is adopted on the accrual basis of accounting. Debt service is budgeted at the level of the individual debt issue, and capital projects are budgeted in the year the expenditure is expected to be made.

Expenditures may not exceed adopted budgets at the division level and the budget constitutes a legal authority for the expenditures.

**2. Amending the Budget**

Any revisions that alter the total expenditures of the Port must be approved by the Port Commission. Also, any revisions to the capital budget that increase spending or add a project must be approved by the Port Commission.



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Use of Estimates**

The preparation of the Port's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Significant Risks and Uncertainties**

The Port is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, collective bargaining disputes, security and natural disasters, as well as regulations and changes in law of federal, state and local governments.

**Assets, Liabilities and Net Position****1. Cash and Cash Equivalents**

It is the Port's policy to invest all temporary cash surpluses. This amount is classified on the statement of net position as cash and cash equivalents. It is the Port's policy to consider all short-term investments with a maturity within 90 days or less at the date of purchase to be cash equivalents. Investments held in the Local Government Investment Pool totaling \$56,712,187 is reported at amortized cost and is included in Cash and Cash Equivalents.

**2. Investments** See Note 2.**3. Receivables**

General Obligation Taxes Receivable and General Taxes Receivable consist of property taxes and related interest and penalties (See Note 3). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year. Accounts Receivable are recorded for amounts earned from contractual relationships. The allowance method is used to account for bad debt expense. The allowance for doubtful accounts was \$51,335 at December 31, 2023. Other Receivables consist of materials and services paid by the Port, which will be reimbursed by outside entities or insurance proceeds.

Notes Receivable consist of amounts owed from private companies for loans made from the U.S. Department of Commerce's Revolving Loan Fund program.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **4. Amounts Due To and From Other Governments**

These accounts include amounts due to or from other governments for grants, entitlements, and loans from other governmental entities.

### **5. Restricted Assets** See Note 2.

In accordance with bond resolutions and certain related agreements, separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses including construction, debt service, and other special reserve requirements. It is the Port's policy to consider restricted net position to have been depleted before the unrestricted net position is applied.

The restricted assets are composed of the following:

Cash and Cash Equivalents – Blended Component Unit, IDC	\$44,011
Cash and Cash Equivalents – Revolving Loan Fund	\$275,164
Investments – Insurance Reserve	\$656,657
Investments – Debt Service	\$3,015,000
Net Pension Asset	\$3,561,582

### **6. Capital Assets** See Note 4.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Costs for additions or improvements to capital assets are capitalized when the initial cost is more than \$10,000, they increase the effectiveness or efficiency of the asset, and the estimated useful life of the addition or repair is greater than one year. These assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

The costs for normal maintenance and repairs are not capitalized.

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

As of January 1, 2023, intangible assets totaled \$1,954,321. During 2023, the Port added \$114,550, and amortized \$812,560, leaving a balance of \$1,256,311 at the end of 2023. These capital assets lack physical substance but will benefit the Port more than one year. The Port amortizes these assets from 3 to 15 years.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property, plant, and equipment of the Port is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Automobiles	5
Buildings	10-40
Bulkheads	25-50
Communications Equipment	5
Computer Equipment	4
Other Equipment	5-20
Floats	10-30
Furniture	5-10
Lift Trucks	5-10
Lights	15
Roads and Roadways	15-20
Runways	15-30
Self-Propelled Vehicles	5-10
Software	4
Structures & Improvements	5-10
Telecommunications	5
Towed Vehicles	5-10
Trucks	5-10
Wharves	10-25
Water & Sewer Lines	25

**7. Leases - (See Note 16, Leases)**

Lessee: The Port is a lessee for noncancelable leases. These are comprised of leases of office equipment, and are trivial to the financial statements.

Lessor: The Port is a lessor for noncancelable leases. The Port recognized a lease receivable and a deferred inflow of resources in the government-wide financial statements.

**8. Other Property and Investments** See Note 2.

**9. Deferred Outflows/Inflows of Resources**

The Port reports deferred outflows and deferred inflows separately on the Statement of Net Position.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****10. Compensated Absences**

The Port accrues a liability for Paid Time Off (PTO) pay. All represented and non-represented staff may accumulate up to 520 hours of PTO. Employees with more than 10 years of service are permitted to move 50% of their accrued PTO over 240 hours into a pre-retirement bank. The pre-retirement bank will not exceed 519 hours and upon retirement, the employee is permitted to use the pre-retirement bank prior to their retirement date. If the employee separates for reasons other than retirement, the pre-retirement bank will be paid at the employee's current rate of pay. The Port accrues unpaid PTO leave benefits as earned. Accrued PTO benefit liability was \$1,428,204 at December 31, 2023.

**11. Environmental Remediation Liabilities**

The Port accrues future Environmental Remediation Costs that meet the required measurement criteria. These liabilities are shown on the Statement of Net Position. For some environmental cleanup sites the Port has purchased Environmental Cost Cap insurance coverage (See Note 14). Prepayments for remediation and estimated insurance reimbursement payments under these policies are shown as assets within the Statement of Net Position. The estimated cost of all environmental remediation is measured annually and adjustments made to the accrued liability.

**12. Long Term Debt** See Note 8.**13. Operating and Non-Operating Revenues**

Marinas, Marine Terminals, Aviation and Commercial Real Estate revenues are charges for use of the Port's facilities and are reported as Operating Revenue. Ad valorem tax levy revenues and other revenues generated from non-operating sources are classified as Non-Operating Revenues.

Passenger Facility Charges (PFC) collected through commercial aviation activities are recorded as Capital Contributions in the Statement of Revenues, Expenses and Changes in Net Position and are restricted by agreement to the use as reimbursement for specific capital costs incurred at the airport.

Customer Facility Charges (CFC) are collected through the rental car agencies and are recorded as Capital Contributions in the Statement of Revenues, Expenses and Changes in Net Position and are restricted by an agreement between the Port and the rental car agencies.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Port receives federal and state grants for both capital reimbursement as well as operating grants for specific purposes. Non-Operating grants and related expenses are accounted for as Non-Operating Revenues and Expenses while capital grants are accounted for as Capital Contributions increasing the net position of the Port.

**14. Pensions**

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

For purposes of calculating the restricted net position related to the net pension asset, the Port includes the net pension asset and the related deferred outflows and deferred inflows.

**15. Other Current Payables**

These accounts consist of accrued wages, employee benefits, taxes, customer deposits, and retainage that has not been released.

**NOTE 2 – DEPOSITS AND INVESTMENTS****Deposits**

Cash on hand at December 31, 2023 was \$3,870 in petty cash and change funds. The carrying amount of the Port's deposits was \$59,630,982 and the bank balance was \$59,552,219.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Port would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Port's deposits are held at U.S. Bank. U.S. Bank is an approved public depository by the Washington Public Deposit Protection Commission. Public funds, deposits and investments and public depositories are outlined in Washington State Legislature RCW 39.58. U.S. Bankcorp was established in 1863, and has been a member of the FDIC since 1934, certificate number 6548.

**NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

The Port does not have a formal deposit policy for custodial credit risk.

**Investments**

The Port Commission has authorized the Port Treasurer to invest in savings or time deposits in designated public depositories or in certificates, notes, or bonds of the United States. The Port is also authorized to invest in other obligations of the United States or its agencies. The Port's investment policy allows for investments by the Port in Bankers' Acceptance, in debt obligations issued by the Federal National Mortgage Association, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Banks and the Student Loan Marketing Association. The Port also has limited investment authority in Commercial Paper, Certificates of Deposit with qualified public depositories, obligations of Local and State governments that are either rated "A" or higher by a nationally recognized rating agency or insured as "AAA" credit. With the exceptions of certain reserve fund investments, the investment policy limits the maximum maturity of any security purchased to five years. Investments are purchased through broker relationships with all securities purchased held in the Port's name at U.S. Bank National Association.

Investments are carried at fair value. Interest income on investments is accrued as non-operating revenue as earned. Changes in the fair value of investments are determined on quoted market rates. Gains or losses due to market valuation changes are recognized in the same statements of revenues, expenses and changes in net position.

Unrestricted investments are classified as Current Assets on the accompanying financial statements. They are available for use in operations if needed and are not committed to be held to maturity.

Investments are subject to the following risks.

**Interest Rate Risk –Investments**

Interest rate risk is the risk that the Port may face should interest rate variances affect the fair value of investments. Through its investment policy, the Port manages its exposure to fair value losses arising from increasing interest rates by setting maturity and effective duration limits for the Port's investment portfolio. Securities within the portfolio are limited to maturity lengths of five years.

The tables below identify the type of investments and concentrations of investments in any one user as of December 31, 2023 and 2022.

**NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

Investment Type	Fair Value	Maturities (in years)			% of Total Portfolio
		Less than 1	1-3	More than 3	
2023					
Federal Agencies Securities:					
Federal Home Loan Bank	5,761,782	999,101	3,769,597	993,084	39.18%
Farmer Mac	995,881		995,881		6.77%
Federal Home Loan Mortgage Corporation	5,951,466		4,956,502	994,964	40.47%
Federal Farm Credit Bank	1,996,768			1,996,768	13.58%
Total Investments	14,705,897	999,101	9,721,980	3,984,816	100%
Percentage of Total Portfolio	100%	6.79%	66.11%	27.10%	
2022					
Federal Agencies Securities:					
Federal Home Loan Bank	3,641,614		1,842,412	1,799,202	30.27%
Farmer Mac	997,135		997,135		8.29%
Federal Home Loan Mortgage Corporation	3,978,092		3,978,092		33.07%
Federal National Mortgage Association	3,412,552	3,412,552			28.37%
Total Investments	12,029,393	3,412,552	6,817,639	1,799,202	100%
Percentage of Total Portfolio	100%	28.37%	56.67%	14.96%	

**Credit Risk - Investments**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Port does not have a formal policy that addresses credit risk.

At December 31, 2023, the Port's investments had the following credit quality distribution for securities with credit exposure:

	<b>AAA aaa</b>
US Agencies	\$ 14,705,897

**Custodial Credit Risk - Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. By the Port's policy, all security transactions are settled "delivery versus payment". This means that payment is made simultaneously with the

## **NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

receipt of the security. These securities are delivered to the Port's US Bank safekeeping account.

<b>Investment Type</b>	<b>Held by Counterparty</b>
US Agencies	\$ 14,705,897

### **Investments in Local Government Investment Pool**

The Port is a participant in the Local Government Investment Pool, authorized by Chapter 294, Laws of 1986, and 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 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 investment 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, and online at <http://www.tre.wa.gov>.

### **Investments Measured at Fair Value**

The Port of Bellingham 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.

At December 31, 2023, the Port of Bellingham had the following investments measured at fair value:



**NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments at fair value level</b>	<b>12/31/2023</b>			
Federal Agency Obligations	\$ 14,705,897		\$ 14,705,897	
Total Investments measured at fair value	\$ 14,705,897	\$ -	\$ 14,705,897	\$ -
<b>Total Investments in Statement of Net Position</b>	<b>\$ 14,705,897</b>			

Other property and investments are shown on the statement of net position at cost, net of amortized premium or discount. Investments of deferred compensation are stated at fair value.

**Investments authorized through bond debt agreements**

Pursuant to revenue bond resolutions adopted by the Port Commission, various special purpose funds have been established to designate cash and investments for bond debt service. Bond covenants require a reserve account be created for the purpose of securing payment of the principal and interest. All revenue bonds outstanding are considered “parity” bonds with a reserve fund requirement equal to the highest annual debt service of each revenue bond issue or 125% of the highest average annual debt service of all revenue bond issues, whichever is lower. The Port has established a Revenue Bond Reserve fund to meet this debt requirement in the amount of \$3,015,000.

**NOTE 3 – PROPERTY TAXES**

The County Treasurer acts as an agent to collect property taxes levied on the county for all taxing authorities. Collections are distributed each month to the Port by the County Treasurer. Established by state constitution and laws, 1/6<sup>th</sup> of all real property is physically inspected and the whole county is statistically revalued.

Property taxes are recorded as a receivable when levied, and recognized as revenue in their entirety by the end of the year. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. (State law allows for the sale of property for failure to pay taxes).

The Port is permitted by law to levy up to \$.45 per \$1,000 of assessed valuation for general governmental services. The rate is limited by the Washington State Constitution and Washington State law, RCW 84.55.010. The Port may levy taxes at a lower rate.

**NOTE 3 – PROPERTY TAXES (continued)**

The Port's regular levy for 2023 was approximately \$.1342 per \$1000 on an assessed valuation of \$52,505,494,182 for a total regular levy of \$6,942,683.

In 2023, the Port levied an additional \$.016 per \$1000 for the repayment of General Obligation Bonds for a total additional levy of \$838,600.

**NOTE 4 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended December 31, 2023 was as follows:

	<b>Beginning Balance 01/01/2023</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/2023</b>
<b>Non-Depreciable Assets:</b>				
Land	\$ 80,812,433	\$ 1,733,794	\$ (6,500)	\$ 82,539,727
Construction in progress	38,000,044	20,861,600	(16,218,465)	42,643,179
Total Non-Depreciable Assets	<b>118,812,477</b>	<b>22,595,394</b>	<b>(16,224,965)</b>	<b>125,182,906</b>
<b>Depreciable Assets:</b>				
Buildings and Structures	183,928,117	9,932,128	(2,830,399)	191,029,846
Intangible Assets	1,954,321	114,550	-	2,068,871
Improvements/Infrastructure	237,541,494	7,465,059	(2,026,631)	242,979,922
Machinery and Equipment	18,307,378	1,663,026	(225,524)	19,744,880
Total Depreciable Assets	<b>441,731,310</b>	<b>19,174,763</b>	<b>(5,082,554)</b>	<b>455,823,519</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Structures	98,855,139	5,495,346	(1,515,624)	102,834,861
Intangible Assets	-	806,433	-	806,433
Improvements/Infrastructure	126,008,115	8,150,934	(1,946,601)	132,212,448
Machinery and Equipment	13,438,115	1,097,919	(224,454)	14,311,580
Total accumulated depreciation	<b>238,301,369</b>	<b>15,550,632</b>	<b>(3,686,679)</b>	<b>250,165,322</b>
<b>Depreciable Assets Net</b>	<b>\$ 203,429,941</b>	<b>\$ 3,624,131</b>	<b>\$(1,395,875)</b>	<b>\$ 205,658,197</b>

**NOTE 4 – CAPITAL ASSETS AND DEPRECIATION (continued)**

**Construction Commitments:**

At year end, the Port's capital budget commitments were as follows:

<b>Project</b>	<b>Spent to Date</b>	<b>Commitment</b>	<b>Budget</b>
<b><i>Airport:</i></b>			
Design Taxiway	831,976	-	831,976
RSA Env Design & Land Acquisition	615,038	294,962	910,000
RSA Compliance Construction	3,278,187	(38,302)	3,239,885
Taxiway F	4,592,784	712,064	5,304,848
Taxiway Kilo Design & Construction	5,517,778	(2,334)	5,515,444
Snow Removal Equipment Facility	5,090,385	687,527	5,777,912
<b><i>Marinas:</i></b>			
Inner Harbor Upgrades	420,278	479,722	900,000
<b><i>Real Estate:</i></b>			
Bellwether Replace HVAC	1,947,144	6,149	1,953,293
MCI Pier Fender Piles	821,348	1,715,652	2,537,000
Design & Planning FMIP Stormwater	1,151,115	2,858,885	4,010,000
<b><i>Marine Terminals:</i></b>			
BCT Under Pier Fire Sprinklers	77,546	794,677	872,223
BCT Pier Piling project	303,851	1,446,901	1,750,752
BST Upgrade Power to Main Pier, etc.	2,092,878	564,790	2,657,668
Repair Steel Pilings & Supports	3,525,927	474	3,526,401
Pier Dredging	21,076	8,461,524	8,482,600
BST Main Pier Repairs Phase 3	1,813,240	16,805,234	18,618,474
<b><i>Environmental:</i></b>			
Little Squalicum Beach	1,314,997	185,003	1,500,000
<b><i>Bellingham Waterfront District:</i></b>			
Waterfront Site Prep	464,049	422,560	886,609
Whatcom Waterway Incremental	-	1,175,000	1,175,000
District Utilities ECO	1,601,748	15,425	1,617,173
1000 F. St Fire Suppression	1,618,235	6,765	1,625,000
Franchise Utilities	258,674	1,624,326	1,883,000
<b><i>Economic Development</i></b>			
Broadband - Mosquito Lk Rd	1,285,670	752,526	2,038,196
Broadband - North Lynden	145,005	2,854,995	3,000,000
Broadband - North Ferndale	-	5,000,000	5,000,000
<b><i>Community Connections:</i></b>			
Fairhaven Hand Launch Vessel Dock	188,164	1,703,673	1,891,837
<b><i>Infrastructure:</i></b>			
I&J Bulkhead, Fit Up Float	249,093	1,001,907	1,251,000
RR Crossing Alaska Ferry	929,378	770,622	1,700,000
Blaine Bulkhead Design	-	2,575,000	2,575,000
<i>Other Budgeted Projects, less than \$800,000</i>	2,487,615	43,930,719	46,418,334
<b>Total Construction</b>	<b>42,643,179</b>	<b>96,806,446</b>	<b>139,449,625</b>

**NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

**NOTE 6 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans for the year 2023:

<b>Aggregate Pension Amounts - All Plans</b>	
Pension liabilities	\$ (1,141,412)
Pension assets	\$ 3,185,855
Deferred outflows of resources	\$ 2,513,844
Deferred inflows of resources	\$ (2,135,744)
Pension expense/expenditures	\$ (365,950)

**State Sponsored Pension Plans**

Substantially all of the Port's full-time and qualifying part-time employees participate in the statewide retirement system administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan

**NOTE 6 – PENSION PLANS (continued)**

3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as 2% 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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). 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%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January - June 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.39%</b>	<b>6.00%</b>
July - August 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>9.39%</b>	<b>6.00%</b>
September - December 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
<b>Total</b>	<b>9.53%</b>	<b>6.00%</b>

**NOTE 6 – PENSION PLANS (continued)**

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. 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 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. 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. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. 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 rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

**NOTE 6 – PENSION PLANS (continued)**

<b>PERS Plan 2/3</b>			
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>	<b>Employee 3</b>
January - June 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	3.85%		
Administrative Fee	0.18%		
<b>Total</b>	<b>10.39%</b>	<b>6.36%</b>	
July - August 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.85%		
Administrative Fee	0.18%		
<b>Total</b>	<b>9.39%</b>	<b>6.36%</b>	
September - December 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.97%		
Administrative Fee	0.20%		
<b>Total</b>	<b>9.53%</b>	<b>6.36%</b>	

The Port's actual PERS plan contributions were \$311,733 to PERS Plan 1 and \$583,449 to PERS Plan 2/3 for the year ended December 31, 2023.

**Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)**

LEOFF was established in 1970, and its retirement benefit provisions are contained in Chapter 41.26 RCW. LEOFF membership includes all of the state's full-time, fully compensated, local law enforcement commissioned officers, fire fighters, including the Port's ARFF staff, and, as of July 24, 2005, emergency medical technicians.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50 - 52, the reduction is 3% for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include a COLA (based on the CPI), capped at 3% annually. LEOFF 2 members are vested after the completion of five years of eligible service.

**NOTE 6 – PENSION PLANS (continued)**

**Contributions**

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The rates are adopted by the LEOFF Plan 2 Retirement Board and are subject to change by the Legislature.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2023.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January - August 2023		
State and Local Governments	5.12%	8.53%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.30%</b>	<b>8.53%</b>
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.71%</b>	<b>8.53%</b>
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
September - December 2023		
State and Local Governments	5.12%	8.53%
Administrative Fee	0.20%	
<b>Total</b>	<b>5.32%</b>	<b>8.53%</b>
Ports and Universities	8.53%	8.53%
Administrative Fee	0.20%	
<b>Total</b>	<b>8.73%</b>	<b>8.53%</b>

The Port's actual contributions to the plan were \$59,300 for the year ended December 31, 2023.



**NOTE 6 – PENSION PLANS (continued)****Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
- **Investment rate of return:** 7.00%

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

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan ½ assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

**Discount Rate**

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

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

**NOTE 6 – PENSION PLANS (continued)****Long-Term Expected Rate of Return**

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

**Estimated Rates of Return by Asset Class**

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, 2023, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	<b>100%</b>	

**NOTE 6 – PENSION PLANS (continued)**

**Sensitivity of Net Pension Liability/(Asset)**

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

	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
PERS 1	\$ 1,594,638	\$ 1,141,412	\$ 745,851
PERS 2/3	\$ 2,870,071	\$ (2,638,855)	\$ (7,164,786)
LEOFF 2	\$ 90,568	\$ (547,000)	\$ (1,068,796)

**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, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2023, the Port its proportionate share of the net pension liabilities and assets as follows:

	<b>Liability (or Asset)</b>
PERS 1	\$ 1,141,412
PERS 2/3	\$ (2,638,855)
LEOFF 2	\$ (547,000)

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

	<b>Proportionate Share 6/30/22</b>	<b>Proportionate Share 6/30/23</b>	<b>Change in Proportion</b>
PERS 1	0.045379%	0.050002%	0.004623%
PERS 2/3	0.059345%	0.064383%	0.005038%
LEOFF 2	0.017579%	0.022805%	0.005226%

**NOTE 6 – PENSION PLANS (continued)**

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 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.

In fiscal year 2023, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

**Pension Expense**

For the year ended December 31, 2023, the Port recognized pension expense as follows:

	Pension Expense/(Credit)
PERS 1	\$ 124,409
PERS 2/3	\$ (412,164)
LEOFF 2	\$ (78,195)
TOTAL	\$ (365,950)

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

At December 31, 2023, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (128,756)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 131,125	\$ -
TOTAL	\$ 131,125	\$ (128,756)

**NOTE 6 – PENSION PLANS (continued)**

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 537,532	\$ (29,484)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (994,480)
Changes of assumptions	\$ 1,107,883	\$ (241,475)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 22,127	\$ (270,107)
Contributions subsequent to the measurement date	\$ 285,094	\$ -
<b>TOTAL</b>	<b>\$ 1,952,636</b>	<b>\$ (1,535,546)</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 223,434	\$ (4,500)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (115,744)
Changes of assumptions	\$ 139,729	\$ (44,932)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 39,750	\$ (306,271)
Contributions subsequent to the measurement date	\$ 27,171	\$ -
<b>TOTAL</b>	<b>\$ 430,084</b>	<b>\$ (471,447)</b>

<b>Combined ALL PLANS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 760,966	\$ (33,984)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (1,238,980)
Changes of assumptions	\$ 1,247,612	\$ (286,407)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 61,877	\$ (576,378)
Contributions subsequent to the measurement date	\$ 443,390	\$ -
<b>TOTAL</b>	<b>\$ 2,513,845</b>	<b>\$ (2,135,749)</b>

**NOTE 6 – PENSION PLANS (continued)**

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 ending December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>
2024	\$ (87,600)
2025	\$ (110,168)
2026	\$ 67,928
2027	\$ 1,084
Total	\$ (128,756)

<b>Year ended December 31:</b>	<b>PERS 2/3</b>
2024	\$ (547,592)
2025	\$ (631,737)
2026	\$ 786,775
2027	\$ 271,092
2028	\$ 263,508
Thereafter	\$ (10,050)
Total	\$ 131,996

<b>Year ended December 31:</b>	<b>LEOFF 2</b>
2024	\$ (84,872)
2025	\$ (103,563)
2026	\$ 61,139
2027	\$ (2,831)
2028	\$ 3,740
Thereafter	\$ 57,852
Total	\$ (68,535)

**NOTE 7 – RISK MANAGEMENT**

Commercial insurance is maintained against most normal hazards the Port may experience.

Primary General Liability coverage is in effect to a limit of \$1 million with a \$25,000 deductible. Excess liability coverage is in effect to a limit of \$49 million. Public Officials and Employee Practices Liability coverage is in effect to a limit of \$5 million with a \$25,000 deductible. Airport Liability coverage is in effect to a limit of \$100 million combined bodily injury, property damage and extended coverage for war, hijacking, terrorism and other perils with a \$0 deductible. The Port also maintains a separate Crime policy to a limit of \$2 million with a deductible of \$2,500 and a Foreign Liability policy with various limits and deductibles. In addition, the Port maintains standard business Automobile insurance with \$1 million limit and various deductibles.

Commercial property coverage at full replacement cost with a loss limit of \$500 million with a deductible of \$50,000 is in effect. Earthquake/Flood coverage has a separate limit of \$50 million with the Port self-insuring (as a deductible) five percent of the property value for each location. Cyber coverage is maintained to a limit of \$2 million with a \$25,000 retention.

There is one open major claim against the Port's insurance carrier, which arose from an incident in 2021. This claim is still under litigation.

Settlement claims have not exceeded insurance coverage for any of the past three fiscal years.

The Port provides health and welfare benefits to full-time and part-time employees and their eligible dependents. A third party administrator, Healthcare Management Administrators (HMA), manages the plans. The healthcare plan is self-insured with a stop loss program in place, and the dental/vision plan is self-insured with a capped per participant benefit.

In 2023, the medical plan had an average of 287 lives on the plan, including COBRA participants. Fixed costs, including the stop loss premium were \$502,181. Claims paid, less the stop loss adjustments, were \$1,498,317. IRS fees totaled \$603. Total 2023 medical care costs were \$2,001,101.

The 2023 dental/vision plan had an average of 273 lives on the plan including COBRA participants. Fixed costs were \$7,907, and the claims paid were \$129,417. Total dental/vision plan costs were \$137,324 in 2023.

The required 16 weeks of reserve is calculated to be \$656,657, and is included in the Port's restricted net position.

## **NOTE 8 – LONG-TERM DEBT**

### **Long Term Debt**

The Port issues general obligation bonds to finance capital improvements to marinas, cargo shipping docks and the Bellingham International Airport terminal. The Port did not issue additional general obligation debt in 2023.

General obligation bonds currently outstanding are as follows:

Description and Date of Issue	Original Amount	Interest Rate	Maturity	Amount
4/21/2016	4,485,000	3.779%	2025	1,595,000
Total General Obligation Bonds				\$ 1,595,000

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Principal	Interest
2024	780,000	63,800
2025	815,000	32,600
Total	\$ 1,595,000	\$ 96,400

Revenue bonds currently outstanding are as follows:

Description and Date of Issue	Original Amount	Interest Rate	Maturity	Amount
07/09/2019	20,620,000	1.61-2.24%	2030	17,400,000
Total Revenue Bonds				\$ 17,400,000



**NOTE 8 – LONG-TERM DEBT (continued)**

The annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31	Principal	Interest
2024	2,145,000	870,000
2025	2,250,000	762,750
2026	2,360,000	650,250
2027	2,475,000	532,250
2028	2,595,000	408,500
2029-2030	5,575,000	421,250
Total	\$ 17,400,000	\$ 3,645,000

Bonds are displayed net of premium or discount on the Statement of Net Position. Annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt discount.

Other

In prior years, the Port entered into a 10-year Master Tax-Exempt Installment Purchase agreement with US Bank in the amount of \$1,383,130 for the purpose of purchasing large equipment to be used at the Bellingham Shipping Terminal.

The assets acquired through this agreement are as follows, and the related accumulated depreciation on the assets is included in depreciation expense:

Asset		
Lift Trucks	\$	304,282
Self-Propelled Vehicles		840,468
Towed Vehicles		238,380
Total Assets Acquired	\$	1,383,130
Less, Accumulated Depreciation	\$	(753,915)
Total Assets Acquired	\$	629,215

**NOTE 8 – LONG-TERM DEBT (continued)**

The future payments as of December 31, 2023 were as follows:

Year Ending December 31		
2024		166,366
2025		166,365
2026		166,366
2027		166,365
2028		83,183
Total Minimum Payments	\$	748,645
Less: Interest	\$	(62,832)
Present Value of Minimum Payments	\$	685,813

Other non-current liabilities include low-interest loans from Whatcom County's Economic Development Investment and Washington State Department of Commerce programs for various manufacturing facilities and broadband construction projects. These loans range from 10 to 20 years. The future payments as of December 31, 2023 were as follows:

Year Ending December 31	Principal	Interest
2024	538,167	28,514
2025	209,276	22,675
2026	211,645	20,306
2027	214,045	17,907
2028	216,471	15,481
2029-2036	1,151,105	52,378
Total	\$ 2,540,709	\$ 157,261

## **NOTE 8 – LONG-TERM DEBT (continued)**

### **Changes in Long-Term Liabilities**

During the year ended December 31, 2023, the following changes occurred in long-term liabilities:

	01/01/23	Additions	Reductions	12/31/2023	Due within One Year
Bonds Payable:					
G.O. Bonds	2,439,312	-	(794,712)	1,644,600	813,102
Revenue Bonds	23,656,060	-	(2,335,237)	21,320,823	2,406,113
Total Bonds Payable	\$ 26,095,372	\$ -	\$ (3,129,949)	\$ 22,965,423	\$ 3,219,215
Notes Payable	2,434,916	584,391	(478,598)	2,540,709	538,168
Purchase Agreements	823,908		(138,095)	685,813	143,083
Compensated Absences	1,264,272	980,486	(816,554)	1,428,204	1,276,904
Net Pension Liability	1,263,518	-	(122,106)	1,141,412	-
Environmental Remediation	101,038,950		(3,990,000)	97,048,950	20,514,011
Total Long-term Liabilities	132,920,936	1,564,877	(8,675,302)	125,810,511	25,691,381

The general obligation bonds and related interest are paid from ad valorem tax revenues. The revenue bonds are secured by a pledge of the Port's gross revenues. The bonds are shown net of premiums and discounts. All other long term debt is payable from the Port's gross revenues.

## **NOTE 9 – UNEARNED REVENUES**

The Port receives money for meeting space rental in advance of the event date. The Port recognizes these unearned revenues when the meeting space rental occurs.

## **NOTE 10 – PORT OPERATIONS BY INDUSTRY**

The Port operates an airport, marinas, shipping terminals, and industrial development districts, which are primarily financed by user charges. Current assets, current liabilities, and net position are accounted for on a Port-wide basis and are not identifiable to a particular industry segment. The key financial data for the year ended December 31, 2023 for these facilities are as follows:

**NOTE 10 – PORT OPERATIONS BY INDUSTRY (continued)**

Condensed Statement of Net Position	Airport	Marinas	Marine Terminals	Real Estate	Other	Total (in thousands)
<b>Assets:</b>						
Current Assets						\$ 72,031
Other & Restricted Assets						111,638
Capital Assets, net	\$ 90,205	\$ 39,331	\$ 38,895	\$ 33,296	\$ 86,471	288,198
Construction Work in Progress	22,330	1,090	4,088	4,315	10,820	42,643
<b>Total Assets</b>						514,510
<b>Deferred Outflows of Resources</b>						2,514
<b>Liabilities:</b>						
Current Liabilities						34,837
Other Non-current Liabilities						81,204
Revenue Debt						18,915
Total Liabilities						134,956
<b>Deferred Inflows of Resources</b>						83,142
<b>Net Position:</b>						
Net invested in capital assets						304,649
Restricted						7,552
Unrestricted						(13,275)
Total Net Position						298,926
<b>Total Liabilities, Net Position, and Deferred Inflows</b>						\$ 517,024
<b>Condensed Statement of Revenues, Expenses and Changes in Net Position (in thousands)</b>						
Operating Revenues	\$ 6,985	\$ 10,114	\$ 3,965	\$ 6,473	\$ 470	\$ 28,007
Operating Expenses	(6,547)	(4,608)	(3,684)	(6,422)	(4,631)	(25,892)
General & Admin. Expense	(266)	(33)	(33)	(143)	(367)	(842)
Depreciation Expense	(5,511)	(2,801)	(2,797)	(2,699)	(1,745)	(15,553)
Operating Income (Loss)	(5,339)	2,672	(2,549)	(2,791)	(6,273)	(14,280)
Tax Revenues					7,971	7,971
Net Non-Operating					18,456	18,456
<b>Net Income (Loss)</b>	(5,339)	2,672	(2,549)	(2,791)	20,154	12,147
Capital Contributions	5,936	-	1,121	-	875	7,932
Capital Contributions-Restricted	1,663	-	-	-	-	1,663
<b>Net Position, January 2023</b>						277,184
<b>Net Position, December 2023</b>						\$ 298,926

**NOTE 11 – RESTRICTED COMPONENT OF NET POSITION**

The Port's Statement of Net Position reports \$7,552,414 of restricted component of net position. \$656,657 of this is restricted by enabling legislation. The remaining restricted component is restricted by revenue bond covenants and federal and state agencies.

**NOTE 12 – PASSENGER/CUSTOMER FACILITY CHARGES****Passenger Facility Charges**

The Port, through agreement with the Federal Aviation Administration, and in conjunction with commercial airlines operating at Bellingham International Airport, has implemented a Passenger Facility Charge of \$4.50 per enplaned passenger. These fees are collected by the airline as part of the pricing of each ticket and are remitted quarterly to the Port directly from the airlines. Passenger Facility Charge collected and remitted to the Port can only be used by the Port for capital projects approved by the participating airlines and the FAA. Fees remitted during 2023 totaled \$1,307,503, and are shown on the Port's Statement of Revenues, Expenses and Changes in Net Position as Capital Contributions-Contractually Restricted.

**Customer Facility Charges**

Through the lease contracts with the car rental agencies at the airport beginning June 1, 2018, the Port also collects a Customer Facility Charge (CFC) in the amount of \$3.50 per day, per vehicle rented. Per the agreement, the CFCs may only be used for the car rental facilities. Fees remitted during 2023 totaled \$354,708, and are shown on the Port's Statement of Revenues, Expenses and Changes in Net Position as Capital Contributions-Contractually Restricted.

**NOTE 13 – ENVIRONMENTAL REMEDIATION**

In 2005, the Port acquired the real property assets of Georgia Pacific West Corporation ("GP") located in the central waterfront of Bellingham Bay and also assumed GP's responsibility to complete the remedial action plans which are being finalized through the Washington State Department of Ecology.

As part of the GP acquisition, the Port has become legally liable for specific remedial action required for the reuse of the acquired assets. These actions are expected to be approved by Federal and State regulatory agencies and the expected costs have been expensed and recorded as a long-term liability on the Statement of Net Position. These expenses, along with the estimated expenses for other port-owned sites requiring environmental remediation were estimated using the expected cash flow technique, and total \$186,300,000 as of 12/31/2023. This is a \$8.7 million increase from the previous year. This estimate is analyzed by independent engineers and is adjusted annually and shown in current dollars. The pollution remediation obligation is an estimate subject to change resulting from price increases or decreases, technology, or changes in applicable laws and regulations. GASB 49, effective in 2008, allows for capitalizing amounts related to environmental cleanup when preparing the property for sale providing the carrying amount of the property doesn't exceed its estimated fair value upon completion of the

**NOTE 13 – ENVIRONMENTAL REMEDIATION (continued)**

remediation. In preparation for this change in accounting standard, the Port obtained a benchmark value for the GP acquisition sites 'clean' fair market value. The 'clean' value exceeded the current value on the books by \$46.6 million. Therefore, the environmental remediation liability was reduced by this amount.

The Port has acquired a Pollution Legal Liability Insurance Policy from American International Specialty Lines Insurance Company. This policy, which is in effect until 12/31/2034, has an aggregate policy limit of \$102,000,000. The policy obligates the insurer to pay half of the remediation costs on specific sites up to a total amount of \$51,684,816. After total remediation costs exceed \$51,684,816, the policy provides for payment of 100% of the environmental remedial costs on covered sites up to a policy limit of \$77,000,000. The policy also provides for an additional coverage of up to \$25,000,000 in costs for third party liabilities, regulatory changes, or unknown contaminants on these specific sites. The Port had prepaid for the estimated current value of the remedial actions defined in the policy as of January 20, 2005; however, by the end of 2016, all of these prepaid funds were expended. The Port, in reassessing its remediation liabilities has also estimated what portion of the remediation costs will be reimbursed by insurance. This analysis, and the fact that the insurer admits coverage, has resulted in the Port booking an Environmental Insurance Receivable of \$16,610,000, representing the net present value of all expected reimbursements from the insurance policy less the amounts paid by the Port under the terms of the policy. These amounts are both probable and estimable and therefore realizable as an asset.

The Port expects to receive up to ½ of all environmental remediation costs from the State of Washington through the issuance of Department of Ecology Remedial Action Grants.

These grants are issued on a biennial basis with each grant being awarded following the issuance of a cleanup order from the Department of Ecology. These grants are not recognized by the Port until they are earned.

The Port has accepted several grants from the Department of Ecology for a total funding amount that is just over \$62 million through the current biennia, of which just over \$55 million has been received to date. The Port anticipates Ecology will approve future funding up to 50% of the estimated cost of cleanup as funding becomes available in future biennium periods. These sites are included in the pollution legal liability insurance policy purchased by the Port in 2005. Activities related to cleanup sites was ongoing engineering, design and permitting and the continued implementation of an in-situ bioremediation program. Since September 2007, the Port has been developing a detailed cleanup design under a Consent Decree and Cleanup Action Plan with the Department of Ecology for the Whatcom Waterway site, which includes the Aeration Stabilization Basin. In early 2015, the estimated cost, including contingency, was \$102,918,775. In April 2015, the Port advertised a request for bids to perform the construction portion of the Whatcom

**NOTE 13 – ENVIRONMENTAL REMEDIATION (continued)**

Waterway Phase I Cleanup. Construction began in June 2015 and was completed in June 2016. At the end of 2023, the remaining estimated cost for future phases of the Whatcom Waterway cleanup site with contingency was \$68,687,966.

The Port has, as part of its environmental cleanup efforts, a number of monitoring wells on various contaminated sites, ranging from .75” – 8” in diameter. These wells will be decommissioned when the individual sites are cleaned up and no longer require monitoring. The Port estimates the cost to decommission these monitoring wells will be approximately \$498 thousand over the course of many years. The cost of decommissioning is included in the environmental liability that is listed on the Port’s Statement of Net Position.

**NOTE 14 – SERVICE CONCESSION AGREEMENTS**

In 2010, the Port of Bellingham entered into a 50-year ground lease with an additional 30-year option in order for the lessee to construct and operate two general office and retail buildings. In 2011 and 2017, similar agreements were executed for a third and fourth building. Upon execution, the lessee prepaid the 80-year agreements. The agreement allowed the lessee to secure financing for the construction of the buildings. At the end of the agreement, unless a separate renewal is negotiated, the Port has the option of requiring the lessee to remove the buildings or to transfer ownership to the Port.

The Deferred Inflows of Resources represents the \$2,478,504 unearned balance of these agreements.

**NOTE 15 – JOINT VENTURES**

In 2020, the Port entered into an Interlocal Agreement with the Ports of Whitman County, Kalama, Pasco, Ridgefield, and Skagit to form Petrichor Broadband, LLC for the development of state-wide, regional, and local open access dark fiber systems. The collaboration will result in a consistent approach to technologies and business models throughout the state, subject to local and regional conditions. This joint venture is governed by members of each participating port, and is initially managed by the Port of Whitman County. To obtain financial information on this joint venture, contact the Executive Director at the Port of Whitman County at <https://www.portwhitman.com/>.

The Port of Bellingham initially contributed \$200,000 to the Port of Whitman County as a capital contribution, and \$15,749 as compensation for the Port of Whitman County’s commitments. Through 2023, the Port’s share of Petrichor’s net income was \$187,948. The Port also took a withdrawal of \$125,000 in 2023, leaving a balance of \$262,948 which is listed on the Port of Bellingham’s Statement of Net Position as a Joint Venture.

**NOTE 15 – JOINT VENTURES (continued)**

In addition, Petrichor is obligated to pay \$472,487.85 to the Port of Whitman County over the course of three years. If Petrichor is unable to make the payment, that financial obligation will be due from the individual members. At this time, it is expected that Petrichor will be able to meet its obligation, and therefore no liability is listed on the Port's financial statements.

**NOTE 16 – LEASES - LESSOR**

The Port is a lessor for various noncancellable leases of land and office and retail facilities.

For leases with a maximum possible term of 12 months or less at commencement, revenue is recognized based on the provisions of the lease contract. For all other leases, the Port recognizes a lease receivable, and a deferred inflow of resources. The total amount received, principal and interest, for 2023 was \$13,877,379, across all divisions of the Port that leases property.

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

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

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

The Port determined the discount rate as follows for leases with a commencement date prior to January 1, 2023:



**NOTE 16 – LEASES - LESSOR (continued)**

<b>Total Lease Payments Over the Lease Term Plus Options to Extend</b>	<b>Discount Rate used</b>
Loans Under 7 Years:	
\$50,000 or more	Prime + 2.25%
\$25,001 - \$49,999	Prime + 3.25%
\$25,000 or less	Prime + 4.25%
Loans Over 7 Years:	
\$50,000 or more	Prime + 2.75%
\$25,001 - \$49,999	Prime + 3.75%
\$25,000 or less	Prime + 4.75%

For leases with a commencement date of January 1, 2023 or later, the Port determined the discount rate as follows:

<b>Total Lease Payments Over the Lease Term Plus Options to Extend</b>	<b>Discount Rate used</b>
\$350,001 or more	Prime + 3%
\$250,001 - \$350,000	Prime + 4%
\$50,001 - \$250,000	Prime + 4.5%
\$50,000 or less	Prime + 6.5%

- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The Port monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**NOTE 16 – LEASES - LESSOR (continued)**

As of December 31, 2023, future lease receivable principal and interest payments are as follows:

<b>Year Ended December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 4,523,771	\$ 4,734,793	\$ 9,258,564
2025	\$ 4,367,294	\$ 4,458,530	\$ 8,825,824
2026	\$ 4,200,831	\$ 4,207,566	\$ 8,408,397
2027	\$ 3,954,709	\$ 3,962,015	\$ 7,916,724
2028	\$ 3,523,766	\$ 3,748,071	\$ 7,271,837
2029-2033	\$ 15,813,525	\$ 15,829,944	\$ 31,643,469
2034-2038	\$ 10,600,510	\$ 11,868,803	\$ 22,469,313
2039-2043	\$ 8,544,493	\$ 9,145,506	\$ 17,689,999
2044-2048	\$ 4,625,797	\$ 7,160,609	\$ 11,786,406
2049-2053	\$ 3,432,307	\$ 6,070,267	\$ 9,502,574
2054-2058	\$ 3,892,410	\$ 5,009,943	\$ 8,902,353
2059-2063	\$ 3,280,636	\$ 3,838,485	\$ 7,119,121
2064-2068	\$ 1,909,534	\$ 3,173,086	\$ 5,082,620
2069-2073	\$ 2,154,115	\$ 2,566,650	\$ 4,720,765
2074-2078	\$ 1,964,865	\$ 1,948,723	\$ 3,913,588
2079-2083	\$ 1,331,563	\$ 1,469,506	\$ 2,801,069
2084-2088	\$ 1,641,121	\$ 1,053,788	\$ 2,694,909
2089-2093	\$ 1,686,937	\$ 520,560	\$ 2,207,497
2094-2098	\$ 828,659	\$ 158,204	\$ 986,863
2099-2103	\$ 209,042	\$ 15,606	\$ 224,648
<b>Total</b>	<b>\$ 82,485,885</b>	<b>\$ 90,940,655</b>	<b>\$ 173,426,540</b>

**NOTE 17 – OTHER DISCLOSURES**

In 2015, the Port Commission approved a Master Development Agreement (MDA) with Harcourt Bellingham LLC to develop 18.8 acres on Bellingham’s waterfront, subject to a defined development schedule and a per square foot purchase price, both laid out in detail in the MDA.

During 2020, Harcourt made limited progress in the development schedule and the Port believed they would not meet the project schedule as defined in the MDA. The MDA has a detailed process for resolving defaults and non-compliance. Prior to initiating the formal process, the Port engaged Harcourt in discussions for possible resolutions that included a sizeable reduction in the property available to Harcourt for development. The end result of the negotiations was a Restated and Amended Master Development Agreement, entered

**NOTE 17 – OTHER DISCLOSURES (continued)**

into in 2021, providing Harcourt with exclusive development rights for just over 9 acres. Following successful development of the nine acres, Harcourt would have the option of picking up another approximate three acres. Harcourt missed a deadline of obtaining an occupancy permit by mid October 2023. Based upon that missed deadline and other non-compliance issues, the Port notified Harcourt that it was in default under the Restated MDA. The Port's position is that Harcourt no longer had the right to develop the 9 acres or any other properties in the downtown waterfront district and the Port was excused from considering any future project development approval process steps. Harcourt will continue to develop the properties already under its ownership, specifically the granary Building and the three residential condominium buildings. Harcourt disputes the loss of the development rights and as of this writing the Port and Harcourt have made legal filings asserting their respective positions.

In early 2022 the Port issued an RFP for one of the former Georgia Pacific Buildings known as the Boardmill Building. After reviewing the responses the Port selected a proposal from The Boardmill Group, LLC to convert the building into a hotel and construct residential units and a parking garage on an approximate three acre parcel. Since that selection was made the Port has been negotiating a purchase and sale agreement with the Boardmill Group and the group is in the permitting process with the City of Bellingham.

In 2022, the Port sold a portion of the Lignin Site to Mercy Housing Northwest. This project, scheduled for completion in early 2024 will provide approximately 80 units of affordable housing, and a seven-classroom early learning center. In 2022 the Port also entered into an Option to Purchase with the Whatcom Community Foundation to develop the remaining portion of the Lignin site. The Foundation is currently in the early permitting phase for that development but it is anticipated that workforce housing, offices and a potential commissary kitchen are planned in the next building.

The Port has realized tremendous success with public access on the undeveloped property. A bicycle pump track was installed, and the use of this feature far exceeds expectations. Since the initial track was built it has been expanded twice. In 2021, Kulshan Brewery opened an extensive outdoor venue that included several containers and a stage. Also in 2021, Selkie Scoop opened an ice cream shop in a container. In 2022, phase two commenced, when three more businesses were located in containers: Sunnyland Bike for bike rental and repair; Rain or Shine Riviera Club, which is a Filling Station restaurant featuring hamburgers; and Our Kitchen, operated by the Dish Foundation, serving a variety of soft drinks and freshly baked goods. In 2023 the Port added more containers and more businesses are expected to open for the 2024 season, including Zeeks Pizza, Bin 13 Wine Bar and another rotating container. Planning for the next phase is underway, with 4-6 containers being added in the next off-season.

# REQUIRED SUPPLEMENTARY INFORMATION

Port of Bellingham  
Schedule of Proportionate Share of the Net Pension Liability  
Public Employees' Retirement System Plan 1

As of June 30  
Last 10 Fiscal Years\*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.050002%	0.045379%	0.044197%	0.042003%	0.044582%	0.048569%	0.052360%	0.053036%	0.056592%
Employer's proportionate share of the net pension liability (asset)	\$ 1,141,412	\$ 1,263,518	539,749	1,482,933	1,714,336	2,169,108	2,484,523	2,848,283	2,960,288
Covered payroll	\$ 8,548,022	\$ 7,496,225	6,520,887	6,384,040	6,271,374	6,394,964	6,501,153	6,283,392	6,300,760
Employer's proportionate share of the net pension liability as a percentage of covered payroll	13.35%	16.86%	8.28%	23.23%	27.34%	33.92%	38.22%	45.33%	46.98%
Plan fiduciary net position as a percentage of the total pension liability	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

## Notes to Schedule:

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

## REQUIRED SUPPLEMENTARY INFORMATION

Port of Bellingham  
Schedule of Proportionate Share of the Net Pension Liability  
Public Employees' Retirement System Plan 2 & 3  
As of June 30  
Last 10 Fiscal Years\*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.064383%	0.059345%	0.056776%	0.054694%	0.057544%	0.061581%	0.065669%	0.066231%	0.069443%
Employer's proportionate share of the net pension liability (asset)	\$ (2,638,855)	\$ (2,200,976)	\$ (5,655,803)	699,505	558,948	1,051,441	2,281,684	3,334,679	2,481,238
Covered payroll	\$ 8,548,022	\$ 7,496,225	6,520,887	6,384,040	6,271,374	6,366,111	6,429,646	6,213,443	6,160,253
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-30.87%	-29.36%	-86.73%	10.96%	8.91%	16.52%	35.49%	53.67%	40.28%
Plan fiduciary net position as a percentage of the total pension liability	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

**Notes to Schedule:**

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

## REQUIRED SUPPLEMENTARY INFORMATION

Port of Bellingham  
Schedule of Proportionate Share of the Net Pension Liability  
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2  
As of June 30  
Last 10 Fiscal Years\*

	2023	2022	2021	2020	2019	2018
Employer's proportion of the net pension liability (asset)	0.022805%	0.017579%	0.015564%	0.016847%	-0.018915%	-0.006788%
Employer's proportionate share of the net pension liability (asset)	\$ (547,000)	\$ (477,744)	(904,022)	(343,654)	(438,202)	(137,811)
Covered payroll	\$ 965,777	\$ 710,823	581,240	633,958	664,034	251,101
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-56.64%	-67.21%	-155.53%	-54.21%	-65.99%	-54.88%
Plan fiduciary net position as a percentage of the total pension liability	113.17%	116.09%	142.00%	115.83%	119.43%	118.50%

### Notes to Schedule:

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

# REQUIRED SUPPLEMENTARY INFORMATION

Port of Bellingham  
Schedule of Employer Contributions  
Public Employees' Retirement System Plan 1  
For the year ended December 31  
Last 10 Fiscal Years\*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 311,733	\$ 292,369	\$ 291,873	\$ 310,401	\$ 312,702	\$ 313,986	\$ 325,894	\$ 308,617	\$ 278,880
Contributions in relation to the statutorily or contractually required contributions	(311,733)	(292,369)	(291,873)	(310,401)	(312,702)	(313,986)	(325,894)	(308,617)	(278,880)
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 9,173,713	\$ 7,787,270	\$ 6,842,673	\$ 6,471,142	\$ 6,323,256	\$ 6,204,547	\$ 6,559,615	\$ 6,378,187	\$ 6,267,999
Contributions as a percentage of covered payroll	3.40%	3.75%	4.27%	4.80%	4.95%	5.06%	4.97%	4.84%	4.45%

## Notes to Schedule:

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

# REQUIRED SUPPLEMENTARY INFORMATION

## Port of Bellingham Schedule of Employer Contributions Public Employees' Retirement System Plan 2 & 3 For the year ended December 31 Last 10 Fiscal Years\*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 583,449	\$ 495,271	\$ 486,312	\$ 512,515	\$ 488,136	\$ 464,968	\$ 445,755	\$ 392,981	\$ 360,162
Contributions in relation to the statutorily or contractually required contributions	(583,449)	(495,271)	(486,312)	(512,515)	(488,136)	(464,968)	(445,755)	(392,981)	(360,162)
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 8,548,022	\$ 7,787,270	\$ 6,842,673	\$ 6,471,142	\$ 6,323,256	\$ 6,204,547	\$ 6,494,309	\$ 6,307,906	\$ 6,198,827
Contributions as a percentage of covered payroll	6.83%	6.36%	7.11%	7.92%	7.72%	7.49%	6.86%	6.23%	5.81%

### Notes to Schedule:

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



## REQUIRED SUPPLEMENTARY INFORMATION

Port of Bellingham  
Schedule of Employer Contributions  
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2  
For the year ended December 31  
Last 10 Fiscal Years\*

	2023	2022	2021	2020	2019	2018
Statutorily or contractually required contributions	\$ 59,300	\$ 35,247	\$ 33,913	\$ 29,571	\$ 35,048	\$ 30,561
Contributions in relation to the statutorily or contractually required contributions	(59,300)	(35,247)	(33,913)	(29,571)	(35,048)	(30,561)
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 1,158,209	\$ 688,418	\$ 660,612	\$ 574,200	\$ 674,070	\$ 582,117
Contributions as a percentage of covered payroll	5.12%	5.12%	5.13%	5.15%	5.20%	5.25%

**Notes to Schedule:**

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

**Port of Bellingham  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
RURAL BUSINESS COOPERATIVE SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Energy for America Program	10.868	-	-	6,237	6,237	-	
<b>Economic Development Cluster</b>								
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF	Economic Adjustment Assistance	11.307	-	-	507,529	507,529	-	Note 4
<b>Total Economic Development Cluster:</b>				-	<b>507,529</b>	<b>507,529</b>	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	-	7,818	7,818	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	-	1,907,097	1,907,097	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	-	659,614	659,614	-	

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

**Port of Bellingham**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Expenditures				Passed through to Subrecipients	Note
			Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	-	43,603	43,603	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	-	2,215,143	2,215,143	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	-	2,176,263	2,176,263	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	-	1,777,004	1,777,004	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	-	899,434	899,434	-	
			<b>Total ALN 20.106:</b>			<b>9,685,976</b>	<b>9,685,976</b>	
MARITIME ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Port Infrastructure Development Program	20.823	-	-	42,041	42,041	-	

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

**Port of Bellingham**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2023**

	Expenditures					Passed through to Subrecipients	Note
	Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	23-732CO-043	688,109	-	688,109
					<b>688,109</b>	<b>10,241,783</b>	<b>10,929,892</b>
		<b>Total Federal Awards Expended:</b>			<b>688,109</b>		<b>668,109</b>

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

Port of Bellingham  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023

**NOTE 1 - BASIS OF ACCOUNTING**

This Schedule is prepared on the same basis of accounting as the Port's financial statements. The Port uses the accrual basis of accounting.

**NOTE 2 - FEDERAL INDIRECT COST RATE**

The Port has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 - REVOLVING LOAN**

The Port has a revolving loan program for small manufacturing firms in Whatcom County. The balance of the RLF loans outstanding at the end of 2023 totaled \$401,541. The cash and investment balance of 2023 was \$275,164 and there were no administrative expenses paid out during the year. The Federal share of the RLF was 75%.  $(\$401,541 + 275,166 + 0) * 0.75 = \$507,529$ .

**NOTE 4 - PROGRAM COSTS**

The amounts shown as current year expenditures represent only the federal award portion of the program costs. Entire program costs, including the Port's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## 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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