Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Grays Harbor

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

Published October 31, 2024

Report No. 1035850

Office of the Washington State Auditor
Pat McCarthy

October 31, 2024

Board of Commissioners
Port of Grays Harbor
Aberdeen, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

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

Port of Grays Harbor
January 1, 2023 through December 31, 2023

Board of Commissioners
Port of Grays Harbor
Aberdeen, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Port of Grays Harbor, as of and for the year ended December 31, 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 October 24, 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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

October 24, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Port of Grays Harbor
January 1, 2023 through December 31, 2023

Board of Commissioners
Port of Grays Harbor
Aberdeen, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Port of Grays Harbor, 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 Grays Harbor, 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

October 24, 2024

FINANCIAL SECTION

Port of Grays Harbor
January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023

BASIC FINANCIAL STATEMENTS

Statement of Fund Net Position – 2023
Statement of Revenues, Expenses and Changes in Fund Net Position – 2023
Statement of Cash Flows – 2023
Notes to Financial Statements – 2023

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Proportionate Share of the Net Pension Liability – PERS 1 and PERS 2/3 – 2023
Schedules of Employer Contributions – PERS 1 and PERS 2/3 – 2023
Schedules of Changes in the Total OPEB Liability and Related Ratios – Washington State Public Employees Benefits Board Plan – 2023
Schedules of Changes in the Total Pension Liability and Related Ratios – Bar Pilots Retiree Benefits – 2023

Port of Grays Harbor
Management's Discussion and Analysis
December 31, 2023

INTRODUCTION

The following narrative provides an overview and analysis of the Port of Grays Harbor's financial activities for the fiscal year ended December 31, 2023, with selected comparative information for the year ended December 31, 2022. Information contained in this Management's Discussion and Analysis (MD&A) has been prepared by Port management and should be considered in conjunction with the Port's financial statements and notes to the financial statements, which immediately follow this discussion.

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

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

FINANCIAL HIGHLIGHTS

- The assets of the Port and deferred outflows exceeded its liabilities and deferred inflows by $138.3 million at the end of 2023 (reported as net position). Of this amount, $25.6 million represents unrestricted net position, which may be used to meet the Port's ongoing obligations to its customers and creditors, and $108.7 million was invested in capital assets (net of related debt).

- The Port's unrestricted net position increased by $696 thousand from the previous year due to an increase in net income.

- The Port maintained a current ratio (current assets/current liabilities) of 4.8 to 1 at December 31, 2023, with total current assets of $42 million and current liabilities of $8.7 million. This current ratio compares to 5.1 the previous year.

The following table summarizes the Port's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of December 31, 2023, and 2022.

FUND NET POSITION
December 31, 2023 and 2022
(in thousands)

	2023	2022
Assets		
Current and other assets	$42,026	$42,802
Non-current Assets (including Capital Assets, net of depreciation)	170,727	165,718
Total Assets	212,752	208,520
Deferred Outflows of Resources		
Deferred outflow related to pensions	1,394	1,515
Deferred outflow related to OPEB	40	39
Total Deferred Outflows of Resources	1,434	1,553

FUND NET POSITION (continued)

December 31, 2023 and 2022

(in thousands)

	2023	2022
Liabilities		
Current and other liabilities	8,705	8,474
Non-current liabilities	17,827	18,843
Total liabilities	26,532	27,317
Deferred Inflows of Resources		
Deferred inflows related to pensions	940	1,601
Deferred inflows related to OPEB	48,366	45,973
Total Deferred Inflows of Resources	49,306	47,574
Net Position		
Net investment in capital assets	108,722	105,929
Restricted net position	4,051	4,374
Unrestricted net position	25,575	24,879
Total Net Position	$138,348	$135,182

SUMMARY OF FINANCIAL OPERATIONS AND CHANGES IN FUND NET POSITION

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

- **Revenues:** Port revenues are reported in two categories: operating revenues and non-operating revenues, which include capital contributions.

- **Operating Revenues:** Port operating revenues increased $9.7 million (29.4 percent) over 2022. The increase is a result of a return to normal loading at the Port’s grain terminal. The Port had been using temporary loaders for much of 2021 and 2022. The Port’s vessel calls, and export cargo handling activity were up and, revenues increased $7.7 million (28.7 percent) in total in the Port’s marine terminals, pilotage services and ship assist services divisions. All other divisions (industrial properties, airport and marina) increased $2.1 million (32.6 percent) from the previous year due to a reclassification of lease revenues.

- **Non-Operating Revenues:** 2023 non-operating revenue totaled $6.9 million, an increase of $1 million (16.9 percent) from 2022 due to an increase in investment income due to higher rates.

- **Capital Contributions:** Capital contributions reflect amounts received from federal, state and local sources to provide funding assistance for new Port infrastructure and major renovation projects. 2023 capital contributions totaled

$4 million, up $2.2 million from 2022 and were used to fund 43.0 percent of the Port's 2023 capital asset acquisition and improvement projects.

- **Expenses:** Port expenses are reported in two categories: operating expenses and non-operating expenses.

- **Operating Expenses:** Operating expenses increased $8.5 million (21.5 percent) in 2023. Operating expenses directly relate to services provided by the Port to its customers. (See preceding discussion regarding Port operating revenues and activity.)

- **Non-Operating Expenses:** 2023 non-operating expenses totaled $2.5 million, an increase of $1.9 million (384 percent) from 2022. This increase was caused primarily by the U.S. Army Corps of Engineers Grays Harbor Navigation Improvement Project to deepen the navigation channel serving the Port. The Port's local cost share contribution and expenses in 2023 for the Project totaled $1.8 million.

The following table summarizes the revenues, expenses and change in fund net position for fiscal years ending December 31, 2023, and 2022.

REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Years Ended December 31, 2023 and 2022
(in thousands)

	2023	2022
Operating Revenues	$42,651	$32,950
Non-Operating Revenues	6,947	5,944
Total Revenues	49,598	38,894
Operating Expenses	$47,981	$39,492
Non-Operating Expenses	2,458	508
Total Expenses	50,439	40,000
Increase/(Decrease) in Net Position before Capital Contributions	(841)	(1,106)
Capital Contributions	4,006	1,792
Increase/(Decrease) in Net Position	3,165	686
Net Position at beginning of year	135,182	134,496
Net Position at end of year	138,348	135,182

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Port's investment in capital assets as of December 31, 2023, totaled $123 million (net of accumulated depreciation). The Port's capital assets include land, buildings, improvements (other than buildings), machinery and equipment, and construction in progress. Overall, the net book value of the capital assets increased $2.3 million in 2023. Major capital asset events during 2023 included the following:

Haul Road Erosion Repair	$2,484,821
T4 Pile Cap Spalling	651,599
Marina Gearyard Expansion & Relocation	605,042
Fuller Creek Main Water Crossing	272,876

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

Long-Term Liabilities. At December 31, 2023, the Port's total long-term debt outstanding was $20.7 million, of which $2.9 million will mature during 2024. Of the total amount outstanding $9.9 million is for general obligation bonds, $1.9 million for revenue bonds, $2.5 million for long-term contracts payable, $1 million for compensated absences, $769 thousand for contingency reserves, $95 thousand in unearned lease revenue, $725 thousand in DRS net pension liability, $1.1 million in bar pilots retiree pension liability, $2.6 million for OPEB obligations, $32 thousand in leased assets payable, and $49 thousand in Subscription Based Information Technology Arrangements (SBITAs).

Debt service principal payments on the Port's outstanding bonded debt will average $1,475,485 per year over the next five (5) years.

The Port's outstanding general obligation bonds were originally issued in 2011 with a Moody's Investor Service A1 rating for the general obligation bonds. Moody's upgraded the rating for the Port's outstanding bonds to Aa3 on February 15, 2017. The bonds are not rated by Standard & Poor's. These general obligation bonds were refinanced in 2021 as a direct placement with Cashmere Valley Bank and were not rated. The Port's outstanding revenue bonds were issued in 2020 as direct placements with Timberland Bank and were not rated. Additional information on the Port's long-term debt can be found in Note 9 of the Port's notes to the financial statements.

ECONOMIC OUTLOOK

The Port of Grays Harbor's mission is to promote trade and economic development for the region. The Port manages four major areas of operation to achieve this mission: Deep-water marine terminal docks and wharves; industrial (tenant-occupied) lands and buildings; a regional airport (FAA); and a commercial and recreational boat marina. The marine terminal division is the largest Port operation, accounting for 70 percent of the Port's revenues. The industrial property leasing activities, including the Satsop Business Park, account for 14.3 percent of revenues. There are several issues that could impact the future financial condition of the Port, including global economic conditions and changing market demands.

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

During 2023, international trade markets stabilized, and marine terminal division operating revenues increased 22% over 2022 as the Port increased dry bulk exports and automobile imports. Below is further discussion of the economic outlook for each commodity and private industry partner currently served by the Port.

- The Port's Terminal No. 2 bulk agricultural commodity export facility was completed in December 2003 and the equipment is privately owned by Ag Processing, Inc. (AGP). AGP expanded their export facility in 2011 by constructing eight storage silos adjacent to the terminal. In 2023, AGP expanded again, adding four more storage silos for a total of twelve. AGP maintains ownership and marketing rights for the facility, and contracts with the Port to operate the facility. Future revenue from Terminal No. 2 activity is expected to grow as AGP continues to expand processing capacity at its U.S. Midwest plants and increase production of commodities that will be exported through the Port. Revenue will continue to be subject to fluctuation depending upon export market conditions. Expenses will adjust with revenues and thereby limit the financial exposure for the Port to such fluctuations.

- In 2007, Imperium Renewables, now known as REG, built the second largest U.S. biodiesel processing plant adjacent to Port Terminal Nos. 1 and 2, selecting the site in order to maintain access to multi-modal transportation systems necessary to their operation. During 2015, the privately owned facility was purchased by Renewable Energy Group, Inc., a leader in the U.S. advanced biofuels industry. In 2022, Chevron completed an acquisition of REG and will operate the plant as a part of the Chevron Renewable Energy Group. Domestically, the biodiesel market is sensitive to both domestic and global market and economic conditions, as well as Government energy policy, including price subsidies for the bio-energy sectors.

- In January 2009, Westway Terminals, now known as BWC Terminals, leased property from the Port and subsequently constructed a liquid bulk storage and transfer facility also adjacent to Port Terminal Nos. 1 and 2. The activity at this facility is subject to fluctuation due to commodity prices and international market conditions.

- In January 2009, the Port entered into agreements with The Pasha Group to market and develop the Port's Marine Terminal No. 4 to handle automobiles, over-high over-wide equipment and break-bulk cargo. Future activity is expected to grow, although will be subject to global import and export market conditions.

- Willis Enterprises conducts barge operations at Port Terminal No. 3 shipping wood chips to West Coast destinations, and log export customers utilize Port Terminal No. 4 to ship logs to the Pacific Rim. Future activity is expected to be stable, although export volumes are subject to commodity pricing and other domestic and global market conditions.

- In 2022, AGP announced their intention to expand their export capacity by constructing a second bulk agricultural commodity export facility at one of the two berths at the Port's Terminal 4. Construction is expected to begin in late 2024 and be in full operation by 2026. AGP will maintain the ownership and marketing rights for the facility, and contract with the Port to operate the facility similar to Terminal 2.

- 2024 Budget and Business Forecast: For 2024, the Port forecasts growth in U.S. import and export activity, and increased financial performance compared to the Port's 2023 fiscal year. Operating revenues are forecast to be $39.9 million compared to $42.7 million in 2023 due to limited activity at Terminal 4 as construction begins.

  During the year, the Port will prepare monthly internal management financial reports and regularly conduct in-depth reviews of global market conditions and other important business indicators. The Port utilizes flexible budgeting practices, updating forecasts and adjusting spending plans quickly as needed throughout the year based upon the outcome of these in-depth market and business analyses.

REQUESTS FOR INFORMATION

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

PORT OF GRAYS HARBOR

STATEMENT OF FUND NET POSITION

December 31, 2023

	2023
ASSETS	
CURRENT ASSETS	
Cash & Cash Equivalents (Note 1)	$ 27,025,332
Grays Harbor Bar Pilots Retirement (Note 7)	73,605
Accounts Receivable, Net of Reserve for Doubtful	
Accounts of $78,365 (Note 1)	9,738,873
Lease Receivable, Current (Note 8)	2,014,650
Taxes Receivable (Note 13)	183,567
Contracts Receivable (Note 1)	0
Interest Receivable (Note 1)	231,193
Restricted Assets	
Net Pension Asset (Note 11)	1,681,280
Inventory (Note 1)	178,063
Prepaid Expenses (Note 1)	899,088
TOTAL CURRENT ASSETS	42,025,651
NON-CURRENT ASSETS	
Capital Assets (Note 4)	
Land	27,802,314
Construction in Progress	5,548,193
Total Capital Assets Not Being Depreciated	33,350,507
Capital Assets Being Depreciated (Note 4)	
Buildings and Structures	90,273,324
Machinery and Equipment	9,441,938
Improvements	134,131,289
Total Capital Assets Being Depreciated	233,846,551
Less: Accumulated Depreciation	(144,186,827)
Total Net Capital Assets Being Depreciated	89,659,724
Right to Use Assets being Amortized (Notes 4 & 8)	
Equipment	56,635
Less: Accumulated Amortization	(25,691)
SBITAs	80,234
Less: Accumulated Amortization	(23,691)
Total Right to Use Assets Being Amortized	87,487
Total Net Capital Assets	123,097,718
OTHER NON-CURRENT ASSETS	
Contracts Receivable (Note 1)	0
Lease Receivable, Non-Current (Note 8)	47,628,823
Total Other Non-Current Assets	47,628,823
TOTAL NON-CURRENT ASSETS	170,726,541
TOTAL ASSETS	$ 212,752,192

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

PORT OF GRAYS HARBOR
STATEMENT OF FUND NET POSITION
December 31, 2023

		2023
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions (Note 11)	$	1,394,338
Deferred Outflows Related to OPEB (Note 10)		39,776
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	1,434,114
LIABILITIES		
CURRENT LIABILITIES		
Warrants Payable	$	153,570
Accounts Payable		2,438,948
Compensated Absences (Note 1)		198,184
Accrued Interest Payable (Note 1)		51,875
Current Portion of Lease Liability (Notes 8 & 9)		14,383
Current Portion of SBITAs Liability (Notes 9 & 15)		26,110
Current Portion of Long-Term Liabilites (Note 9)		1,772,876
Accrued Expenses (Note 1)		784,996
Grays Harbor Bar Pilots Retirement (Note 7)		73,605
Pension Liability (Note 11)		96,421
OPEB Liability (Note 10)		79,553
Other Current Liabilities (Note 1)		3,014,257
TOTAL CURRENT LIABILITIES		8,704,778
NON-CURRENT LIABILITIES		
Compensated Absences (Note 1)		859,230
General Obligation Bonds (Note 9)		8,667,350
Revenue Bonds (Note 9)		1,673,000
Contracts Payable (Note 9)		2,182,177
Net Pension Liability (Note 11)		1,739,184
OPEB Liability (Note 10)		2,496,435
Lease Liability, Non-Current (Notes 8 & 9)		17,297
SBITAs Liability, Non-Current (Notes 9 & 15)		23,025
Other Non-Current Liabilities (Note 1)		169,479
TOTAL NON-CURRENT LIABILITIES		17,827,177
TOTAL LIABILITIES	$	26,531,955
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions (Note 11)	$	940,430
Deferred Inflows Related to Leases (Note 8)		48,366,337
TOTAL DEFERRED INFLOWS OF RESOURCES	$	49,306,767

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

PORT OF GRAYS HARBOR

STATEMENT OF FUND NET POSITION

December 31, 2023

	2023
NET POSITION	
Net Investment in Capital Assets	$ 108,721,500
Restricted	4,051,075
Unrestricted	25,575,009
TOTAL NET POSITION	$ 138,347,584

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

PORT OF GRAYS HARBOR
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2023

		2023
OPERATING REVENUES		
Airport Operations	$	224,452
Marina Operations		1,887,398
Marine Terminal Operations		28,269,303
Property Lease/Rental Operations		3,961,000
Satsop Business Park Operations		2,152,289
Pilotage Operations		2,027,013
Ship Assist Services		4,007,923
Friends Landing Park Operations		121,833
Total Operating Revenues		42,651,211
OPERATING EXPENSES		
General Operations		36,755,409
Maintenance		3,447,775
General and Administrative		2,175,371
Depreciation (Note 4)		5,602,878
Total Operating Expenses		47,981,433
Operating Loss		(5,330,222)
NON-OPERATING REVENUES (EXPENSES)		
Investment Income from Investment		1,408,318
Interest Income from Lease Activity		1,927,316
Taxes Levied for (Note 13)		
General Purposes		2,983,974
Timber and Other Taxes		618,882
Gain (Loss) on Disposition of Assets		(132,705)
Interest Expense		(238,689)
Election Expense		(37,768)
Fisheries Enhancement/Public Facilities (Note 18)		(285,871)
Grays Harbor Navigation Channel Improvement Expense (Note 16)		(1,763,065)
Other Non-Operating Revenues (Expenses)		8,783
Net Non-Operating Revenues		4,489,175
Income Before Capital Contributions		(841,047)
Capital Contributions (Note 1)		4,006,191
Increase in Net Position		3,165,144
Net Position - January 1		135,182,440
Net Position - December 31	$	138,347,584

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

PORT OF GRAYS HARBOR
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 40,273,380
Payments to suppliers	(20,994,569)
Payments to employees	(21,761,292)
Other payments (Note 18)	(323,639)
Net Cash Provided By Operating Activities	(2,806,120)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Property Taxes for Operations & Debt Service	2,976,419
Cash Received from Timber & Other Taxes	618,882
Interest Income - Other	22,583
Sale of Scrap & Other Non-Operating Revenue	7,975
Grants for Non-Capital Items	94,777
Miscellaneous Non-Operating Expenses	(1,852,881)
Net Cash Provided by Non-Capital Financing Activities	1,867,755
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt (Note 9)	1,170,728
Capital Contributions	4,006,191
Purchase of Capital Assets	(8,234,033)
Principal Paid on Capital Debt	(1,578,422)
Interest Paid on Capital Debt	(204,870)
Port as Lessor - Lease Financing	1,143,560
Port as Lessee - Lease Financing	(1,050)
SBITAs	(35,092)
Other Receipts	556,622
Net Cash Used in Capital & Related Financing Activities	(3,176,366)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Expense	(1,513)
Interest Income	1,387,452
Net Cash Provided by Investing Activities	1,385,939
Net Increase in Cash & Cash Equivalents	(2,728,792)
Cash & Cash Equivalents, Beginning of Year	29,754,124
Cash & Cash Equivalents, End of Year	$ 27,025,332

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

PORT OF GRAYS HARBOR
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

	2023
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	$ (5,330,222)
Adjustments to reconcile Net Operating Income (Loss)	
to Net Cash Provided by Operating Activities:	
Depreciation	5,793,082
Allowance for Uncollectible Accounts	49,768
Change in Assets & Liabilities:	
(Increase) Decrease in Accounts Receivable	(2,501,581)
(Increase) Decrease in Other Current Assets	639,987
Construction in Progress Work Expensed	0
Increase (Decrease) in Accounts & Warrants Payable	83,447
Increase (Decrease) in Other Current Liabilities	112,895
Increase (Decrease) in Other Long-Term Liabilities	(1,329,857)
Adjustment for other activity (Note 18)	(323,639)
Total Adjustments	2,524,102
Net Cash Provided By Operating Activities	$ (2,806,120)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

N/A

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

PORT OF GRAYS HARBOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Created by the voters of Grays Harbor County in 1911, the Port operates marine terminal, marina, airport and industrial park facilities, providing services to customers and the general public. In 2023, the Port's Marine Terminal facility accounts for 66% of the Port's operating revenue, and includes five deep water berths serving trading partners located throughout the Pacific Rim. Services include intermodal yard management, cargo handling and transfer, and storage services. Primary cargos handled during 2023 were agricultural dry bulk commodities (85%), liquid bulk (6%), automobiles and equipment (1%) and wood products (8%). The Port operates within its corporate boundaries, which are contiguous with those of Grays Harbor County located on Washington's Pacific Coast.

As required by generally accepted accounting principles the financial statements present the Port of Grays Harbor, the primary government, and its component unit. The component unit discussed below is included in the Port of Grays Harbor's reporting entity because of the significance of its operational or financial relationship with the Port.

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

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

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

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

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

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

C. Assets, Liabilities, Fund Balance, Net Position-

1. Cash and Cash Equivalents - It is the policy of the Port of Grays Harbor to invest all temporary cash surpluses. At December 31, 2023, short-term residual investments of cash totaled $27,025,332. Bank balances and book values do not differ materially. These amounts are classified on the statement of fund net position as cash and cash equivalents.

For purposes of the statement of cash flows, the Port considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments – See Note 6 – Deposits and Investments.

3. Receivables - Taxes receivable consist of property taxes plus related interest and penalties (See Note 13 – Property Tax). Because such taxes are considered liens on property, no reserve for doubtful accounts is established. Accrued interest receivable consists of amounts earned on investments, notes and contracts at the end of the year.

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

Contracts, lease receivable and interest receivable consist of amounts owed by private individuals or organizations related to purchase of land from the Port and lease obligations to the Port.

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

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

6. Capital Assets (See Note 4 – Capital Assets) – Capital assets are defined by the Port as assets with an initial, individual cost of $5,000 or more and an estimated useful life of five years or more. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

7. Leases and Subscription Based Information Technology Agreements– In June, 2017, GASB issued Statement No. 87 Leases. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirement of this statement is effective for reporting periods beginning after December 15, 2021, as postponed by Statement No. 95, Postponement of Effective Dates of Certain Authoritative Guidance.

The Port is a lessor for noncancelable leases (See Note 8). Leases are contracts that convey control of a right to use the port's land, buildings, or portions of buildings over a period that exceeds one year. For leases with a maximum possible term of 12 months or less at commencement, revenue is recognized based on the provisions of the lease contract. For all other leases, the port recognizes a lease receivable and a deferred inflow of resources when the lease commences.

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 straight- line basis method.

Key estimates and judgements related to lease 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.

When the interest rate is not implicit within the lease, the Port uses its estimated incremental borrowing rate as the discount rate for leases. 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 concluded that the most appropriate interest rate benchmark is the Port's cost of capital, plus 200 basis points or 2%. The Port issues bonds infrequently and therefore individual Port bond issuances are subject to fluctuations in the market. To eliminate the fluctuations, we are using an industry interest rate benchmark to establish a stable cost of capital for GASB No. 87.

We received the historical rate information from TM3, a Thomson Reuters municipal market website that maintains municipal market data. The Port has identified specific periods for time for determining a market appropriate discount rate for the specific duration of the lease based on the following schedule:

Years	AA GO MMD Rate	+200 Basis Points	Rate
1-5 (5-year rate)	2.62%	200	4.62%
6-10 (10-year rate)	2.82%	200	4.82%
11+ (30 Year rate)	3.94%	200	5.94%

Source: Thomson Reuters Municipal Market - AA GO MMD @ January 3, 2023

The Port used the 5-year rate of 2.62% plus 200 basis point or 4.62% for new leases in 2023 with remaining duration (inclusive of applicable extension options) of 1-5 years, used the 10-year rate of 2.82% plus 200 basis point or 4.82% for new leases in 2023 with remaining duration (inclusive of applicable extension options) of 6-10 years, and used the 30-year rate of 3.94% plus 200 basis point or 5.94% for new leases in 2023 with remaining duration (inclusive of applicable extension options) of 11 years or greater. The rate will be analyzed on the first market open day of each year. When the 10-year rate change exceeds 400 basis points, the Port updates all outstanding leases based on the remaining duration of the lease term.

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.

The Port is a lessee for noncancelable leases (See Note 8). The Port recognizes a lease liability and an intangible right-to-use lease asset when the lease commences.

At the commencement of a lease, the Port initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life. Key estimates and judgements related to lease 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 Port uses the interest rate charged by the lessor as the discount rate. If the implicit interest rate is not readily determinable, the Port’s estimated incremental borrowing rate is used. Determining the incremental borrowing rate entails estimating the interest rate the lease that would be charged for borrowing the lease payment amounts during the lease term. Consistent with the Port’s methodology for determining implicit interest the port receives historical rate information from information from TM3, a Thomson Reuters municipal market website that maintains municipal market data.

If the lease term includes noncancelable periods of the lease, payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Port is reasonably certain to exercise.

The Port does not have minimal lease capitalization threshold. The port monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

See Notes 2 and 15 for more information on Subscription Based Information Technology Agreements.

8. Deferred Outflows/Inflows of Resources – The Port reports deferred inflows and outflows of resources. Deferred inflows of resources are acquisition of assets by the Port that are applicable to a future reporting period. Deferred outflows of resources are consumption of assets by the Port that are applicable to a future reporting period. Deferred inflows also represent the Port’s proportionate share of the difference between expected and actual investment earnings on pension plan investments by the Washington State Department of Retirement Systems (See Notes

10 and 11). For leases, amounts reported as deferred inflows are are resources amortized over the lease term (See Note 8).

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

Vacation pay, which may be accumulated up to a maximum of 400 hours, is payable upon resignation, termination or death. Sick leave may be accumulated up to a maximum of 720 hours, but is vested or payable upon resignation, termination or death following one year of employment to a maximum of 360 hours. Vested unpaid vacation and sick leave entitlements at December 31, 2023 totaled $1,057,414. See Note 9 for more information.

10. Pensions – For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value (see Note 11).

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Bar Pilots Retiree Benefits (see Notes 7 & 11) have been determined through actuarial analysis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

For purposes of calculating the restricted net position related to the net pension asset, the Port includes the net pension asset only (GASB preferred method).

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

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

13. Long-Term Debt - See Note 9 – Long-Term Debt

14. Grays Harbor Bar Pilots Retirement – See Note 7 – Special Item–Grays Harbor Bar Pilots Retirement

15. Other Current Liabilities and Other Non-Current Liabilities – Included in Other Current and Other Non-Current liabilities are customer deposits, lease prepayments which do not meet revenue recognition criteria (see Note 17), taxes payable, retainages payable on public works contracts, contingency reserves (see Notes 5 & 9), asset retirement obligations (see Note 3), and pollution remediation obligations (see Note 12).

	Current Portion	Long-term Portion	Bal. Payable 12/31/2023
OTHER LIABILITIES			
Customer Lease Deposits	$ 465,454	$ -	$ 465,454
Retainage Payable	146,079	-	146,079
Taxes Payable	170,472	-	170,472
Contingency Reserves (Note 5)	15,000	-	15,000
Unearned Revenue (Note 17)	1,455,337	86,590	1,541,927
Asset Retirement Obligation (Note 3)	2,705	82,889	85,594
Pollution Remediation Obligations (Note 12)	754,250	-	754,250
Other Liabilities	4,960	-	4,960
Total Other Liabilities	$3,014,257	$169,479	$3,183,736

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

17. Net Position Classification – For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Sometimes the Port will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the Port's financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Port's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2 – ACCOUNTING AND REPORTING CHANGES

In March 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for SBITAs by governments. The requirement of this statement is effective for reporting periods beginning after June 15, 2022. The Port implemented GASB No. 96 on January 1, 2023. See Note 15 for more information on Subscription Based Information Technology Agreements.

NOTE 3 – ASSET RETIREMENT OBLIGATION

The Port leases aquatic lands from the Washington State Department of Natural Resources for a public boat launch at the Friends Landing RV Park. The boat launch consists of a concrete boat launching ramp. Under the terms of the lease, the Port is required to remove the boat launch when the lease terminates on April 1, 2028. The estimated remaining useful life of the boat launch is approximately 10 years. Port Engineers have estimated the Port will incur costs of $100,000 to remove the boat launch in 2028. This liability is reported on the Statement of Net Position at present value of $85,594.

NOTE 4 - CAPITAL ASSETS

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

All capital assets are valued at historical cost. The Port of Grays Harbor has acquired certain assets with funding provided by federal and state financial assistance programs. Depending on the terms of the agreements involved, the Federal or State government could retain an equity interest in these assets. However, the Port has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable accounts.

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

During 2023, the Port surplussed and sold, via online auction, capital equipment as well as other equipment expensed at acquisition. Assets originally costing $65,674 were removed from the Port's capital assets and $65,674 of accumulated depreciation associated with these assets was removed. Net asset disposal proceeds of $6,410 are reported under non-operating activity.

At the end of 2023, completed capital work in process projects were capitalized. Several of these projects replaced older capital assets that were at the end of their useful lives. Assets originally costing $717,713 were removed from the Port's capital assets and $665,418 of accumulated depreciation associated with theses assets was removed. Net asset disposal loss of $52,295 is reported under non-operating activity.

For the December 31, 2023 year-end, the Port conducted an inventory of capital assets in order to verify existence of the assets and usability. Several assets were found to have been replaced with newer assets, had been disposed of, or were determined to be obsolete to the operations of the Port. Most of these assets were fully depreciated. Assets originally costing $15,128,748 were removed from the Port's capital assets and $15,041,716 of accumulated depreciation associated with these assets was removed. The difference of $87,033 is a loss on disposal of assets and is reported under non-operating activity.

An allowance for funds used during construction is capitalized as part of the cost of the plant. The procedure is intended to remove the cost of financing construction activity from the statements of revenues, expenses and changes in fund net position, and to treat such cost in the same manner as construction labor and material costs. In 2023 there were no interest costs capitalized for funds borrowed to finance the construction of capital assets.

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

Buildings & Structures	10 to 50 years
Machinery & Equipment	5 to 20 years
Other Improvements	5 to 50 years

Depreciation expense for the year ended December 31, 2023 totaled $5,793,082, of which $5,602,878 was operating expense and $190,204 was related to non-operating activity (see Note 18).

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

	Restated Beginning Balance 1/1/2023	Additions	Deletions	Transfer/Other	Ending Balance 12/31/2023
Capital assets not being depreciated					
Land	$ 27,524,363	$ 119,196	$ -	$ 158,755	$ 27,802,314
Construction in Progress	2,586,514	7,945,291	4,983,612	-	5,548,193
Total capital assets, not being depreciated	**30,110,877**	**8,064,487**	**4,983,612**	**158,755**	**33,350,507**
Capital asset being depreciated					
Buildings & Structures	97,152,354	886,025	7,765,055	-	90,273,324
Machinery & Equipment	9,533,155	200,028	291,245	-	9,441,938
Improvements	138,078,773	4,067,105	7,855,834	(158,755)	134,131,289
Total capital assets, being depreciated	**244,764,282**	**5,153,158**	**15,912,134**	**(158,755)**	**233,846,551**
Less Accumulated Depreciation for:					
Buildings & Structures	64,856,898	2,124,648	7,716,543	-	59,265,003
Machinery & Equipment	8,283,219	200,555	238,950	-	8,244,824
Improvements	81,026,435	3,467,879	7,817,315	-	76,676,999
Total accumulated depreciation	154,166,552	5,793,082	15,772,807	-	144,186,827
Total capital assets being depreciated, net of depreciation	**90,597,730**	**(639,924)**	**139,327**	**(158,755)**	**89,659,724**
Net capital assets	**120,708,607**	**7,424,563**	**5,122,939**	**-**	**123,010,231**
Right to use assets, being amortized*					
Equipment	57,239	-	604	-	56,635
Less accumulated amortization	11,895	14,400	604	-	25,691
SBITAs	-	80,234	-	-	80,234
Less accumulated amortization	-	23,691	-	-	23,691
Total net right to use assets	**45,344**	**42,143**	**-**	**-**	**87,487**
Total net capital assets	**$120,753,951**	**$7,466,706**	**$5,122,939**	**$ -**	**$123,097,718**

C. Construction and Other Significant Commitments - The Port of Grays Harbor has active construction projects and commitments to contractors as of December 31, 2023 as follows:

Project	Expended as of 12/31/2023	Remaining Commitment
Marine Terminal Maintenance Dredging	$ -	$ 1,336,000
T4 Expansion & Redevelopment	5,139,847	697,283
Marina Modernization	201,522	694,712
	$5,341,369	$ 2,727,995

NOTE 5 - CONTINGENCIES AND LITIGATION

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

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

The Port’s contingent liabilities at December 31, 2023 totaled $769,250 consisting of $754,250 in pollution remedial obligations (see Note 12) and $15,000 in pending claims.

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

Investments in Local Government Investment Pool (LGIP)
The Port is a participant in the Local Government Investment Pool which was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

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

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

Investments Measured at Amortized Cost

As of December 31, 2023, the Port had the following investments at amortized cost:

Investment	Maturity	Amortized Cost
Washington State Local Government Investment Pool	Less than one year	$ 21,988,014
Total		**$ 21,988,014**

Investments Measured at Fair Value

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

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

As of December 31, 2023, the Port had no investments.

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the Port of Grays Harbor would not be able to recover the value of the investment or collateral securities. Of the Port’s total position of $21,988,014 in LGIP, none ($-0-) is exposed to custodial credit risk.

NOTE 7 – SPECIAL ITEM – GRAYS HARBOR BAR PILOTS RETIREMENT

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

Membership & Retirement Benefits
There are three (3) pilots who served the Grays Harbor Pilotage District prior to October 1, 2001. One (1) of the retired plan members (and their beneficiaires) are currently receiving retirement payments. There is still one (1) active plan member who will receive benefits for service from April 1, 1993 through September 30, 2001 upon retirement from piloting in the State of Washington. Retirement benefits are calculated at one and one-half (1.5) percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the sixty (60) highest paid service credit months for service between April 1, 1993 through Septebmer 30, 2001. The years of service are limited to those between April 1, 1993 and September 30, 2001. The spouse of a retired pilot is eligible to receive 50% of the pension benefit upon the death of the pilot.

Retirement Contributions
The contributions for the retirement payments come from a Pension Charge in the Port of Grays Harbor's pilotage services tariff schedule. The Port collects a dedicated tariff revenue and deposits the revenues in a separate fund. In 2021, the Pension Charge was set by resolution of the Port of Grays Harbor Commissioners at $450 per pilotage assignment For 2023, there were 254 pilotage assignments resulting in retirement contributions of $114,300.

The Port estimates that there will be 208 pilotage assignments in 2024 resulting in total retirement contributions of $93,600. In February of 2024, one of the three remaining former pilots eligible for a pilotage pension passed away and did not have a surviving spouse.

Retirement Payments
For the year ending December 31, 2023, the Port made total retirement payments of $96,421 for the two retired pilots and their beneficiaries. Retirement payments are made near the last day of each month. At December 31, 2023 the balance in the Grays Harbor Bar Pilots Retirement Expense Trust Fund was $73,605.

In 2024, the Port estimates that it will make $63,913 in retirement payments to the one retired pilot and their beneficiaries.

NOTE 8 - LEASES

A. Port as Lessee – As of December 31, 2023, the Port has 5 leases in which it is acting as a lessee. In July of 2020, the Port entered into a five-year lease for an RV Dump in the amount of $150 per month with one five-year option with final year ending June 2030. The Port has also entered into three five-year leases for postage machines at its business locations. Those leases started in November 2019, March 2020 and July 2020 and are in the amounts $96.87, $57.64, and $287.67 per month respectively. In March 2023, the Port entered into a three-year lease for seven Automatic External Defibrillator's placed at various locations. This lease is for $763 per month.

Leased asset activities for the year end December 31, 2023 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Leased assets being amortized				
Leased equipment	$57,239	$-	(604)	$56,635
Total leased assets being amortized	57,239	-	(604)	56,635
Less accumulated amortization				
Leased equipment	(11,895)	(14,401)	604	(25,691)
Total accumulated amortization	(11,895)	(14,401)	604	(25,691)
Net, leased assets	$45,344	($14,401)	$-	$30,944

As of December 31, 2023, outflows of resources from lease activities were as follows:

Principal payments in 2023	$14,087
Interest expense on leased assets	1,099
Total	$15,186

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

Year Ended 12/31	Principal	Interest	Total
2024	$14,383	$716	$15,099
2025	8,043	376	8,419
2026	3,297	229	3,526
2027	1,635	165	1,800
2028	1,688	112	1,800
2029-2033	2,634	66	2,700
Total	$31,680	$1,664	$33,344

B. Port as Lessor – The Port of Grays Harbor, as a lessor, enters into operating leases with tenants for the use of land and facilities at the Port Industiral Area, the Westport Marina, Bowerman Airport and its Satsop Business Park, under lease terms of 1 year to 30 years plus lease extensions. In addition, some properties are rented on a month-to-month basis. Port procedure is to negotiate all leases at fair market value, considering market conditions, economic factors, property condition, and location, as well as other factors that may impact negotiating lease prices.

The Port currently has approximately 243 lease arrangements ranging in monthly payments between $10 and $26,000 with either fixed increases from 1 to 3 percent, Consumer Price Index rent escalation clauses, or market rate rent escalation clauses.

As of December 31, 2023, the Port participated as lessor in the following lease agreements:

	Lease Type	Number of Leases	Remaining Exentions	Expiration Date with Extension Terms	Rent Increases	Interest Rate	Monthly Rent Dec 2023
Industrial	Land		Three 5-year	04/30/2043	Fair market value every 5 years	3.71%	$25,539.08
	Land		Two 5-year	09/30/2038	CPI increase every 5 years	3.71%	$19,407.18
	Bldg 1 & 2 Lease		One 5-Year	06/30/2037	Annual Increases	3.71%	$17,920.00
	Bldg Lease		Eight 5-year	09/30/2066	Fair market value every renewal	3.71%	$13,750.00
	Land		None	02/29/2076	Fair market value every 5 years	3.71%	$12,703.19
	Land		Two 5-year	05/31/2046	Fair market value every 5 years	3.71%	$11,929.30
	Land		Three 5-year	05/31/2046	CPI increase every 5 years	3.71%	$11,679.76
	Bldg 3 Lease		One 5-year	06/30/2037	Annual Increases	3.71%	$11,016.00
	Land		None	08/31/2030	Fair market value every 5 years	3.16%	$ 9,600.62
	Whs		Two 5-year	11/30/2083	Fair market value every renewal	3.71%	$ 9,000.00
	Land		None	12/31/2026	No annual increase	2.65%	$ 7,734.67
	Bldg Lease		None	08/31/2024	No annual increase	2.65%	$ 7,410.15
	Ofc/Whs/Lab		None	10/31/2026	Fair market value every 5 years	4.62%	$ 7,334.62
	Bldg Lease		One 5-year	07/31/2032	Fair Market Value in 2027 between 10-15%	3.16%	$ 7,052.13
	Lease		One 5-year	04/30/2030	Fair Market Value in 2027 between 10-15%	4.82%	$ 6,761.34
	Bldg Lease		One 2-year	04/30/2029	No annual increase	3.16%	$ 6,574.67
	Whs		One 5-year	08/31/2031	Fair market value every 5 years	3.16%	$ 6,486.42
	Land		Two 5-year	12/31/2039	Fair market value every 5 years	3.71%	$ 6,462.54
	Whs/Ofc		One 5-year	12/31/2029	Fair market value every 5 years	3.16%	$ 6,344.00
	Land		None	03/31/2043	Fair market value every 5 years	5.94%	$ 6,250.00
	Land/Whs		None	08/31/2031	No annual increase	3.16%	$ 6,197.88
	Land		One 5-year	05/31/2072	No Adjustment	3.71%	$ 5,745.13
	Land		Three 5-year	11/30/2083	No annual increase	3.71%	$ 5,717.25
	Land		Nine 5-year	10/31/2072	Fair market value every 5 years	3.71%	$ 5,651.47
	Land/Whs		One 5-year	01/31/2058	Fair market value every 5 years	5.94%	$ 5,498.25
	Land/Whs		One 5-year	08/31/2031	Fair market value every 5 years	3.16%	$ 5,079.70
	Land		One 5-year	01/31/2073	Fair market value every 5 years	5.94%	$ 5,059.22
	Bldg Lease		None	08/31/2023	No annual increase	2.65%	$ 4,658.50
	Outfall		Three 5-year	05/31/2040	Fair market value every 5 years	3.71%	$ 4,583.33
	Land/Ofc		Two 5-year	05/31/2040	No annual increase	3.71%	$ 4,408.75
	Land/Whs/Moorage		Two 1-year	05/31/2024	Fair market value every 5 years	2.65%	$ 3,940.00
	Land		Eleven 5-year	03/31/2079	Fair market value every 5 years	3.71%	$ 3,811.50
	Land		Four 5-year	09/30/2045	Fair market value every 5 years	3.71%	$ 3,384.54
	Whs		One 5-year	08/31/2031	Fair market value every 5 years	3.16%	$ 3,000.00
	Bldg Lease		One 5-year	09/30/2027	FMV every 5 Years	2.65%	$ 2,757.84
	Bldg Lease		One 5-year	09/30/2025	Fair Market Value in 2027 between 10-15%	4.62%	$ 2,541.12
	Land		Eleven 5-year	03/31/2079	Fair market value every 5 years	3.71%	$ 2,475.05
	Land		Three 5-year	10/31/2036	No annual increase	3.71%	$ 2,179.11
	Land/Water		One 5-year	09/30/2036	Fair market value every 5 years	3.71%	$ 2,112.25
	Moorage		Two 5-year	06/30/2033	DNR Formula for water dependent use every 5 years	3.71%	$ 2,090.67
	Land		Eleven 5-year	09/30/2079	Fair market value every 5 years	3.71%	$ 2,031.20
	Land		Eleven 5-year	03/31/2079	Fair market value every 5 years	3.71%	$ 1,989.65
	Land		Four 5-year	06/30/2059	Fair market value every 5 years	3.71%	$ 1,831.80
	Land		One 5-year	09/30/2024	Fair Market Value in 2027 between 10-15%	2.65%	$ 1,740.04
	Colo		Two 10-year	05/31/2023	Annual CPI Increase	2.65%	$ 1,588.00
	Colo		One 5-year	05/31/2028	Fair Market Value in 2027 between 10-15%	4.62%	$ 1,579.50
	Moorage		None	06/30/2025	Fair market value every 5 years	2.65%	$ 1,559.87
	Dock Access		None	04/30/2043	Fair market value every 5 years	3.71%	$ 1,428.00
	Land		None	05/31/2041	Fair market value every 5 years	3.71%	$ 1,380.00
	Land		Four 5-year	12/31/2046	Fair market value every 5 years	3.71%	$ 1,180.93
	Land		Six 5-year	04/30/2054	Fair market value every 5 years	3.71%	$ 1,159.52
	Land		One 5-year	11/30/2083	Fair market value every 5 years	5.94%	$ 1,032.00
	Office		One 5-year	06/30/2043	Fair market value every 5 years	5.94%	$ 1,021.53
	Land		None	05/31/2023	Fair market value every 5 years	2.65%	$ 992.80
	Land		Eleven 5-year	03/31/2079	Fair market value every 5 years	3.71%	$ 983.13
	Land		Two 5-year	12/31/2073	No annual increase	3.71%	$ 980.00
	Land		Two 5-year	01/31/2030	Fair market value every 5 years	3.16%	$ 943.80
	Land		Two 5-year	06/30/2023	DNR Formula for water dependent use every 5 years	2.65%	$ 937.50
	Land		One 10-year	09/30/2039	Fair market value every 5 years	3.71%	$ 935.00
	Land		Two 1-year	06/30/2050	Fair market value every 5 years	3.71%	$ 800.00
	Land		None	09/30/2025	Fair market value every 5 years	2.65%	$ 770.42
	Land		Four 5-year	11/30/2046	Fair market value every 5 years	3.71%	$ 745.00
	Land		None	07/31/2026	CPI increase every 5 years	2.65%	$ 730.05
	Water		Two 5-year	01/31/2035	Based on moorage	3.71%	$ 718.67
	Land		Two 5-year	10/31/2033	Fair market value every 5 years	3.71%	$ 682.20
	Land		Two 5-Year	10/31/2034	Fair Market Value every 5 years	3.71%	$ 658.85
	Land		None	08/31/2048	Fair market value every 5 years	5.94%	$ 658.85
	Dock		One 10-year	12/31/2039	Fair market value every 5 years	3.71%	$ 656.30
	Moorage		None	06/30/2025	Fair market value every 5 years	2.65%	$ 637.60
	Land/Water/Easement		Eleven 5-year	03/31/2079	Fair market value every 5 years	3.71%	$ 624.96
	Land		Two 5-year	02/29/2036	Fair market value every 5 years	3.71%	$ 607.93
	Land		Four 5-year	11/30/2046	Fair market value every 5 years	3.71%	$ 595.96
	Dock		One 10-year	12/31/2039	Fair market value every 5 years	3.71%	$ 583.34
	Dock		Two 5-year	12/31/2039	Fair market value every 5 years	3.71%	$ 552.67
	Land		Two 5-year	12/31/2034	Fair market value every 5 years	3.71%	$ 518.89
	Land		Two 5-year	03/31/2036	Fair market value every 5 years	3.71%	$ 518.89
	Land		Two 5-year	03/31/2024	Fair market value every 5 years	3.71%	$ 516.97
	Land		Two 5-year	03/31/2034	Fair market value every 5 years	3.71%	$ 509.10
	Land		One 5-year	03/31/2028	Fair market value every 5 years	3.16%	$ 499.13
	Land		Four 5-year	04/30/2053	Fair market value every 5 years	3.71%	$ 492.39
	Whs		None	04/30/2026	Fair market value every 5 years	2.65%	$ 468.00
	Land		None	05/31/2025	Fair market value every 5 years	2.65%	$ 458.97
	Land		Three 5-year	01/31/2042	Fair market value every 5 years	3.71%	$ 450.14
	Land		Five 5-year	03/31/2050	Fair market value every 5 years	3.71%	$ 441.00
	Land		Seven 5-year	10/31/2058	Fair market value every 5 years	3.71%	$ 431.20
	Land		One 5-year	03/31/2048	Fair market value every 5 years	5.94%	$ 413.31
	Land		One 5-year	06/30/2026	Fair Market Value in 2027 between 10-15%	4.62%	$ 400.00
	Colo		None	11/30/2023	No annual increase	2.65%	$ 395.00
	Land		Eleven 5-year	11/30/2078	Fair market value every 30 months	3.71%	$ 391.73
	Dock		Two 5-year	12/31/2039	Fair market value every 5 years	3.71%	$ 373.35
	Water		None	04/30/2024	DNR Formula for water dependent use every 5 years	2.65%	$ 358.80
	Land		One 5-year	04/30/2031	Fair market value every 5 years	4.82%	$ 308.23
	Land		None	01/31/2023	Fair market value every 5 years	2.65%	$ 297.41
	Land		One 5-year	05/31/2030	Fair market value every 5 years	3.16%	$ 296.57
	Land		Ten 5-year	04/30/2052	Fair market value every 5 years	3.71%	$ 270.00
	Land		None	10/31/2025	Fair market value every 5 years	2.65%	$ 252.94
	Land		One 5-year	04/30/2026	Fair market value every 5 years	4.62%	$ 250.00
	Land		None	11/30/2025	Fair market value every 5 years	2.65%	$ 203.37
	Water		One 5-year	12/31/2031	Fair market value every 5 years	3.16%	$ 165.13
	Land		None	12/31/2043	Fair market value every 5 years	3.71%	$ 144.17
	Whs		None	03/31/2025	Fair market value every 5 years	2.65%	$ 141.00
	Water System Lease		Two 10-year	08/31/2052	Annual CPI Increase	3.71%	$ 117.66
	Land		Three 5-year	05/31/2046	No annual increase	3.71%	$ 74.37
	Land		One 5-year	06/30/2102	Fair market value every 5 years	3.71%	$ 10.00
Commercial	Land		Two 5-year	01/31/2060	Fair market value every 5 years	3.71%	$ 7,330.15
	Bldg Lease		None	11/30/2027	Fair market value every renewal	3.16%	$ 6,713.34
	Land/Whs		None	10/31/2025	Fair market value every 5 years	2.65%	$ 4,056.62
	Office		Two 5-year	03/31/2038	Fair market value every 5 years	3.71%	$ 3,145.60
	Office		None	09/30/2023	Fair market value every 5 years	2.65%	$ 775.34
	Office		One 5-year	09/30/2033	Fair market value every 5 years	3.71%	$ 743.69
	Land/Ofc		Two 5-year	12/31/2025	Fair market value every 5 years	2.65%	$ 453.82
	Bldg Lease		Two 10-year	12/31/2023	Annual CPI Increase	2.65%	$ 381.00
	Dock		Two 5-year	12/31/2039	Fair market value every 5 years	3.71%	$ 105.09

Total amount of deferred inflow of resources recognized in 2023 was $4.1 million which includes $2.2 million of lease revenue, and $1.8 million of interest revenue. As of December 31, 2023, minimum future lease revenue receivable principal and interest payments are as follows:

Year Ended 12/31	Principal	Interest	Total
2024	$2,005,370	$1,902,812	$3,908,182
2025	2,000,356	1,831,934	3,832,290
2026	1,967,951	1,760,187	3,728,138
2027	1,895,567	1,690,006	3,585,573
2028	1,851,240	1,620,983	3,472,223
2029-2033	8,329,907	7,122,416	15,452,323
2034-2038	7,884,117	5,549,990	13,434,107
2039-2043	5,377,576	4,213,624	9,591,200
2044-2048	2,877,072	3,361,886	6,238,958
2049-2053	2,343,491	2,881,385	5,224,876
2054-2058	2,645,626	2,380,530	5,026,156
2059-2063	2,431,652	1,878,013	4,309,665
2064-2068	2,438,721	1,393,411	3,832,132
2069-2073	2,342,240	931,613	3,273,853
2074-2078	1,959,390	485,365	2,444,755
2079-2083	1,291,596	147,371	1,438,967
2084-2088	332	268	600
2089-2093	399	201	600
2094-2098	480	120	600
2099-2103	393	27	420
Total	$49,643,473	$39,152,143	$88,795,617

NOTE 9 - LONG-TERM DEBT

A. Long-Term Debt - The Port's long-term debt consists of bonds and loans for facility improvements, asset acquisition and expansion. As of December 31, 2023, contracts payable totaled $2,512,823, revenue bonds payable (direct placements) were $1,929,000 and general obligation bonds payable (direct placements) were $9,853,580.

B. General Obligation and Revenue Bonds -

Bonds issued and outstanding as of December 31, 2023 are as follows:

2021 Limited Tax General Obligation and Refunding Bonds (Series B) (direct placement), par amount $7,436,535, were issued to Cashmere Valley Bank October 7, 2021 to refund the Port's 2011 outstanding LTGO Series C bonds and to finance expansion design of rail and improvements in the Port's marine terminal cargo yard. All issued and outstanding 2011 LTGO Series C bonds were called on October 7, 2021. Proceeds from the 2011 LTGO Series C bonds were used to finance expansion of rail in the Port's marine terminal cargo yard. The 2021 LTGO Series B bonds bear interest payable semi-annually at rates of 1.45% to 1.737%, and are due in annual installments of $124,000 to $1,292,900 through 2030.

2021 Limited Tax General Obligation and Refunding Bonds (Series C), par amount $3,357,435 were issued to Cashmere Valley Bank October 7, 2021 to refund the Port's 2011 outstanding LTGO Series B bonds and to finance improvements at the Satsop Business Park, Port's main office, and Westport Marina, reserved for general government purposes. All issued and outstanding 2011 LTGO Series B bonds were called on October 7, 2021. Proceeds from the 2011 LTGO Series B bonds were used to finance various improvements at the Port's airport and marina, the acquisition of administrative and maintenance equipment, and the acquisition of land in Hoquiam, Washington, reserved for general government purposes. The 2021 LTGO Series C bonds bear interest payable semi-annually at rates of 4.5% to 5.75%, and are due in annual installments of $27,813 to $1,320,712 through December 2031.

The Port's Revenue Bonds from direct placements of $2,785,000, were issued to Timberland Bank June 23, 2020 to finance the purchase of a 55-acre rail-served, industrial waterfront site adjacent to the Port's Marine Terminal 4 in Aberdeen, Washington. The revenue bonds from direct placements bear interest payable semi-annually at 2.5%, and are due in annual installments of $303,275 to $304,700 through 2030.

In 2023, the U.S. Army Corps of Engineers fiscally closed the Deeper Draft Project. As the local sponsor under the Project Partnership Agreement, the Port is obligated to reimburse the U.S. Treasury an amount equal to 10% of the General Navigation Features. The total amount owed to the U.S. Treasury is $1,170,728. The Army Corps of Engineers agreed to a long term amortization of this amount over 30 years.

The following is a summary of bonds payable as of December 31, 2023:

	Current Portion	Long-Term Portion	Bal. Payable 12/31/2023
General Obligation Bonds			
(Direct Placements with Cashmere Valley Bank)			
2021 LTGO Refunding Series B	$1,186,230	$5,309,915	$6,496,145
2021 LTGO Refunding Series C	-	3,357,435	3,357,435
Total GO Bonds	1,186,230	8,667,350	9,853,580
Revenue Bonds (Direct Placements)			
Timberland Bank	256,000	1,673,000	1,929,000
Total Revenue Bonds	256,000	1,673,000	1,929,000
Total Bonds Payable	$1,442,230	$10,340,350	$11,782,580

As of December 31, 2023, the annual debt service requirements to maturity for the general obligation and revenue bonds outstanding are as follows:

Year	GO Bonds		Revenue Bonds (Direct Placements)	
	Principal	Interest	Principal	Interest
2024	$1,186,230	$134,483	$256,000	$48,225
2025	1,203,430	117,283	262,000	41,825
2026	1,220,880	99,833	268,000	35,275
2027	1,200,165	120,548	275,000	28,575
2028	1,222,720	97,993	283,000	21,700
2029-2031	3,820,155	141,981	585,000	22,025
Totals	$9,853,580	$712,121	$1,929,000	$197,625

C. Contracts -

Long-term contracts payable outstanding as of December 31, 2023 are as follows:

	Current Portion	Long-Term Portion	Bal. Payable 12/31/2023
Contracts Payable			
Contracts and Notes			
2004 CERB Loan (Warehouse H Expansion)	$10,043	$10,144	$20,187
2007 CERB Loan (Satsop Warehouse Construction)	69,019	-	69,019
2010 CERB Loan (Terminal 1 Berth Enhancements)	45,500	318,500	364,000
2011 CERB Loan (Marine Terminal Rail, Phase 1)	111,111	777,778	888,889
2023 Army Corps of Engineers (Deeper Draft)	94,972	1,075,756	1,170,728
Total Contracts Payable	$330,646	$2,182,177	$2,512,823

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

	Contracts Payable	
Year	Principal	Interest
2024	$330,646	$51,819
2025	199,367	16,238
2026	189,712	15,647
2027	190,209	15,151
2028	190,713	14,647
2029-2051	1,412,177	178,864
TOTALS	$2,512,823	$292,365

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

	Restated Beginning Balance 1/1/2023	Additions	Reductions	Ending Balance 12/31/2023	Due Within One Year
GO Bonds Payable (Direct Placements)	$ 11,023,420	$ -	$ 1,169,840	$ 9,853,580	$ 1,186,230
Revenue Bonds Payable (Direct Placements)	2,178,000	-	249,000	1,929,000	256,000
Premiums/(Discounts)	-	-	-	-	-
Total Bonds Payable	13,201,420	-	1,418,840	11,782,580	1,442,230
Contracts Payable	1,577,325	1,170,728	235,231	2,512,822	330,646
Compensated Absences	817,927	767,764	528,277	1,057,414	198,184
Contingency Reserves	1,136,000	-	366,750	769,250	769,250
Unearned Lease Revenue	104,063	-	8,736	95,327	8,737
DRS Net Pension Liability	880,751	-	155,641	725,110	-
Bar Pilots Retiree Total Pension Liability	1,096,792	110,124	96,421	1,110,495	63,913
Total OPEB Liability	3,037,719	-	461,731	2,575,988	79,552
Leased Asset Payable	45,768	-	14,087	31,680	14,383
SBITA	-	80,234	31,099	49,135	26,110
TOTALS	21,897,766	$ 2,128,850	$ 3,316,813	$ 20,709,801	$ 2,933,005

NOTE 10 – OPEB DEFINED BENEFIT PLAN

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement No. 75 for the year 2023.

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	$2,575,988
OPEB assets	-
Deferred outflows of resources	39,776
Deferred inflows of resources	-
OPEB expenses/expenditures	$ (375,902)

OPEB Plan Description

- **A.** The Port participates in the Public Employees Benefit Board (PEBB) health plan administered by the State of Washington Health Care Authority. It is a multiple employer plan which provides both active employee benefits and elective post-employment benefits. Port retirees are eligible to participate in the group plan on a self-pay basis.
- **B.** Regular full time Port employees and their families are eligible to participate in the PEBB. Benefits include medical/dental insurance, life insurance and long-term disability insurance. Port retirees are eligible to participate in the group plan on a self-pay basis. The benefit terms provided by the Port are established by Resolution and may be amended by the Port Commissioners.
- **C.** At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	-
Active employees	57
Total	79

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

Assumptions and Other Inputs

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

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
Total OPEB Liability	$2,201,615	$2,575,988	$3,048,006

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

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB Liability	$2,995,732	$3,037,719	$2,235,180

Changes in the Total OPEB Liability

Public Employee Benefits Board OPEB	
Total OPEB Liability at 1/1/2023	**$3,037,719**
Service Cost	82,949
Interest	108,966
Changes in benefit terms	-
Changes in experience data and assumptions	(567,817)
Benefit payments	(85,829)
Other changes	-
Total OPEB Liability as of 12/31/2023	**$2,575,988**

A. The measurement date of the OPEB liability is June 30, 2023. The alternative method was used in place of an actual valuation.

B. A total OPEB expense of ($375,902) was recognized during the reporting period.

C. The balance of deferred outflows of resources related to OPEB is $39,776.

D. Other assumptions include:

Discount Rate [1]	
Beginning of Measurement Year	3.54%
End of Measurement Year	3.65%
Projected Salary Changes	"3.25% + Service-Based Increases"
Healthcare Trend Rates [2]	Initial rate ranges from about 2-16%, reaching an ultimate rate of approximately 3.8% in 2075.
Mortality Rates	
Base Mortality Table	PubG.H-2010 (General)
Age Setback	0 Years
Mortality Improvements	MP-2017 Long-Term Rates
Projection Period	Generational
Inflation Rate[3]	2.35%
Post-Retirement Participation Percentage	60%
Percentage with Spouse Coverage	45%

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

[2] Trend rate assumptions vary by medical plan. For additional detail on the healthcare trend rates, please see PEBB OPEB Healthcare Trend Assumptions webpage.

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

The Port used the Alternative Measurement Method (AMM) Tool provided by the Office of the State Acutary that allows employers with fewer than 100 members to determine their OPEB liability under the Governmental Accounting Standards Board Statement No. 75. The AMM Online tool was prepared with a valuation date of June 30, 2023. In order to estimate the total OPEB liability as of the beginning of the measurement period, the total OPEB liability was projected backwards to the measurement date of June 30, 2022. For the backward projection of liability, the AMM Online tool reflected the estimated service cost, assumed interest, and expected benefit payments. The Office of the State Actuary actuarial reports relied upon for purposes of the AMM Online tool are as follows:

- OPEB Actuarial Valuation for the State's June 30, 2023 fiscal year-end.

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

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

- 3/4 of members select a Uniform Medical Plan (UMP) and 1/4 select a Kaiser Permanente (KP) plan.

- Estimated retirement service for each active member based on the average entry age of 35, with a minimum service of 1 year.
- Assumptions for retirement, disability, termination and mortality are consistent with the most recent PEBB OPEB valuation of the publication date of this tool.
- Assumed Plan 2 decrement rates.
- Assumed all employees are retirement eligible at age 55 and all employees retire by age 70.
- Based on an average expected retirement age of 65, active mortality rates for ages less than 65 and retiree mortality rates for ages 65+ were applied.
- Each member is assumed to be a 50/50 male/female split.
- Assumed a 45% likelihood that current (and future) retirees cover a spouse.
- The age-based members selected were based upon the overall distribution of state employees and retirees that participate in PEBB.
- Dental benefits were not included when calculating the total OPEB liability as they represent less than 2 percent of the accrued benefit obligations when last reviewed. They will continue to be monitored for impact and may be considered in the future updates of the tool.

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

At December 31, 2023, the Port of Grays Harbor reported deferred outflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	
Differences between expected and actual experience	$ -
Changes of assumptions	-
Payments subsequent to the measurement date	39,776
Total	$39,776

Deferred outflows of resources of $39,776 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2023.

NOTE 11 - PENSION PLANS

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	($1,835,605)
Pension assets	$1,681,280
Deferred outflows of resources	$1,394,338
Deferred inflows of resources	($940,430)
Pension expense/expenditures	($317,177)

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

The DRS, a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)
PERS members include elected officials; state employees; employees of 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 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 two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. 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. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. 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 percent. 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 the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

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

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. 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.

<u>Contributions</u>

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The 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 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

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

The Port's actual PERS plan contributions were $221,945 to PERS Plan 1 and $421,033 to PERS Plan 2/3 for the year ended December 31, 2023.

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:** 7.0%

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

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR).

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

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

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

Estimated Rates of Return by Asset Class
The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

Sensitivity of Net Pension Liability/(Asset)
The table below presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$1,013,033	$725,110	$473,820
PERS 2/3	$1,828,593	($1,681,280)	($4,564,862)

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

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2023, the Port reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$ 725,110
PERS 2/3	(1,681,280)
Total	$(956,170)

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

	Proportionate Share 6/30/2022	Proportionate Share 6/30/2023	Change in Proportion
PERS 1	0.031632%	0.031765%	0.000133%
PERS 2/3	0.041168%	0.041020%	(0.000148%)

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 except LEOFF 1.

Pension Expense
For the year ended December 31, 2023, the Port recognized pension expense for state-sponsored pension plans as follows:

	Pension Expense
PERS 1	$(751)
PERS 2/3	(206,302)
Total	$(207,053)

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:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (81,796)
Contributions subsequent to the measurement date	105,620	-
Total	$ 105,620	$ (81,796)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 342,475	$ (18,785)
Net difference between projected and actual investment earnings on pension plan investments	-	(633,608)
Changes of assumptions	705,859	(153,850)
Changes in proportion and differences between contributions and proportionate share of contributions	11,513	(52,391)
Contributions subsequent to the measurement date	228,871	-
Total	$1,288,718	$(858,634)

PERS 1 & PERS 2/3 Combined	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 342,475	$ (18,785)
Net difference between projected and actual investment earnings on pension plan investments	-	(715,404)
Changes of assumptions	705,859	(153,850)
Changes in proportion and differences between contributions and proportionate share of contributions	11,513	(52,391)
Contributions subsequent to the measurement date	334,491	-
Total	$1,394,338	$(940,430)

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended 12/31:	PERS 1
2024	$ (55,650)
2025	(69,987)
2026	43,153
2027	689
Total	$(81,796)

Year ended 12/31:	PERS 2/3
2024	$ (310,510)
2025	(376,076)
2026	510,815
2027	182,670
2028	186,145
Thereafter	8,169
Total	$201,213

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

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

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

There are no assets accumulated in a qualifying trust:

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

Senate Bill 6519 passed by the Washington State Legislature and signed by the Governor on March 15, 2018 provides specific authority for the Port to establish and collect a specific tariff charge to then pass thru and make retirement expense payments to the former Grays Harbor Bar Pilots with service prior to 2001 until such expenses are no longer owed. The Port paid $96,421 in benefits to Bar Pilot Retirees in 2023.

Contributions

There are no contributions made by the employee or the employer for the Bar Pilot Retiree Benefits. However, the Port does charge a tariff of $450 per pilot assignment to help defray the cost of the Bar Pilot Retiree Benefits. In 2023, there were 254 jobs resulting in $114,300 to help cover Bar Pilot Retiree Benefits.

Actuarial Assumptions
The total pension liability (TPL) for the Bar Pilot Retiree Benefit was determined using the most recent actuarial valuation completed in 2022 with a valuation date of December 31, 2023.

Discount Rate
A discount rate used to measure the total pension liability for the Bar Pilot Retiree Benefit was 3.25 percent.

Sensitivity of Total Pension Liability/Asset
The table below represents the Port's total pension liability for the Bar Pilot Retiree Benefits using the discount rate of 3.25 percent, as well as what the Port's pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.25 percent) or 1-percentage point higher (4.25 percent) than the current rate.

	1% Decrease (2.25%)	Current Discount Rate (3.25%)	1% Increase (4.25%)
Bar Pilots Retiree Benefit	$1,199,843	$1,110,495	$1,032,721

Changes in the Total Pension Liability
At December, 31, 2023, the Port reported total pension liability of $1,110,495 for the Bar Pilot Retiree Benefit.

	Total Pension Liability
Balance at 1/1/2023	$1,096,792
Changes for the year:	
Service Cost	32,187
Interest	40,529
Changes in Benefit Terms	-
Differences between expected and actual experience	-
Changes of assumptions	37,408
Benefit payments	(96,421)
Net Changes	13,703
Balance at 12/31/2023	$1,110,495

Actuarial Methods and Assumptions

Relevant Dates

- Actuarial Valuation Date December 31, 2023
- Measurement Dates December 31, 2023
- Fiscal Year Ends December 31, 2023

Actuarial Cost Method

- Entry Age Normal, level percent of salary

Assumptions

Interest Rate for Discounting Future Liabilities

- December 31, 2023: 3.25% per year, based on all years discounted at a municipal bond rate (based on Bond Buyer 20-Bond General Obligation Index as of December 31, 2023).
- Assumed Form of Payment: 50% Joint & Survivor annuity if married, Life Annuity if single
- Assumed Commencement Date: Termination/retirement date
- Mortality: Pre-Retirement - None. Post-Retirement – RP-2014 Total Dataset Mortality Adjusted to 2006, projected fully generationally with Scale MP-2021.
- Distributive Income Growth: 3% per year
- Turnover Rates: Turnover Table T-1 with a minimum of 0.5% per year.
- Retirement Rates: 55-59 (2%), 60-61 (5%), 62-64 (15%), 65-69 (30%), 70 (100%)
- Disablement Rates: None assumed
- Future Service: All Pilots are expected to complete a full year of service in each future year of employment.

Changes Since Prior Valuation

- The interest rate for discounting future liabilities was increased from 0.5% to reflect current municipal bond rates.
- The mortality improvement scale was updated to reflect the most recently available scale.

At December 31, 2023, the Port did not report deferred outflows of resources or deferred inflows of resources related to pensions from the Bar Pilots Retiree Benefits.

NOTE 12 - POLLUTION REMEDIATION OBLIGATIONS

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

A. Chevron Oil Site (Westport, WA) –Project is to decommission aboveground storage tank (AST) and soils remediation. Since 2022, Chevron has been leading site review, monitoring and cleanup work, with Port receiving quarterly reports.

Chevron is a former tenant of the site, and had been taking full responsibility for all monitoring and cleanup work. During 2014, Chevron asserted that the Port is responsible for the AST removal, and that Chevron's liability is limited to the time they were a tenant. The Port remains in negotiations with Chevron over final cleanup responsilbility, which as been delayed due to Chevron staffing changes. In 2015, the Port commissioned Stantec Consulting Services, Inc. to provide a cleanup plan with cost estimates, which totaled $357,551. This number has been adjusted for inflation to $504,000 and has been recorded as a contingent liability as of December 31, 2023.

The Port will continue to pursue financial participation by Chevron, but we are not able to estimate the outcome of those negotiations. The expected range of participation is $220,000 to $300,000. Negotiations with Chevron have progressed much slower than anticipated. The Port expects to complete negotiations in 2024 and decommission the AST. Final cleanup schedule is not known.

B. Hungry Whale Site (Westport, WA) – This site is currently and has been historically used by tenants operating a vehicle fuel facility. During 2007, the Port of Grays Harbor, in cooperation with the Washington State Department of Ecology (DOE), completed an environmental site assessment and developed the phase 1 remediation plan.

In 2016, the Port worked with DOE on an Updated Administrative Order which calls for additional monitoring and a Feasibility Study to determine current conditions and prepare a proposed Cleanup Action Plan with DOE. In 2017, the Port completed additional groundwater monitoring and developed a draft Remedial Investigation and Feasibility Study (RI/FS) and submitted it to Ecology for review. The Port and Ecology agreed to continue working on approval of the RI/FS but place further efforts on hold until funding could be identified.

Applications for Toxics Cleanup Remedial Action Grant funding were submitted in 2017 and 2019 but were not successful. The RI/FS was finalized and approved in 2020 and the cost for the selected alternative estimated at $1.39 million, with the total project cost including engineering, permitting and administration estimated at $1.6 million. The project was selected for supplemental funding in 2020 and a contract was completed in June 2021 with the Port's share of the project cost estimated to be $400,000.

The Port, working with consultants, completed draft SEPA documents and a cleanup action plan that was submitted to Ecology late in 2021. Ecology completed a public review and comment process in July of 2022 and an updated Agreed Order to authorize the approved cleanup action was signed in August of 2022. The Port's consultant developed a draft Engineering Design Report which was approved in December 2022. Updated cost estimates completed during this process determined the project funding would need to be increased by $800,000 to cover the new construction estimates. The Port submitted a request for the additional funding to Ecology which was approved in October 2022. This increased the Port's share to $600,000.

Remediation of groundwater and soil was completed during August through October 2023. Post cleanup reports, including a monitoring plan was submitted to and approved by Ecology. Five monitoring wells destroyed during cleanup were re-established and an initial round of sampling and analysis completed in December 2023. Post cleanup monitoring and reporting will continue through 2028. The Port is also working to establish the required Environmental Covenants, which are required by the grant. The Remedial Action Grant will pay for activities until June 30, 2025.

Estimated remedial liability is $297,000 to complete the grant required activities, with the Port's share being $74,250. The estimated costs for post grant monitoring are $93,000. A total of $167,250 has been recorded as a contingent liability as of December 31, 2023.

C. Faber & Sons Site (Elma, WA) – This site is located at the Satsop Business Park and was leased to a recycling company. The tenant abandoned the site in late-2013 and the Port took immediate steps to protect and clean the site. Project is in a final monitoring phase. During 2017, a modification of the monitoring program to conduct annual testing was approved by the Department of Ecology. Annual sampling was conducted in 2018 through 2022 with levels of contamination reducing in each round. $8,000 has been recorded as a contingent liability for continued monitoring in 2024.

D. Former Harbor Battery Site (Aberdeen, WA) – The site was previously used for industrial purposes and currently listed by the Department of Ecology. Historical assessments and samples of soil and ground water indicated contaminants were present above regulatory cleanup levels.

In 2017, the Port contracted with an environmental consultant to complete an environmental site assessment including the review of existing documentation, the collection of soil samples at nine locations, and the installation of five monitoring wells with initial groundwater sampling. Lab results indicated that only one groundwater site had arsenic concentrations above the cleanup action levels. All other water and groundwater sites were below cleanup levels.

Four quarters of monitoring below MTCA cleanup levels were completed in 2018 and an application for approval under the voluntary cleanup program submitted in 2019. Initial response from DOE indicated additional research and onsite investigation will be needed before a no further action letter can be received.

Without any proposed development to generate revenue, and based on the determination the site does not pose a threat to human or terrestrial health or the environment, the Port has determined not to move forward with the VCP approval. The estimated costs for the additional research and investigation is $75,000, which has been recorded as a contingent liability as of December 31, 2023.

E. 3115 Port Industrial Road (Hoquiam, WA) – The project is to remediate groundwater and soil contamination on the site which was caused by a previous fuels storage development that has been removed. Contamination consists of the remnants of diesel and gasoline which leaked from above ground storage tanks on the site. The contamination was discovered in 2016 by a consultant working for the Port to conduct a Phase I assessment for a proposed new industrial development.

As a result, the site has been added to Ecology's list of contaminated sites, a Phase II assessment completed, and monitoring wells established. The Port has been working with the potential developer to provide information on the location and intensities of contamination to assist in site planning, and has analyzed several options for potential cleanup activities that may be necessary, with or without the development. The potential developer has tabled their project feasibility work.

Groundwater monitoring and additional delineation activities will continue, with future additional remediation work (such as excavation of contaminated soils and groundwater treatment) defined as more specific development plans are identified. In 2017, a vapor intrusion test and report were developed for an existing office structure that came back negative for harmful vapors. The developer has left and the Department of Ecology has agreed that there is no offsite contamination and no active threat to the environment. Estimated cost in 2024 for ongoing monitoring and remediation work is $0. The project could be picked up in the future depending upon potential development plans.

F. IDD1 Site (Hoquiam, WA) - The project is to remediate Dioxin, Metals, Mercury, and Polynuclear Aromatic Hydrocarbons in groundwater and soil on the site which were likely caused by former onsite and offsite activities. Onsite activities include a shingle mill and electric plant, and offsite activities include a fish product reduction facility and adjacent residential community. The site was created by placing dredge material within constructed dikes, which is also a likely source contamination. The contamination was discovered in 2018 by a consultant working for a developer while investigating the potential for creating a mitigation site for wetland and in water impacts for a proposed potash development.

The consultant completed the installation of five groundwater monitoring wells, dug test pits, and sampled and analyzed soils in June 2018. The Port contracted with a consultant to complete a limited Phase II assessment in December 2018. This included a review and confirmation of the previous consultant's findings and reports. The Department of Ecology was notified after the initial sampling results were received and conducted an initial field investigation in March 2019. As a result, the site was added to Ecology's list of contaminated sites.

The developer conducted quarterly groundwater monitoring until the project was abandoned in September 2021. Prior to the developer leaving, the Department of Ecology agreed there was no offsite contamination and no active threat to the environment. No monitoring or remediation activity is planned for 2024. The project could be picked up in the future depending upon potential development plans.

NOTE 13 - PROPERTY TAXES

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

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

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

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

The Port's regular levy for 2023 was $0.2490 per $1,000 on an assessed valuation of $12,050,602,701 for a total regular levy of $3,000,742.

NOTE 14 - RISK MANAGEMENT

The Port is exposed to various risks of loss related to torts; damage to, theft of and destruction of assets or cargo; natural disasters; and employee injuries. To limit exposure, the Port of Grays Harbor purchases property, liability and related insurance coverage annually through a commercial insurance broker which provides coverage against most normal hazards. In comparison to prior years, there were no significant changes in the type and coverage of insurance policies purchased by the Port in 2023. Settlement claims have not exceeded commercial insurance coverage in any of the past three years.

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

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

Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. As of August 31, 2022, there were 527 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

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

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

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is $20 million per occurrence and property coverage limit is $1 billion per occurrence. Enduris offers crime coverage up to a limit of $1 million per occurrence.

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

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

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

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

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

NOTE 15 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The Port is committed under various subscription-based IT arrangements (SBITAs). As of December 31, 2023, the Port has 5 qualifying SBITAs under GASB 96 in which it is acting as a lessee. Beginning in January 2023, the Port entered into a three-year agreement with ClearGov for budgeting software, with annual payments ranging from $13,000 to $13,792. The Port has an agreement with EZLease for lease and SBITA software. The term of this agreement is January 2023 through July 2024, with annual payments ranging from $5,145 to $8,820. The Port has two agreements with KnowBe4, one for HR Compliance Training and one for IT Security Awareness Training. The agreements run from March 2023 through February 2026 and January 2023 through May 2024, respectively, with payments of $56.66 per month for HR Compliance and ranging from $86.04 to $101.24 for IT Security Awareness. The Port has also entered into an agreement with Insight Software for spreadsheet server services. This agreement begins in December of 2023 and ends in November 2026, with annual payments ranging from $7,855 to $9,505.

The 5 agreements did not include interest rates, so the discount rates listed in Note 1(C)7 were applied.

SBITA asset activities for the year end December 31, 2023 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
SBITAs assets being amortized				
SBITAs assets	$-	$80,234	$-	$80,234
Total SBITAs assets being amortized	-	80,234	-	80,234
Less accumulated amortization				
SBITAs assets	-	(23,691)	-	(23,691)
Total accumulated amortization	-	(23,691)	-	(23,691)
Net, SBITAs assets	$-	$56,543	$-	$56,543

As of December 31, 2023, outflows of resources from SBITAs activities were as follows:

Principal payments in 2023	$31,099
Interest expense on leased assets	99
Total	$31,198

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

Year Ended 12/31	Principal	Interest	Total
2024	$26,110	$2,240	$28,350
2025	22,914	1,050	23,964
2026	111	1	111
Total	$49,135	$3,291	$52,425

NOTE 16 – SUBSEQUENT EVENTS

A Complaint was filed in Grays Harbor Superior Court against the Port of Grays Harbor on October 23, 2023, by the Quinault Indian Nation, alleging violations of the State Environment Protection Act against the Port, as Lead Agency, on the Port's notice of action for its Terminal 4 Expansion and Redevelopment Project. The allegations were reviewed and denied. The complaint did not contain a claim for money damages, the relief requested was for (1) completion of an Environmental Impact Statement instead of a Mitigated Determination of Non-Significance and (2) injunctive relief. The Port did not report this as a contingent liability as of December 31, 2023 due to the inability to reasonably estimate the liability. In 2023, the Port retained the services of Connie Sue Martin of Schwabe, William & Wyatt who assisted in negotiating a full settlement on September 25, 2024. The settlement includes an initial payment of $7 million and other ongoing payments after the Terminal 4 Expansion and Redevelopment Project has commenced operations. The Port has adequate reserves to cover this settlement.

A 60-day notice of claim was received by the Port of Grays Harbor from Twin Harbors Waterkeepers alleging violations of the Clean Water Act at the Port's Terminal 2 AGP export facility. The notice was received by the Port on January 25, 2024. The allegations were reviewed and, in most instances, challenged. The Port retained the services of Connie Sue Martin of Schwabe, William & Wyatt who assisted in negotiating a full settlement on September 24, 2024 in the amount of $187,500. The Port has adequate reserves to cover this settlement.

NOTE 17 - UNIQUE AND UNUSUAL TRANSACTIONS

A. Major Receivables – In 2023, $24,155,471 (56.6%) of the Port's operating revenues were billed to two major customers.

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

In 2016, the Corps began construction work on the Grays Harbor Navigation Improvement Project (Project) to deepen the Channel from -36 feet to -38 feet. Total cost of the project was estimated by the Corps at $20 million of which the Port is obligated to fund 25% or $5 million dollars. Before construction began on the Project, the Port was required to transfer its share of the funding to the Corps.

In 2023, the Army Corps of Engineers fiscally closed the Project. A final accounting showed that $17,630,651 was expended on the project with the Port's 25% match being $4,407,662. This left $592,337 remaining as excess Port funding.

As local sponsor under the Project Partnership Agreement the Port is also obligated to reimburse to the U.S. Treasury an amount equal to 10% of the General Navigation Features. A final accounting showed that $17,630,651 was expended on the project with the Port's 10% reimbursement being $1,763,065. When the excess Port funding held by the Army Corps of Engineers was applied to this 10% reimbursement, the total amount owed to the U.S. Treasury was $1,170,728. The Port reached an agreement to reimburse this amount to the U.S. Treasury over a period of 30 years.

NOTE 18 - UNEARNED REVENUE

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

Item Description	Issue Year	Amortization Method	Unamortized Amount 12/31/2023
Prepaid lease revenue	1994	Straight-line, 50 year term	$ 34,601
Prepaid lease revenue	1994	Straight-line, 48 1/2 year term	60,726
Prepaid moorage revenue	2022	Straight-line, 1 year term	320,582
Prepaid lease revenue	2022	Straight-line, term varies Based on individual lease terms All 1 year or less	1,126,018
Total Unearned Revenue			**$ 1,541,927**

NOTE 19 – OTHER INFORMATION

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

Operating division data for the year ended December 31, 2023 is presented below (in thousands):

	Marine Terminal	Properties	Satsop Business Park	Marina	Airport	Pilotage Services	Other	Total
NET CAPITAL ASSETS:								
Balance 1/1/2023	$ 38,167	$ 19,941	$ 42,768	$ 10,151	$ 4,547	$ 544	$ 4,591	$ 120,709
Depreciation	(2,123)	(838)	(1,713)	(490)	(358)	(47)	(223)	(5,792)
Additions	4,229	17	2,438	1,799	209	28	(488)	8,232
Dispositions	-	-	(87)	-	(36)	(16)	-	(139)
Transfers*	-	-	-	-	-	-	-	-
Balance 12/31/2023	$ 40,273	$ 19,120	$ 43,406	$ 11,460	$ 4,362	$ 509	$ 3,880	$ 123,010
OPERATING ACTIVITY:								
Operating Revenues	$ 28,269	$ 3,961	$ 2,152	$ 1,887	$ 224	$ 2,027	$ 4,131	$ 42,651
Operating Expenses	(26,562)	(2,663)	(2,431)	(1,597)	(460)	(2,438)	(4,052)	(40,203)
General & Admin Expenses	(1,357)	(219)	(162)	(161)	(39)	(154)	(83)	(2,175)
Depreciation	(2,123)	(838)	(1,713)	(490)	(359)	(47)	(33)	(5,603)
Operating Income (Loss)	(1,773)	241	(2,154)	(361)	(634)	(612)	(37)	(5,330)
NON-OPERATING ACTIVITY:								
Tax Revenues	-	-	-	-	-	-	2,984	2,984
Capital Contributions	-	-	-	-	-	-	4,006	4,006
Non-operating Revenues (net of expenses)	-	-	-	-	-	-	1,505	1,505
NET INCOME (LOSS)	$ (1,773)	$ 241	$ (2,154)	$ (361)	$ (634)	$ (612)	$ 8,458	$ 3,165

B. Fisheries Enhancement/Public Facilities – The Port conducts fishery enhancement activities (aka net pen projects) in Westport and provides public access facilities in Montesano, Hoquiam and Westport that do not generate revenues. In order to accurately report operational activities of the Port's business divisions, costs associated with these activities are reported as non-operating, including depreciation associated with the public access facilities' capital assets. For 2023, expenditures of $95,727 and depreciation expense of $190,204 were included in the total of $285,871.

C. Adjustment to Operating Expenses Reported on the Statement of Cash Flows – Election expenses and other non-operating expenses reported as non-operating on the Statement of Revenue, Expenses, and Changes in Net Position are more accurately reported as operating activities on the Statement of Cash Flows. For 2023, this consists of the following:

Fisheries Enhancement/Public Facilities	$285,871
Elections	37,768
Total	$323,639

PORT OF GRAYS HARBOR

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

As of June 30

Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
PERS 1										
Employer's proportion of the net pension liability (asset) PERS 1	0.002496%	0.000226%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Employer's proportion of the net pension liability (asset) PERS 1 UAAL	0.036874%	0.034676%	0.034278%	0.034512%	0.034665%	0.033272%	0.031599%	0.031632%	0.031765%	
Employer's proportionate share of the net pension liability (asset)	$2,059,417	$1,874,402	$1,626,518	$1,541,318	$1,332,992	$1,174,681	$385,898	$880,751	$725,110	
Covered payroll**	$4,268,154	$4,167,271	$4,256,539	$4,523,824	$4,748,450	$4,639,578	$4,716,091	$4,926,450	$5,272,980	
Employer's proportionate share of the net pension liability as a percentage of covered payroll	48.25%	44.98%	38.21%	34.07%	28.07%	25.32%	8.18%	17.88%	13.75%	
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%	80.16%	
PERS 2/3										
Employer's proportion of the net pension liability (asset) PERS 2/3	0.047658%	0.044372%	0.044093%	0.044065%	0.044811%	0.043039%	0.040638%	0.041168%	0.041020%	
Employer's proportionate share of the net pension liability (asset)	$1,702,848	$2,234,095	$1,532,021	$752,371	$435,267	$550,444	($4,048,199)	($1,526,831)	($1,681,280)	
Covered payroll**	$4,151,702	$4,086,937	$4,256,539	$4,523,824	$4,748,450	$4,639,578	$4,716,091	$4,926,450	$5,272,980	
Employer's proportionate share of the net pension liability as a percentage of covered payroll	41.02%	54.66%	35.99%	16.63%	9.17%	11.86%	N/A	N/A	N/A	
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%	107.02%	

Notes to Schedules:

*Until a full 10-year trend is compiled, the Port will present information only for those years for which information is available.
**Covered payroll is the payroll on which contributions to a pension plan are based.

SCHEDULES OF EMPLOYER CONTRIBUTIONS

As of December 31

Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
PERS 1										
Statutorily or contractually required contributions	$189,367	$200,890	$219,627	$239,605	$251,070	$235,630	$208,202	$201,973	$221,945	
Contributions in relation to the statutorily or contractually required contributions***	$(189,367)	$(200,890)	$(219,627)	$(239,605)	$(251,070)	$(235,630)	$(208,202)	$(201,973)	($221,945)	
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Covered payroll**	$4,167,271	$4,163,901	$4,382,453	$4,543,405	$4,753,163	$4,777,652	$4,638,904	$5,152,161	$6,359,984	
Contributions as a percentage of covered payroll	4.54%	4.82%	5.01%	5.27%	5.28%	4.93%	4.49%	3.92%	3.49%	
PERS 2/3										
Statutorily or contractually required contributions	$240,093	$262,390	$307,697	$354,675	$391,803	$389,050	$346,687	$341,939	$421,033	
Contributions in relation to the statutorily or contractually required contributions***	$(240,093)	$(262,390)	$(307,697)	$(354,675)	$(391,803)	$(389,050)	$(346,687)	$(341,939)	($421,033)	
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Covered payroll**	$4,142,990	$4,163,901	$4,382,453	$4,543,405	$4,753,163	$4,777,652	$4,638,904	$5,152,161	$6,359,984	
Contributions as a percentage of covered payroll	5.80%	6.30%	7.02%	7.81%	8.24%	8.14%	7.47%	6.64%	6.62%	

Notes to Schedules:

*Until a full 10-year trend is compiled, the Port will present information only for those years for which information is available.
**Covered payroll is the payroll on which contributions to a pension plan are based.
***Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions.

SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Washington State Public Employees Benefits Board Plan
As of June 30

Last 10 Fiscal Years*

	2018	2019	2020	2021	2022	2023	2024-2027
Total OPEB liability – beginning	$2,927,877	$2,963,632	$2,921,272	$3,943,393	$3,509,141	$3,037,719	
Service cost	128,676	111,009	103,190	144,330	138,221	82,949	
Interest	108,679	117,888	104,870	89,521	78,090	108,966	
Changes in benefit terms	0	0	0				
Differences between expected and actual experience	(159,554)	(213,837)	870,912	(593,709)	(623,201)	(567,817)	
Changes of assumptions	0	0	0	0	0	0	
Benefit payments	(42,046)	(57,420)	(56,851)	(74,394)	(64,532)	(85,829)	
Other changes	0	0	0	0	0	0	
Total OPEB liability – ending	$2,963,632	$2,921,272	$3,943,393	$3,509,141	$3,037,719	$2,575,988	
Covered payroll**	4,591,193	4,674,258	4,353,926	4,507,691	5,486,897	6,745,561	
Total OPEB liability as a % of covered payroll	64.55%	62.50%	90.57%	77.85%	55.36%	38.19%	

*Until a full 10-year trend is compiled, the Port will present information only for those years for which information is available.
**Covered payroll is all wages and leave time taken paid to OPEB eligible employees.

SCHEDULES OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS

Bar Pilots Retiree Benefits
For the Year Ended December 31

Last 10 Fiscal Years*

	2020	2021	2022	2023	2024-2029
Total Pension liability – beginning	$1,195,728	$1,232,520	$1,196,191	$1,096,792	
Service cost	29,795	35,877	36,953	32,187	
Interest	32,376	24,402	23,699	40,529	
Changes in benefit terms	0	0	0	0	
Differences between expected and actual experience	0	0	86,517	0	
Changes of assumptions	71,042	0	(150,147)	37,408	
Benefit payments	(96,421)	(96,608)	(96,421)	(96,421)	
Other changes	0	0	0	0	
Total Pension liability – ending	$1,232,520	$1,196,191	$1,096,792	$1,110,495	
Covered payroll**	283,723	292,235	300,079	350,000	
Total Pension liability as a % of covered payroll	434.41%	409.33%	365.50%	317.28%	

*Until a 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 68.
**Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5).

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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