Office of the Washington State Auditor
Pat McCarthy

# Financial Statements Audit Report

# Port of Anacortes

**For the period January 1, 2024 through December 31, 2024**

*Published May 29, 2025*

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# Office of the Washington State Auditor
# Pat McCarthy

May 29, 2025

Board of Commissioners
Port of Anacortes
Anacortes, Washington

## Report on Financial Statements

Please find attached our report on the Port of Anacortes 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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**Port of Anacortes**
**January 1, 2024 through December 31, 2024**

Board of Commissioners
Port of Anacortes
Anacortes, 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 Anacortes, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated May 21, 2025.

## 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, State Auditor

Olympia, WA

May 21, 2025

# INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

**Port of Anacortes**
**January 1, 2024 through December 31, 2024**

Board of Commissioners
Port of Anacortes
Anacortes, Washington

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying financial statements of the Port of Anacortes, as of and for the year ended December 31, 2024, 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 Anacortes, as of December 31, 2024, 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 May 21, 2025 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

May 21, 2025

# FINANCIAL SECTION

**Port of Anacortes**
**January 1, 2024 through December 31, 2024**

## REQUIRED SUPPLEMENTARY INFORMATION



## BASIC FINANCIAL STATEMENTS



## REQUIRED SUPPLEMENTARY INFORMATION

The following is the Port of Anacortes' (the Port's) Management Discussion and Analysis of financial activities and performance for the fiscal year ended December 31, 2024, with selected comparative information for the year ended December 31, 2023. Please read it in conjunction with the financial statements and notes to the financial statements, which immediately follow this discussion.

## Introduction

The Port is a Special Purpose Municipal Government, created in 1926 under Title 53 of the Revised Code of Washington. The Port is independent from other local or state governments and has geographic boundaries that consist of Fidalgo, Guemes, Cypress, Sinclair, and other neighboring islands, and a small strip of land bordering Padilla Bay up to and including Samish Island. The Port's primary mission is the fostering of economic development via job creation and maintenance of family wage jobs, while protecting the quality of life, needs, and desires for the citizens of the district.

Five elected Commissioners, elected to four-year terms, serve as the governing body of the Port. The Board of Commissioners appoints an Executive Director to manage Port operations, and a Port Auditor (currently the Director of Finance and Administration) to manage the Port's finances. The Port currently operates with a total of 38 full-time staff and increases its labor force by over 20 people during the summer season to provide service to Marina customers and maintain Port facilities.

Operating revenues are generated from four primary business areas: Airport, Marina, Marine Terminal and Properties. The Anacortes Airport, located 2 miles west of downtown Anacortes, serves as a vital link for postal, commercial, recreational and passenger services, primarily to the San Juan Islands. Classified as General Aviation by the Federal Aviation Administration (FAA) because it is a public-use airport that has fewer than 2,500 passenger boardings per year, the Airport is strategically located for emergency services in the case of natural disasters in the surrounding areas. Building and property leases, hangar rentals, and fuel sales comprise the majority of Airport revenues. The Airport is the smallest of the Port's operating areas, providing about 4% of the Port's total operating revenues in 2024.

Located in Fidalgo Bay and containing nearly 1,000 boat slips, Cap Sante Marina is one of the Northwest's premier boating destinations as well as home to many local and tribal commercial fishermen, tour companies, yacht brokerage firms, and other commercial marine businesses. Proximity to the downtown corridor, exemplary customer service, competitive fuel pricing, and quality amenities result in thousands of visiting boaters throughout the year. Moorage and fuel sales comprise 91% of Marina revenues. Other Marina activity results from its trailer boat launch and RV Park, which was reopened in June 2024 after a significant redevelopment. The Marina currently generates the largest gross revenue for the Port, providing 58% of the operating revenue in 2024.

The Port's Marine Terminal facility consists of three working piers, Pier 1, Pier 2, and Curtis Wharf. Dakota Creek Industries uses Pier 1 for its floating dry dock in support of its shipbuilding and repair operations while a seafood company operates a processing area. In addition, Pier 1 houses the Port's historic Transit Shed. Previously used as a community events center and home to the Port's administrative offices, the Port relocated its administrative staff and Commission meeting room chambers to leased office space and began actively marketing the Transit Shed for commercial maritime use in April 2024. At 37 ½ feet draft, Pier 2 is the Port's deepest pier and includes 14 acres of paved asphalt-cement surfacing, a self-contained stormwater management system, a 460-foot concrete cement frontage pier, and a stationary ship loader.

Pier 2 is primarily used for exporting dry bulk cargoes and houses Transpac Marinas manufacturing facility. Currently, the Port's primary bulk product commodities are petroleum coke and prilled sulfur; both of which are byproducts of the refining process. Curtis Wharf is a working wharf and dock providing periodic vessel moorage to a range of commercial users, including the American Spirit and American Constellation cruise ships. Curtis Wharf is also home to a seafood processing facility. The Marine Terminal provided 30% of the Port's operating revenues in 2024.

Properties consists of building and ground leases not associated with the other three operating areas, private event rental of the Port's Seafarers' Memorial Park Building and Transit Shed (through December 31, 2023), and revenue and expense related to Port-sponsored community events. Approximately 96% of Properties' revenues are determined by already negotiated lease rates with increases set by the consumer price index or by a fixed rate. The remainder of the Properties' revenues comes from venue rentals, and sponsorship and ticket sales for Port-sponsored events. Properties revenues accounted for the remaining 8% of the Port's total operating revenues in 2024.

Public ports in Washington, such as the Port of Anacortes, are municipal special purpose governments and perform their accounting and financial reporting very much like a private business. As indicated by the description of operations above, they collect revenues from services provided to customers and pay for expenses related to those services. Port authorities in Washington state have also been given legislative authority to collect property tax revenues from property owners within the Port district.

Skagit County levies and collects taxes on behalf of the Port of Anacortes at a rate determined by the Commissioners. These tax revenues are used to support public access improvements/amenities, provide financing for industrial land acquisition and development (including environmental costs) and may service the Port's general obligation debt. While ports may use their tax revenue for operating expenses, the Port of Anacortes does not, instead resolving to be self-sufficient from an operating standpoint and retaining tax funds for expansion opportunities and the ability to remain nimble. The Port collected $1.76 million in property taxes in 2024, as reported in non-operating revenues.

Other non-operating revenue sources include grant revenues and cost recoveries for environmental remediation, gain on sale of Port property, interest income from long-term leases in accordance with GASB No. 87, and investment income. The Port is also often the recipient of Federal and State grant awards to assist in paying for capital improvements. In 2024, the Port reported approximately $2.43 million in capital grants.

Non-operating expenses include interest expense on Port debt as well as actual and estimated costs to remediate environmental damage or contamination to Port property. Proactively partnering with Washington State Department of Ecology and historical operators of the Port's industrial properties, the Port has successfully implemented an aggressive cleanup and redevelopment schedule. Since 2008, the Port has completed over $70 million in remediation efforts at its six recognized environmental sites, and three voluntary mitigation sites. Through successful partnerships mentioned above, and its own historical insurance policies, the Port has been extremely successful in obtaining grant contributions and other recoveries to help offset these expenditures, resulting in minimal out-of-pocket cost. Once remediated, the Port returns these properties to commercial industrial use, or to public access/enjoyment. From an accounting standpoint, each year the Port prepares an assessment of the potential remediation costs for which it's likely to be held liable. This assessment, per guidance provided in GASB No. 49, is used to determine the estimated liability to be recorded in the Port's financial statements. Adjustments to the liability over time are recognized through non-operating income or expense and can often impact the Port's bottom line significantly depending on changes to the net liability.

2024 Financial Highlights

- The Port implemented GASB No. 101, *Compensated Absences* which resulted in recognition of a compensated absences liability totaling $769,000 as of December 31, 2024. This is an increase of $363,000 over the liability recognized as of December 31, 2023, which was reported in Accrued Liabilities. Pursuant the new accounting standard, recognition of accrued sick leave expected to be used and salary-related payments were the primary reasons the liability increased significantly.
- The Port entered into a five-year lease, with two one-year options to extend, for administrative offices and Commission meeting room chambers effective January 1, 2024, which was amended in March 2024 to include an additional area for storage space. This lease resulted in recognition of an intangible right to use lease asset and lease liability of $1.04 million.
- Total assets and deferred outflows of the Port exceeded its liabilities and deferred inflows by $69.91 million (reported as total net position). This is an increase of $4.65 million over the prior year.
- The Port received operating revenues totaling $21.31 million, a decrease of 3.2% from 2023.
- Operating expenses rose 5.4% totaling $22.02 million in 2024.
- The Port reported a net operating loss of $(710,000) in 2024, as compared to a net operating income of $1.13 million in 2023.
- Net Non-Operating and Environmental activity totaled $2.94 million in 2024, as compared to $4.28 million in 2023.
- Capital grants totaled $2.43 million and $708,000 in 2024 and 2023, respectively.

## Overview of the Financial Statements

This discussion and analysis serves as an introduction to the Port's financial statements. The Port's financial statements include two components: 1) the Port's basic financial statements, and 2) the notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Port's basic financial statements and follow the financial statements of this report.

The basic financial statements include: the *Statement of Net Position;* the *Statement of Revenues, Expenses, and Changes in Fund Net Position;* and the *Statement of Cash Flows*. The *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position* indicate whether the Port's financial position has improved because of the year's activities. The *Statement of Net Position* provides information on all of the Port's assets, liabilities, and deferred inflows and outflows of resources. The difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources is net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the Port is improving or deteriorating. The *Statement of Revenues, Expenses, and Changes in Fund Net Position* shows how the Port's net position changed during the year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows (accrual basis).

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.

## Financial Analysis

Condensed Financial Position Information

The *Statement of Net Position* reflects the Port's financial position at year-end. Financial position is represented by the difference between assets owned and deferred outflows, and liabilities owed and deferred inflows at a specific point in time. The difference between the two is net position. As previously noted, changes in net position over time can be an indicator of the Port's financial position.

**Assets:**

- Current assets decreased $5.76 million over the prior year; a result of significant capital improvement completed in 2024 with cash on hand.
- Noncurrent assets, which are primarily comprised of long-term lease receivables decreased $573,000 over the prior year. Only one long-term lease, Rainier Welding Partners LLC located at the Port's Bartholomew industrial park property, was modified in 2024. See Note 10 for additional information related to the Port's lessor activities.
- Capital assets, which increased a net of $8.42 million, are discussed in more detail in the Capital Assets and Debt Administration section below.

**Liabilities:**

- Total liabilities decreased $1.40 million over the prior year. The Port made $1.34 million in principal pay downs of its long-term debt, while incurring no new debt.

Overall, total assets and deferred outflows of the Port exceeded its liabilities and deferred inflows by $69.91 million (reported as total net position). This is an increase of $4.65 million over the prior year. The following condensed financial information provides an overview of the Port's financial position for the fiscal years ended December 31:

| | 2024 | 2023 |
|---|---|---|
| Current assets | $ 15,714,247 | $ 21,477,030 |
| Capital assets, net | 74,390,749 | 65,972,736 |
| Other noncurrent assets | 39,048,463 | 39,621,040 |
| **Total Assets** | 129,153,459 | 127,070,806 |
| **Total Deferred Outflows of Resources** | 1,409,750 | 1,142,979 |
| Current liabilities | 4,201,517 | 6,858,941 |
| Noncurrent liabilities | 16,858,506 | 15,604,990 |
| **Total Liabilities** | 21,060,023 | 22,463,931 |
| **Total Deferred Inflows of Resources** | 39,593,063 | 40,491,467 |
| Net Position: | | |
| Net invested in capital assets | 65,975,720 | 57,451,147 |
| Restricted | 1,573,591 | 1,311,193 |
| Unrestricted | 2,360,812 | 6,496,047 |
| **Total Net Position** | $ 69,910,123 | $ 65,258,387 |

Summary of Operations and Changes in Net Position

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* presents how the Port's net position changed during the current fiscal year as a result of operations. The Port employs an accounting method that records revenue and expenses when they are incurred, regardless of when cash is exchanged. Thus, some revenues and expenses reported in this statement may affect future period cash flows.

**Revenues:**

Total operating revenues decreased by $714,000, or 3.2%, over 2023 revenues. A 15% decrease in bulk product exports shipped at the Port's Marine Terminal was the primary contributor to these results.

- Airport revenues decreased $28,000 or 3.5% over the prior year, primarily due to fuel sales. The Port sold just under 82,000 gallons of AvGas and Jet A fuel in 2024, a decrease of 4.4% over the prior year.
- The Marina continues to be a sought-after location for both permanent and guest boaters. The waitlist for permanent moorage held over 450 customers at year-end and guest boater nights exceeded 17,000, metrics consistent with prior year. Fuel sales topped 1.3 million gallons, a 12% volume increase over 2023, however a decrease in the price of gas and diesel resulted in similar gross sales to the prior year. 2024 also saw the grand reopening of the RV Park, just in time for the summer season. Overall, Marina revenues increased $223,000 or 1.8% over the prior year.
- The Port reported 258,094 metric tons of pet coke and prilled sulfur exports in 2024, a decrease of about 15% over the prior year. Presumably to clear year-end inventory, the Port has historically seen a large pet coke vessel in December, which did not occur in 2024. Staff are working with the producer to determine if this is a long-term change in inventory management practices. 2024 Marine Terminal revenues decreased $770,000 or 10.7% over the prior year.
- As part of its Transit Shed and Cap Sante Marina Redevelopment strategy, the Port closed the Transit Shed to events effective December 31, 2023, and relocated administrative staff in 2024 to market the entire building for industrial use. While the Port anticipates a new long-term lease of the Transit Shed in 2025, the space was vacant at year end. Overall, Properties revenues decreased $139,000 or 7.5% over the prior year.

**Expenses:**

- 2024 operating expenses increased $1.12 million or 5.4% over 2023 expenses. While inflationary and market pressures continued to impact expenses such as salaries, utilities, and maintenance supplies, the Port also incurred additional cost advancing various initiatives. Following the October 2023 termination of the former Executive Director, the Port recruited and hired a new leader, who joined the team in August 2024. Additionally, to transition the Transit Shed back to its historical industrial use, pursuant the *2018 Transit Shed and Cap Sante Marina Redevelopment Strategy*, the Port entered into a 5-year lease (before extension options) and relocated its administrative offices to the Anacortes Professional Center. The Port also renewed contracts with legislative lobbyists and communications/public relations consultants to advance its aggressive capital improvement plans and further position itself as leaders in environmental initiatives.

**Non-Operating (including Environmental Activity):**

- Non-operating revenue for the year ended December 31, 2024 was $3.19 million, of which $1.76 million was taxes levied. As stated in the Introduction, property tax funds are not used to support general operations. The 2024 tax levy was approximately $0.16/$1,000 of assessed value, a decrease from the prior year's $0.17/$1,000 rate as a result of assessed valuation outpacing the 1% statutory allowable increase.
- Other non-operating revenues consisted of interest income from investment and lease activity totaling $1.43 million. Information related to the Port's investments is detailed in Note 2 and information related to leases can be found in Note 10.

- Non-operating expense for the year ended December 31, 2024 was $147,000, consisting primarily of interest expense associated with the Port's general obligation bonds, one of which repaid in full in 2024, leaving only one bond outstanding as of December 31, 2024 (see Note 8).
- 2024 environmental expenses and recoveries were primarily comprised of post-construction monitoring and investigative/feasibility work on completed and future projects, respectively. There were no significant changes in estimated future remediation activities. Consequently, the impact to the total estimated liability was a net increase of only $78,000. This increase, combined with the environmental costs incurred, recoveries from grant billings, cost share agreements, and historical insurance policies resulted in a net loss of $(108,000) for environmental activities for the year ended December 31, 2004 (see Note 12).

The table below summarizes the operations and change in net position for fiscal years ending December 31:

| | 2024 | 2023 |
|---|---|---|
| Airport | $ 761,573 | $ 789,189 |
| Marina | 12,418,603 | 12,195,919 |
| Marine Terminal | 6,413,325 | 7,182,886 |
| Properties | 1,712,795 | 1,851,962 |
| **Total Operating Revenues** | 21,306,296 | 22,019,956 |
| | | |
| General operations | 12,279,914 | 12,237,241 |
| Facilities | 1,638,236 | 1,556,325 |
| General and administrative | 4,978,472 | 4,191,691 |
| Depreciation | 3,119,867 | 2,909,002 |
| **Total Operating Expenses** | 22,016,489 | 20,894,259 |
| | | |
| **NET OPERATING INCOME (LOSS)** | (710,193) | 1,125,697 |
| | | |
| Non-operating revenues | 3,189,815 | 3,549,918 |
| Non-operating expenses | (146,718) | (163,135) |
| Net environmental activities | (107,792) | 893,979 |
| **Total Non-Operating and Environmental** | 2,935,305 | 4,280,762 |
| | | |
| **INCOME BEFORE CAPITAL GRANTS** | 2,225,112 | 5,406,459 |
| | | |
| Capital grants | 2,426,624 | 708,062 |
| | | |
| **INCREASE IN NET POSITION** | 4,651,736 | 6,114,521 |
| **NET POSITION – BEGINNING OF PERIOD** | 65,258,387 | 59,143,866 |
| **NET POSITION – END OF PERIOD** | $ 69,910,123 | $ 65,258,387 |

## Capital Assets and Debt Administration

Capital Assets

The Port's capital assets include land, facilities (structures/buildings), equipment, leasehold improvements, construction in progress, and intangible right-to-use lease and subscription assets. The Port's net capital assets as of December 31, 2024 totaled $74.39 million (net of accumulated depreciation and amortization). This is a net increase of $8.42 million over the prior year and results from capital asset purchases and/or progress/completion of capital improvement projects, offset by current year depreciation expense.

The most significant project completed in 2024 was the Cap Sante Marina North Basin Redevelopment project. Totaling approximately $7 million, and partially funded by Recreation & Conservation Office grants, this project included the new RV Park, a dedicated RV Park restroom and laundry facility, a new, paved and landscaped parking lot (J-K-L Parking Lot), and improvements to the existing North Basin (or M-N-O) Parking Lot. While the M-N-O Parking improvements were completed and placed in service as of December 31, 2023, the remainder of the project elements wrapped up in 2024, with the RV Park grand reopening occurring in June. Another significant project, placed in service in 2024, was the Bartholomew Site Pavement Improvements project. Funded in part by Skagit County Economic Development grants, this $1.25 million project included infrastructure and stormwater improvements, fencing realignment and upgrading of nearly 40,000 square feet of existing gravel surface to asphalt pavement. Bartholomew Industrial Park is home to Rainier Welding Partners, LLC, who, since 2021 have been transitioning their business operations from their Redmond location to Anacortes and in December 2024 executed a lease amendment to encompass the entire industrial park footprint. Major capital purchases in 2024 included new network servers and Laserfiche, a records management solution currently being implemented Port-wide.

The Port also reported $7.92 million in construction in progress as of December 31, 2024. The most significant projects in progress at year-end included roofing improvements to warehouses 2, 3, 7, 9, 10 and 11 located adjacent Pier 1, Marina J-N Dock float repairs (to extend the useful life pending a recapitalization plan), and Curtis Wharf access improvements (funded in part with Skagit County Economic Grants). These projects represented nearly 70% of the construction in progress at year-end and are anticipated to be completed and placed in service in 2025.

Additional information on the Port's capital assets activity and construction commitments may be found in Notes 4 and 5 in the *Notes to the Financial Statements.*

Long-Term Debt

Long-term debt (net of current portion) totaled $5.05 million as of December 31, 2024, consisting of an outstanding general obligation bond, which matures in 2040. This is a decrease of $250,000 over the prior year. No new debt was acquired or issued in 2024, and the Port does not have any outstanding revenue bonds, lines of credit or other bank financing.

The current portion of long-term debt, including accrued interest payable, totaled $309,000 as of year-end.

Additional information on the Port's long-term debt can be found in Note 8 in the *Notes to the Financial Statements*.

## Economic Factors and the 2025 Budget

Economic Factors

- In the 1950's, oil companies built two large refineries near town and today, refining remains the largest industry in the area. Two byproducts generated as a result of the refining process, petroleum coke and prilled sulfur, are shipped via vessel and barge from the Port's Pier 2 Marine Terminal facility to customers in Canada and the Asian markets, under multi-year pricing agreements. The Port is currently evaluating the potential impact of the new Federal administration's tariff policies on these exports. Regardless of the potential impact, the Port's Marine Terminal facility, which also includes Pier 1 and Curtis Wharf, is underutilized. The Port continues to pursue opportunities to diversify its product mix. Access improvements on 2nd Street, from O Ave to the shoreline were underway and slated for completion in early 2025 and are a key development towards potential new business at Curtis Wharf. The Port was also awarded Washington state legislative appropriations of approximately $2.7 million towards modernization options aimed at attracting new opportunities. These options include shore-to-ship power and commercial pump-outs and are included in the Port's 2025 capital improvement plan.

- At the core of the Port's mission is family wage job creation. There are multiple industries located on Port property, providing over 1,100 family-wage jobs. Finding the highest and best use of existing Port properties, acquiring new properties and strategically pursuing grant opportunities are ways in which the Port pursues economic development opportunities.
  - Pursuant a 2021 Port Commission vote to return the warehouse to industrial use, the historic Transit Shed was closed to community events effective December 31, 2023, and the Port's administrative offices were relocated in 2024. The Port is in final lease negotiations with a long-term tenant to utilize the entire building.
  - In 2019, the Port purchased the Rockwell property, zoned Light Manufacturing, next to the Anacortes Airport. Design efforts towards a proposed 30,000 square-foot mixed-use industrial building with up to six loading dock bays are currently underway.
  - With the development of the RV Park and improvements to the parking areas in the Marina's North Basin completed in 2024, the Port has transitioned its focus to the West Basin of the Cap Sante Marina waterfront. The proposed mixed-use development, which is currently undergoing framework plan approval with the City of Anacortes, would include improved parking amenities, public access upgrades, up to six formalized building pads, and enhanced utilities. The Port is also in active discussions with the City of Anacortes to execute an interlocal agreement to partner on design, construction and management of a waterfront events center within this redevelopment plan.
  - In late 2024, the Port, in collaboration with six maritime organizations, were awarded $65 million in federal grants for planning and implementation of clean air programs and zero-emissions equipment. This transformative investment from the United States Environmental Protection Agency's Clean Ports Program marks a major milestone in the Port's ongoing efforts to assess and reduce greenhouse gas emissions, advance electrification, and deliver economic benefits to Anacortes and the greater region.

- Cap Sante Marina, with approximately 17,000 guest boater nights annually, brings more than $10 million in local spending to Anacortes each year. It also supports commercial fishing and many other marine businesses. T-Dock, a publicly accessible commercial dock located in the Marina, with its two hydraulic lifts, is widely used for loading and unloading fishing boats as well as vessels that support Anacortes' two oil refineries and wider maritime economy. It is the only facility of its type on Fidalgo Island and is used regularly by six local Tribes. An August 2022 economic impact study estimates that T-Dock facilities $14 million commercial activity each year. Built in 1977 and approaching the end of its useful life, the Port intends to replace and upgrade T-Dock with a rectangular, 14,250 square feet dock in 2026. To that end, the Port was awarded Washington state legislative appropriations totaling just under $1 million for design & permitting and Federal Port Infrastructure Development Program grant awards of $7.4 million for construction.

- The Port continues to manage its environmental remediation obligations via grant funds in cooperation with the Washington State Department of Ecology. Critical to the ongoing success of the environmental program is the funding of clean-up activities by the Model Toxics Control Act (MTCA), which is funded through several different mechanisms, including a tax assessed on hazardous materials. DOE recognizes the Port's success executing its environmental remediation program, and despite limiting resources, continues to provide the Port with necessary awards to advance Port projects each biennium. The Port has over $12.6 million in available grant awards, guaranteed through June 30, 2025. MTCA funding remains a legislative priority for the Port.

<u>2025 Budget</u>

The 2025 budget reflects total operating revenues of $23.24 million, a 9% increase from 2024 results. The adopted budget includes $550,000 in Federally awarded planning grants towards the Port's environmental initiatives. Removing the grant proceeds, budgeted revenues are roughly 6% ahead of 2024 actual revenues. While no new lines of business have been forecast, the Port anticipates stable occupancy in its leasehold properties, consistent demand for its services and facilities, and rate increases ranging from 2.8-4% based largely on the Consumer Price Index or market rate adjustments pursuant the Port's leases and other agreements. As mentioned above, the new Federal administration's policies on tariffs is evolving information which management is evaluating for potential impact, primarily on the Port's marine terminal activity.

In terms of expenses, the 2025 budget projects operations spending (including depreciation) of $24.20 million, a 10% increase over 2024 actual results. In addition to the Port's ongoing prioritization of continuous improvement, exemplary customer service, technological efficiencies, and the recruitment and retainment of talented professionals, the Port anticipates adding 2.5 full-time equivalent staff members in security, facilities and administrative roles. The budget also includes consultant services to develop long-term strategic planning and policy documents; an effort that both improves the Port's grant-eligibility position and is also responsive to the changing social and economic landscape.

The Commission again levied property taxes at the maximum allowable in 2025 to give the Port the ability to remain nimble as opportunities arise and provide funds for projects that meet the Commission's intent for use of tax funds. Recent property acquisitions and environmental remediation efforts provide opportunities for increased property lease and marine terminal business. This, along with sufficient debt capacity, contributes to positive future cash flow projections and an aggressive five-year capital improvement plan that contemplates approximately $50 million in projects across all operating areas at the Port. The 2025 capital budget, in particular, totals $13.69 million, of which $3.95 million is anticipated to come from grant or legislative appropriations and $5-$6 million from new external debt financing.

## Requests for Information

The Port of Anacortes designed this financial report to provide our citizens, customers, investors and creditors with an overview of the Port's finances. If you have questions or need additional financial information, please visit our website at www.portofanacortes.com or contact Jill Brownfield, Director of Finance and Administration, 317 Commercial Ave, Anacortes, WA 98221 or via phone at 360-293-3134.

**PORT OF ANACORTES**
**STATEMENT OF NET POSITION**
**December 31, 2024**

| | | |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ | 10,481,411 |
| **Other Current Assets** | | |
| Taxes receivable | | 20,450 |
| Accounts receivable (net of allowance for uncollectible) | | 715,215 |
| Interest receivable | | 38,795 |
| Due from others | | 2,148,569 |
| Fuel inventory | | 125,330 |
| Prepaid expenses | | 453,068 |
| Current portion of lease receivable | | 1,561,871 |
| Current portion of environmental remediation | | 169,538 |
| Total Other Current Assets | | 5,232,836 |
| Total Current Assets | | 15,714,247 |
| **Noncurrent Assets** | | |
| *Capital Assets Not Being Depreciated* | | |
| Land | | 22,576,946 |
| Construction in progress | | 7,916,890 |
| Total Capital Assets Not Being Depreciated | | 30,493,836 |
| *Capital Assets Being Depreciated/Amortized* | | |
| Facilities | | 93,712,398 |
| Equipment | | 5,105,484 |
| Leasehold improvements | | 24,831 |
| Intangible right-to-use lease assets | | 1,215,077 |
| Intangible right-to-use subscription assets | | 186,244 |
| Total Capital Assets Being Depreciated/Amortized | | 100,244,034 |
| Accumulated depreciation and amortization | | (56,347,121) |
| Total Net Capital Assets | | 74,390,749 |
| **Other Noncurrent Assets** | | |
| Net pension asset | | 785,540 |
| Lease receivable | | 37,935,872 |
| Environmental remediation | | 327,051 |
| Total Other Noncurrent Assets | | 39,048,463 |
| **TOTAL ASSETS** | **$** | **129,153,459** |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred outflows – pensions | | 1,115,244 |
| Deferred outflows – asset retirement obligation | | 294,506 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | **$** | **1,409,750** |

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

**PORT OF ANACORTES**
**STATEMENT OF NET POSITION**
**December 31, 2024**

| | | |
|---|---|---|
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Warrants payable | $ | 170,253 |
| Accounts payable | | 2,025,774 |
| Accrued liabilities | | 467,901 |
| Unearned income | | 241,387 |
| Interest payable | | 59,159 |
| Current portion of long-term debt | | 250,000 |
| Current portion of lease liability | | 150,702 |
| Current portion of subscription liability | | 50,551 |
| Current portion of compensated absences | | 353,415 |
| Current portion of environmental remediation | | 432,375 |
| Total Current Liabilities | | 4,201,517 |
| **Noncurrent Liabilities** | | |
| General obligation bonds | | 5,045,000 |
| Net pension liability | | 333,619 |
| Asset retirement obligation | | 589,827 |
| Lease liability | | 891,272 |
| Compensated absences liability | | 415,650 |
| Subscription liability | | 38,228 |
| Environmental remediation | | 9,544,910 |
| Total Noncurrent Liabilities | | 16,858,506 |
| **TOTAL LIABILITIES** | **$** | **21,060,023** |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Bond premiums | | 622,318 |
| Deferred inflows – pensions | | 305,083 |
| Deferred inflows – leases | | 38,665,662 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | **$** | **39,593,063** |
| **NET POSITION** | | |
| Net investment in capital assets | | 65,975,720 |
| Restricted | | 1,573,591 |
| Unrestricted | | 2,360,812 |
| **TOTAL NET POSITION** | **$** | **69,910,123** |

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

**PORT OF ANACORTES**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**
**For the Year Ended December 31, 2024**

| | | |
|---|---|---|
| **OPERATING REVENUES** | | |
| Airport | $ | 761,573 |
| Marina | | 12,418,603 |
| Marine Terminal | | 6,413,325 |
| Properties | | 1,712,795 |
| Total Operating Revenues | | 21,306,296 |
| | | |
| **OPERATING EXPENSES** | | |
| General operations | | 12,279,914 |
| Facilities | | 1,638,236 |
| General and administrative | | 4,978,472 |
| Depreciation | | 3,119,867 |
| Total Operating Expenses | | 22,016,489 |
| | | |
| **NET OPERATING LOSS** | **$** | **(710,193)** |
| | | |
| **NON-OPERATING REVENUES** | | |
| Taxes levied | | 1,760,000 |
| Interest income from investment activity | | 674,509 |
| Interest income from leasing activity | | 738,176 |
| Miscellaneous taxes | | 12,426 |
| Gain on disposal of fixed assets | | 4,704 |
| Total Non-Operating Revenues | | 3,189,815 |
| | | |
| **NON-OPERATING EXPENSES** | | |
| Interest expense | | (113,112) |
| Other expense | | (33,606) |
| Total Non-Operating Expenses | | (146,718) |
| | | |
| **ENVIRONMENTAL ACTIVITY** | | |
| Environmental recoveries | | 659,197 |
| Environmental remediation expense | | (689,065) |
| Environmental remediation costs previously accrued | | (77,924) |
| Total Environmental Activity | | (107,792) |
| | | |
| **NET INCOME BEFORE CAPITAL GRANTS** | **$** | **2,225,112** |
| | | |
| Capital grants | | 2,426,624 |
| | | |
| **INCREASE IN NET POSITION** | | **4,651,736** |
| **NET POSITION – BEGINNING OF PERIOD** | | **65,258,387** |
| **NET POSITION – END OF PERIOD** | **$** | **69,910,123** |

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

**PORT OF ANACORTES**
**STATEMENT OF CASH FLOWS**
**For the Year Ended December 31, 2024**

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from customers | $ | 22,244,983 |
| Payments to suppliers | | (14,752,471) |
| Payments to employees | | (5,676,241) |
| Operating grants received | | 26,518 |
| **Net cash provided by operating activities** | | 1,842,789 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Payments for environmental expenses | | (223,896) |
| Receipts from environmental recoveries | | 246,074 |
| Net cash provided by other non-operating income | | 18,294 |
| **Net cash provided by noncapital financing activities** | | 40,472 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Principal payments on general obligation bonds | | (1,340,000) |
| Interest paid on general obligation bonds | | (229,050) |
| Purchases of capital assets | | (11,027,619) |
| Interest paid on lease assets | | (26,837) |
| Interest paid on subscription assets | | (4,127) |
| Cash received from property taxes | | 1,760,269 |
| Interest received on lease agreements | | 736,231 |
| Cash received from capital grants and due from other agencies | | 1,448,465 |
| **Net cash used by capital and related financing activities** | | (8,682,668) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Net interest earned on investments | | 700,118 |
| **Net cash provided by investing activities** | | 700,118 |
| **Net decrease in cash and cash equivalents** | **$** | **(6,099,289)** |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | | 16,580,700 |
| End of year | | 10,481,411 |
| **Decrease in cash and cash equivalents** | **$** | **(6,099,289)** |
| **Reconciliation of operating income to net cash provided by operating activities:** | | |
| Net operating loss | $ | (710,193) |
| Adjustments: | | |
| Depreciation | | 3,119,867 |
| Amortization | | (220,700) |
| Non-cash increase in pension expense | | (390,237) |
| Change in assets and liabilities: | | |
| Decrease in receivables, net | | 1,245,590 |
| Decrease in inventory and prepaids | | 25,978 |
| Decrease in accounts payable | | (1,599,150) |
| Increase in accrued and other liabilities | | 371,634 |
| **Net cash provided by operating activities** | $ | 1,842,789 |

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

**PORT OF ANACORTES**
**NOTES TO THE FINANCIAL STATEMENTS**
**December 31, 2024**

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port of Anacortes was incorporated in 1926 and operates under the laws of the state of Washington applicable to a public port district as a municipal corporation under the provisions of Chapter 53 of the *Revised Code of Washington* (RCW). The financial statements of the Port of Anacortes 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.

A. Reporting Entity

The **Port of Anacortes** (the Port) is a special purpose municipal government providing marine terminal, marina and aviation services fostering economic activity within the district. The Port is supported primarily through user charges, property leases, tariffs, and fees.

The Port is independent from other local or state governments and operates within district boundaries which include the northwest corner of Skagit County. It is administered by a five-member Board of Commissioners (the Commission), each of whom is elected to a four-year term. The Commission delegates authority to an Executive Director and administrative staff who conduct the operations of the Port. Skagit County levies and collects taxes and issues warrants for payment of expenditures on the Port's behalf.

As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The component unit discussed below is included in the district's reporting entity.

The **Industrial Development Corporation of the Port of Anacortes** (the IDC), a public corporation established by the Commission in 1982, is authorized to facilitate the issuance of tax-exempt non-recourse revenue bonds to finance industrial development within the corporate boundaries of the Port. The IDC may construct and maintain industrial facilities, which it leases, or sells to industrial users. Revenue bonds issued by the IDC are payable from revenues derived as a result of the industrial development facilities funded by the revenue bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than industrial facilities for which they are issued.

The Commission governs the IDC. The IDC's account balances and transactions are included as a blended unit within the Port's financial statements and there were no tax-exempt non-recourse revenue bonds outstanding as of December 31, 2024.

B. Basis of Accounting and Reporting

The accounting records of the Port are maintained in accordance with methods prescribed by the Washington State Auditor under the authority of Chapter 43.09 RCW. The Port uses the *Budgeting, Accounting, and Reporting System for GAAP* in the State of Washington. Funds are accounted for on a cost of services or economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position (or balance sheets). Their reported fund position is segregated into net investment in capital assets, restricted, and unrestricted components of net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. The Port discloses changes in cash flows by a separate statement that presents their operating, noncapital financing, capital and related financing and investing activities.

The Port 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 reported on the Statement of Net Position.

The Port distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and facilities in connection with the Port's principal ongoing operations. The principal operating revenues of the Port are facility use charges to customers for marine terminals, the marina, and the airport, as well as industrial and commercial property leases. Operating expenses are expenses for the benefit of customers and include the cost of labor, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Use of Estimates

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

D. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

   It is the Port's policy to invest all temporary cash surpluses. At December 31, 2024, cash on hand and short-term residual investments of surplus cash were $10,481,411. This amount is classified on the Statement of Net Position as cash and cash equivalents.

   For purposes of the Statement of Cash Flows, the Port considers short-term, highly liquid investments, with maturity of three months or less from the purchase date to be cash equivalents.

2. Investments (See Note 2)

3. Receivables

   Taxes receivable consist of property taxes and related interest and penalties (See Note 3, Property Taxes). Interest receivable consists of amounts earned on investments at the end of the year. Accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Receivables have been recorded net of estimated uncollectible amounts. Because property taxes and special assessments are considered liens on property, no estimated uncollectible amounts are established for these items. Allowance for uncollectible amounts consists of the estimated amounts of customer accounts, notes and contracts that will never be collected. Estimated uncollectible amounts for trade receivables are $15,982 as of December 31, 2024.

4. Due from Others
   This account includes amounts owed from governmental grants and other settlements.

5. Fuel Inventory
   Reported fuel inventory is non-ethanol gasoline, diesel fuel, aviation gasoline, and jet fuel held at the Port's marina fuel dock and airport fuel island as of December 31, 2024. Inventory has been valued based on the First In First Out (FIFO) method of accounting, which approximates fair market value.

6. Prepaid Expenses
   Prepaid expenses represent amounts paid in advance for items of future benefit. The amount reported on the Statement of Net Position primarily consists of prepaid insurance for the Port's property and general liability coverage.

7. Capital Assets and Depreciation (See Note 4)
   Capital assets include land, buildings, equipment, improvements, and intangible assets. Capital assets are defined by the Port as assets with an initial, individual cost in excess of $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, where historical cost is not known. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

   Depreciation expense is charged to operations 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 10 years; software and furniture and fixtures 3 to 7 years.

8. Compensated Absences
   In accordance with GASB Statement No. 101, *Compensated Absences*, the Port accrues a liability for compensated absences.

Vacation pay, which may be accumulated up to a 24-month accrual, is payable upon separation of employment or death. Sick leave may accumulate up to 960 hours. Upon separation without cause and a minimum of ten years of service, employees are paid for accumulated sick leave at 50% of their final balance, but not more than 480 hours. At December 31, 2024, the recorded liability for unpaid vacation and sick leave was $769,065 and is included in the Statement of Net Position under Compensated Absences.

9. Unearned Income
At December 31, 2024, the Port held $241,387 in Unearned Income. This amount represents prepayment of rent and will be recognized as revenue in 2025.

10. Long-Term Debt (See Note 8)

11. Leases (See Note 10)
Lessor: The Port is a lessor for non-cancelable leases. 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, or with an initial, individual value of $5,000 or less, revenue is recognized based on the provisions of the lease contract. For all other leases, the Port recognizes a lease receivable and a deferred inflow when the lease commences.

At lease commencement, the lease receivable is initially measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, plus lease payments made at or before the lease commencement date, less any lease incentives paid to, or on behalf of, the lessee at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as lease revenue using the straight-line method over the lease term.

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

- The Port uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

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

Lessee: The Port is a lessee for non-cancelable leases. Leases are contracts that convey control of a right to use an asset over a period that exceeds one year. For leases with a maximum possible term of 12 months or less at commencement, or with an initial, individual value of $5,000 or less, expenses are recognized based on the provisions of the lease contract. For all other leases, the Port recognizes an intangible right-to-use lease asset and a lease liability when the lease commences.

At lease commencement, 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 intangible right-to-use lease asset is initially measured at 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 monthly using the straight-line method over the lease term.

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

- The Port uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Port generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. 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 monitors changes in circumstances that may require remeasurement of a lease liability. When certain changes occur that are expected to significantly affect the amount of the lease, the lease liability is remeasured, and a corresponding adjustment is made to the lease asset.

12. Subscription-Based IT Agreements (SBITAs) (See Note 14)
SBITAs are contracts that convey control of a right to use another party's information technology (IT) software, alone or in combination with tangible capital assets. For subscriptions with a maximum possible term of 12 months or less at commencement, or with an initial, individual value of $5,000 or less, expenses are recognized based on the provisions of the subscription contract or agreement. For all other SBITAs, the Port recognizes an intangible right-to use subscription asset and a subscription liability when the subscription commences.

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

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

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

- The Port generally uses its incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the non-cancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and renewal options that the Port, or subscription vendor, are reasonably certain to exercise. The Port considers factors relevant to its likelihood that it will exercise renewal options, including, but not limited to: changes in technological development, changes in demand for the vendor's IT assets, and the history of exercising options to extend or terminate.

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

13. Pensions (See Note 6)
For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

14. Deferred Inflows/Outflows of Resources
In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, the Port reports separate sections for these items on the Statement of Net Position. Deferred outflows represent a consumption of net assets that applies to a future period(s); conversely, deferred inflows represent an acquisition of net assets that applies to a future period(s).

**NOTE 2 - DEPOSITS AND INVESTMENTS**

A. Treasury Function
At the direction of the Port Auditor, the Skagit County Treasurer is responsible for execution and administration of the Port's deposit and investment accounts, based on the Port's management and investment decisions. A Commission resolution provides general guidance and policy direction for all investments of Port funds. This resolution, in combination with state statutes and the Treasurer's investment policy, serves as the template for the investment of all Port funds.

B. Deposits
The Skagit County Treasurer conducts its general banking through accounts established at its primary bank, Key Bank. The Port has also established direct banking services with Banner Bank. The carrying amount of the Port's deposits was $935,004, and cash on hand was $1,800 on December 31, 2024.

**NOTE 2 - DEPOSITS AND INVESTMENTS** – *continued*

C. Custodial Credit Risk
Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Port would not be able to recover deposits or will not be able to recover collateral securities that are in possessions of an outside party. The Port's bank deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Commission (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington State Public Deposit Protection Commission (PDPC). The FDIC provides protection of Port deposits up to $250,000 with all amounts in excess of $250,000 collateralized through the PDPC pool. The Port has not experienced any losses in its deposit accounts.

D. Investment in the Skagit County Investment Pool (SKIP)
It is the Port's policy to invest all temporary cash surpluses. The Port is a participant in the Skagit County Investment Pool (SKIP), an external investment pool established in 2023 and operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. Investments in the SKIP are reported at amortized cost, which is the same as the value of the pool per share. The SKIP does not impose any restrictions on participant withdrawals.

The SKIP was established to provide county departments as well as eligible government entities within Skagit County a mechanism whereby they may utilize the resources of the County Treasurer to maximize the potential of their surplus funds, in a manner that optimizes safety, liquidity, and return on investment. The SKPI portfolio is a combination of the State Local Government Investment Pool (LGIP) holdings and direct investments in high-quality securities with varying maturities designed to control investment risk and enhance earnings. Pool participants manage their own cash and direct the County Treasurer by written request to deposit or withdraw monies for their investment purposes. The SKIP is designed to provide for withdrawals and contributions by participants as needed.

Investments in the SKIP are subject to the following risks:

- *Interest Rate Risk:* Interest rate risk is the risk the Port may face should interest rate variances affect the fair value of investments.
- *Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Skagit County Treasurer is responsible for managing the SKIP and has adopted formal investment and operating terms and conditions pursuant RCW 36.29.020.

As of December 31, 2024, the Port's cash and cash equivalents, which includes investments measured at amortized cost, were as follows:

| | Amortized Cost | | | |
|---|---|---|---|---|
| Investment Type | Maturities | Port's Own Investment | Investments Held by Port as Agent for Others | Total |
| Skagit County Investment Pool | Less than 1 year | $9,544,607 | $ - | $9,544,607 |
| Cash, non-investment | | 936,804 | - | 936,804 |
| Total | | $10,481,411 | $ - | $10,481,411 |

## NOTE 3 - PROPERTY TAXES

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

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

Property taxes are recorded as a receivable and revenue when levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. (State law allows for the sale of property for failure to pay taxes.) Prior year tax levies were recorded using the same principle, and delinquent taxes are evaluated annually.

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

The Port's regular levy for 2024 was $0.1588 per $1,000 on an assessed valuation of $11,081,269,909 for a total regular levy of $1,760,000. For 2024, the Port collected 99.22% of ad valorem taxes levied.

## NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended December 31, 2024 was as follows:

| | Beginning Balance 12/31/2023 | Increases | Decreases | Ending Balance 12/31/2024 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 22,576,946 | $ - | $ - | $ 22,576,946 |
| Construction in progress | 5,562,964 | 10,936,797 | (8,582,871) | 7,916,890 |
| Total capital assets, not being depreciated: | 28,139,910 | 10,936,797 | (8,582,871) | 30,493,836 |
| Capital assets being depreciated: | | | | |
| Facilities | 85,587,227 | 8,125,171 | - | 93,712,398 |
| Machinery and Equipment | 5,197,049 | 176,438 | (268,003) | 5,105,484 |
| Leasehold improvements | - | 24,831 | - | 24,831 |
| Intangible right to use lease assets | 138,218 | 1,076,859 | - | 1,215,077 |
| Intangible right to use subscription assets | 175,230 | 11,014 | - | 186,244 |
| *Total capital assets being depreciated* | 91,097,724 | 9,414,313 | (268,003) | 100,244,034 |
| Less accumulated depreciation for: | | | | |
| Facilities | 48,904,104 | 2,907,688 | - | 51,811,792 |
| Machinery and Equipment | 4,293,423 | 212,179 | (268,003) | 4,237,599 |
| Intangible right to use lease assets | 40,254 | 174,394 | - | 214,648 |
| Intangible right to use subscription assets | 27,117 | 55,965 | - | 83,082 |
| *Total accumulated depreciation* | 53,264,898 | 3,350,226 | (268,003) | 56,347,121 |
| Total capital assets, being depreciated, net: | $ 37,832,826 | $ 6,064,087 | $ - | $ 43,896,913 |

**NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

The Port has active construction projects as of December 31, 2024. At year-end, the Port's commitments with contractors and consultants on these active construction projects are as follows:

| Project | Contract Amount | Spent to Date | Remaining Commitment |
|---|---|---|---|
| North Basin Docks J thru N Float Repair | $ 490,128 | $ 342,039 | $ 148,089 |
| Curtis Wharf Entrance Redevelopment | 1,263,585 | 609,538 | 654,047 |
| Warehouse Reroofing Improvements | 4,027,809 | 3,975,781 | 52,028 |
| Totals | $ 5,781,522 | $ 4,927,358 | $ 854,164 |

**NOTE 6 - PENSION PLANS**

The following table represents the aggregate pension amounts for all plans for the year 2024:

| Aggregate Pension Amounts – All Plans | |
|---|---|
| Pension liabilities | (333,619) |
| Pension assets | 785,540 |
| Deferred outflows of resources | 1,115,244 |
| Deferred inflows of resources | (305,083) |
| Pension expense/expenditures | (41,311) |

**State Sponsored Pension Plans**

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

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

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

**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.

**NOTE 6 - PENSION PLANS** – *continued*

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that

varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in their defined contribution portion of their plan.

**PERS Contributions**

The PERS Plan 1 member contribution rate is established by State statute at 6%. The PERS 1 employer and PERS Plan 2/3 employer and employee contribution rates are 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 2/3 employer rate includes a component to address 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.

**NOTE 6 - PENSION PLANS** – *continued*

The PERS Plans defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2024 were as follows:

| Employer Contribution Rates | | | | |
|---|---|---|---|---|
| **Timeframe** | **Contribution Rate** | **PERS 1 UAAL** | **Admin Fee** | **Total Employer** |
| January - June | 6.36% | 2.97% | 0.20% | 9.53% |
| July - August | 6.36% | 2.47% | 0.20% | 9.03% |
| September - December | 6.36% | 2.55% | 0.20% | 9.11% |

| Plan | Employee Contribution Rates |
|---|---|
| PERS 1 | 6.00% |
| PERS 2 | 6.36% |
| PERS 3 | Varies: 5%-15% |

The Port's actual PERS plan contributions were $106,170 to PERS Plan 1 and $242,755 to PERS Plan 2/3 for the year ended December 31, 2024.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2024 with a valuation date of June 30, 2023. 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 *2023 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2023 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2024. Plan liabilities were rolled forward from June 30, 2023, to June 30, 2024, 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.
- I**nvestment rate of return:** 7.00%

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

**NOTE 6 - PENSION PLANS** – *continued*

Assumptions did not change from the prior contribution rate setting June 30, 2022 Actuarial Valuation Report (AVR). OSA adjusted their methods for calculating UAAL contribution rates in PERS 1 to reflect the delay between the measurement date of calculated Plan 1 rates and when the rates are collected. OSA made an adjustment to their model to reflect past inflation experience when modeling future COLAs for current annuitants in all plans except PERS Plan 1.

**Discount Rate**

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

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

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) 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, 2024. The inflation component used to create the table is 2.5% 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 | 19% | 2.1% |
| Tangible Assets | 8% | 4.5% |
| Real Estate | 18% | 4.8% |
| Global Equity | 30% | 5.6% |
| Private Equity | 25% | 8.6% |
| | **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% percent, as well as what the Port's proportionate share of the net pension liability or (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

| | 1% Decrease (6%) | Current Discount Rate (7%) | 1% Increase (8%) |
|---|---|---|---|
| PERS 1 | 490,745 | 333,619 | 195,816 |
| PERS 2/3 | 1,416,086 | (785,540) | (2,593,691) |

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

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**
At June 30, 2024, the Port reported its proportionate share of the net pension liabilities or (assets) as follows:

| | Liability or (Asset) |
|---|---|
| PERS 1 | 333,619 |
| PERS 2/3 | (785,540) |

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

| | Proportionate Share 6/30/23 | Proportionate Share 6/30/24 | Change in Proportion |
|---|---|---|---|
| PERS 1 | 0.019462% | 0.018776% | (0.000686)% |
| PERS 2/3 | 0.025157% | 0.023829% | (0.001328)% |

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2024 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, 2024, the Port recognized pension expense as follows:

| | Pension Expense |
|---|---|
| PERS 1 | (21,670) |
| PERS 2/3 | (19,641) |

**Deferred Outflows of Resources and Deferred Inflows of Resources**
At December 31, 2024, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NOTE 6 - PENSION PLANS** – *continued*

| PERS Plan 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ - |
| Net difference between projected and actual investment earnings on pension plan investments | - | (26,695) |
| Changes of assumptions | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | - |
| Contributions subsequent to the measurement date | 48,810 | - |
| **TOTAL** | **$ 48,810** | **$ (26,695)** |

| PERS Plan 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 446,361 | $ (1,819) |
| Net difference between projected and actual investment earnings on pension plan investments | - | (225,113) |
| Changes of assumptions | 433,772 | (49,772) |
| Changes in proportion and differences between contributions and proportionate share of contributions | 66,374 | (1,684) |
| Contributions subsequent to the measurement date | 119,927 | - |
| **TOTAL** | **$ 1,066,434** | **$ (278,388)** |

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, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31: | PERS Plan 1 |
|---|---|
| 2025 | $ (44,179) |
| 2026 | $ 22,697 |
| 2027 | $ (2,403) |
| 2028 | $ (2,810) |
| Thereafter | |
| **TOTAL** | **$ (26,695)** |

| Year ended December 31: | PERS Plan 2/3 |
|---|---|
| 2025 | $ (155,774) |
| 2026 | $ 355,329 |
| 2027 | $ 159,969 |
| 2028 | $ 157,215 |
| 2029 | $ 81,937 |
| Thereafter | $ 69,443 |
| **TOTAL** | **$ 668,119** |

## NOTE 7 - RISK MANAGEMENT

The Port is exposed to various risks of loss related to torts: damage to, theft of and destruction of assets; natural disasters and pandemics; security breaches; and employee injuries. To limit exposure, the Port purchases property, liability and related insurance coverage annually through a commercial insurance broker which is tailored for the risk management needs of public port authorities and provides coverage against most normal hazards. In comparison to prior years, there were no significant changes in the type of coverage and insurance policies purchased by the Port in 2024. Settlement claims have not exceeded commercial insurance coverage in any of the past three years.

The Port participates in the State of Washington Labor and Industries workman's compensation program. However, management has elected to become self-insured through the Washington State Employment Security Department on a reimbursement basis. Unemployment claims are processed by the Washington State Employment Security Department. No reserve for self-insurance has been established as the potential liability is not considered to be material to the financial statements.

The Port provides medical, vision, dental, life, and long-term disability coverage for full-time employees, commissioners, and their eligible dependents through standard plans. The Port does not administer any of these plans.

## NOTE 8 - LONG-TERM DEBT

A. Long-Term Debt
The Port issues general obligation bonds to finance the acquisition or construction of capital assets. Bonded indebtedness has also been entered into in 2020 to advance refund general obligation bonds. General obligation bonds are being repaid by operating revenues.

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

B. General Obligation Bonds
The general obligation bonds currently outstanding are as follows:

| Issue Name and Purpose | Original Issue | Coupon Rate | Last Date of Maturity | Amount Outstanding |
|---|---|---|---|---|
| Limited Tax General Obligation Refunding Bonds, 2020<br>Purpose: Construction and Refunding | $ 8,185,000 | 3.00% - 4.00% | 2040 | $ 5,295,000 |
| **Total General Obligation Bonds** | | | | **$ 5,295,000** |

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

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

| Year Ended December 31, | Principal | Interest |
|---|---|---|
| 2025 | $ 250,000 | $ 172,117 |
| 2026 | 260,000 | 161,983 |
| 2027 | 270,000 | 151,450 |
| 2028 | 280,000 | 140,517 |
| 2029 | 295,000 | 129,117 |
| 2030-2034 | 1,630,000 | 481,783 |
| 2035-2040 | 2,310,000 | 225,450 |
| **Total** | **$ 5,295,000** | **$ 1,462,417** |

**NOTE 9 – CHANGES IN LONG-TERM LIABILITIES**

During the year ended December 31, 2024, the following changes occurred in long-term liabilities:

| | Beginning Balance 12/31/2023 | Additions | Reductions | Ending Balance 12/31/2024 | Due Within One Year |
|---|---|---|---|---|---|
| G.O. bonds payable | $ 6,635,000 | - | $ (1,340,000) | $ 5,295,000 | $ 250,000 |
| Net pension liability | 444,265 | - | (110,646) | 333,619 | - |
| Asset retirement obligation | 568,232 | 21,595 | - | 589,827 | - |
| Environmental remediation | 9,734,150 | 407,777 | (164,642) | 9,977,285 | 432,375 |
| Lease payable | 99,284 | 1,076,859 | (134,169) | 1,041,974 | 150,702 |
| Subscription payable | 125,798 | 11,014 | (48,033) | 88,779 | 50,551 |
| Compensated absences | - | 769,065 | - | 769,065 | 353,415 |
| **Total long-term liabilities** | **$ 17,606,729** | **$ 2,286,310** | **$ (1,797,490)** | **$ 18,095,549** | **$ 1,237,043** |

**NOTE 10 - LEASES**

A. Lessor Activity

The Port owns land and various industrial and commercial buildings which it leases, in full or in part, to a variety of commercial businesses and tenants. Leases subject to GASB No. 87 have a fixed term that exceed one-year. Therefore, moorage, web storage locker, airport hangar, flex-space, and other month-to-month agreements are not included in the GASB 87 calculations or the discussions below.

Most of the Port’s leases begin with an initial term and provide for numerous options to extend, often times at the sole discretion of the lessee. Lease payments, originally negotiated at market rates, are typically adjusted each year upon the anniversary date of the lease execution based on the consumer price index, or other market indexes. While not typical, other variable payments, not included in the measurement of the lease receivable, may include common area maintenance charges or performance based payments, such as additional rent based on minimum gross sales revenues.

**NOTE 10 - LEASES** – *continued*

As of December 31, 2024, there were 25 qualifying leases in which the Port was the lessor.

| Type | Initial Term (in years) | Extension Option Period (in months) | # of Options | Lease End Date |
|---|---|---|---|---|
| Land | 30 | 120 | 2 | 2057 |
| Land | 20 | 120 | 1 | 2035 |
| Land | 30 | 120 | 5 | 2095 |
| Land | 30 | 120 | 5 | 2090 |
| Land | 16 | 120 | 2 | 2046 |
| Buildings | 40 | 60 | 2 | 2065 |
| Land | 30 | 120 | 2 | 2046 |
| Land | 10 | 120 | 2 | 2026 |
| Buildings | 5 | 60 | 2 | 2034 |
| Land | 30 | 120 | 4 | 2079 |
| Land | 30 | 0 | 0 | 2049 |
| Buildings | 4 | 60 | 2 | 2032 |
| Land | 20 | 120 | 1 | 2046 |
| Land | 10 | 60 | 1 | 2038 |
| Buildings | 15 | 60 | 1 | 2030 |
| Buildings | 10 | 0 | 0 | 2031 |
| Buildings | 7 | 0 | 0 | 2031 |
| Land | 30 | 120 | 1 | 2036 |
| Land | 30 | 120 | 2 | 2058 |
| Buildings | 5 | 60 | 2 | 2035 |
| Buildings | 5 | 60 | 2 | 2034 |
| Buildings | 12 | 120 | 3 | 2054 |
| Buildings | 20 | 120 | 1 | 2032 |
| Buildings | 5 | 60 | 2 | 2037 |
| Land | 20 | 120 | 2 | 2048 |

2024 inflows of resources from lease activity were as follows:

| | |
|---|---|
| Lease revenue | $ 1,676,772 |
| Interest income | 738,176 |
| Variable payments | 292,320 |
| **Total** | **$ 2,707,268** |

**NOTE 10 - LEASES** – *continued*

As of December 31, 2024, future lease receivable principal and interest payments are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 1,561,871 | $ 745,099 | $ 2,306,970 |
| 2026 | 1,585,793 | 717,480 | 2,303,273 |
| 2027 | 1,613,127 | 688,297 | 2,301,424 |
| 2028 | 1,642,890 | 658,535 | 2,301,425 |
| 2029 | 1,673,246 | 628,178 | 2,301,424 |
| 2030 - 2034 | 5,838,854 | 2,760,744 | 8,599,598 |
| 2035 - 2039 | 4,554,775 | 2,293,704 | 6,848,479 |
| 2040 - 2044 | 4,857,144 | 1,847,534 | 6,704,678 |
| 2045 - 2049 | 4,229,566 | 1,376,077 | 5,605,643 |
| 2050 - 2054 | 2,983,761 | 1,030,611 | 4,014,372 |
| 2055 - 2059 | 2,891,742 | 728,588 | 3,620,330 |
| 2060 - 2064 | 3,067,394 | 427,421 | 3,494,815 |
| 2065 - 2069 | 788,783 | 227,154 | 1,015,937 |
| 2070 - 2074 | 767,647 | 162,812 | 930,459 |
| 2075 - 2079 | 794,454 | 92,893 | 887,347 |
| 2080 - 2084 | 234,866 | 48,931 | 283,797 |
| 2085 - 2089 | 256,261 | 27,536 | 283,797 |
| 2090 - 2094 | 134,492 | 8,818 | 143,310 |
| 2095 | 21,077 | 205 | 21,282 |
| **Total** | **$ 39,497,743** | **$ 14,470,617** | **$ 53,968,360** |

B. Lessee Activity

The Port leases office space, office equipment and land for an eelgrass mitigation site, which are subject to GASB Statement No. 87 accounting.

The Port leases office space for its administrative offices with an initial term of five years and two one-year options to extend. Final expiration of the lease is December 2030. In 2024, the Port was required to make monthly payments of $11,154.00.

The equipment lease, which includes several large printer/copier machines, expires in March 2027 and requires monthly fixed payments of $1,441.39. The Port also leases dark fiber at a fixed monthly rate of $925.00 that expires in April 2028.

The land lease for the Port's eelgrass mitigation site was for an initial term of 30 years and terminates in August 2036. The Port is required to make variable principal and interest payments of $3,986.28, adjusted annually for inflation and every four-years for re-valuation of water-dependent use in accordance with RCW 79.105.200-.360.

**NOTE 10 - LEASES** – *continued*

Leased asset activity for the year ended December 31, 2024, was as follows:

| | Beginning Balance 12/31/2023 | Increases | Decreases | Ending Balance 12/31/2024 |
|---|---|---|---|---|
| Leased land | $ 50,701 | $ - | $ - | $ 50,701 |
| Leased building | - | 1,035,763 | - | 1,035,763 |
| Leased equipment | 87,517 | 41,096 | - | 128,613 |
| Total leased assets: | 138,218 | 1,076,859 | - | 1,215,077 |
| Less accumulated amortization for: | | | | |
| Leased land | 6,914 | 3,457 | - | 10,371 |
| Leased building | - | 147,112 | - | 147,112 |
| Leased equipment | 33,340 | 23,825 | - | 57,165 |
| Total accumulated amortization | 40,254 | 174,394 | - | 214,648 |
| **Total leased assets, net:** | **$ 97,964** | **$ 902,465** | **$ -** | **$ 1,000,429** |

2024 outflows of resources from lease activity were as follows:

| | |
|---|---|
| Principal lease payments | $ 134,169 |
| Interest expense | 26,837 |
| Variable payments | 3,556 |
| **Total** | **$ 164,562** |

As of December 31, 2024, the principal and interest requirements to maturity are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | 150,702 | 26,317 | 177,019 |
| 2026 | 165,579 | 22,236 | 187,815 |
| 2027 | 167,891 | 17,769 | 185,660 |
| 2028 | 171,746 | 13,042 | 184,788 |
| 2029 | 178,179 | 8,222 | 186,401 |
| 2030 - 2034 | 203,941 | 3,877 | 207,818 |
| 2035 - 2036 | 3,936 | 54 | 3,990 |
| **Total** | **$ 1,041,974** | **$ 91,517** | **$ 1,133,491** |

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

Net Position is segregated into three components: invested in capital assets, restricted, and unrestricted. Items are categorized as restricted when constraints are externally imposed on their use by contract or agreement, or imposed by law through constitutional provisions or enabling legislation.

As of December 31, 2024, the Port's net position included a restricted component of $1,573,591 which is related to the net pension asset for the PERS Plan 2/3 retirement program (see Note 6 – Pension Plans).

## NOTE 12 - POLLUTION REMEDIATION OBLIGATIONS

The Port has identified six contaminated sites on various Port properties that require investigation, and potential remediation, in order to comply with state environmental laws and regulations. As of December 31, 2024, remediation activities at four of these sites is substantially complete. Although the Port may not bear ultimate liability for the contamination at the remaining sites, the Port is presumptively liable as the property owner.

The Port's estimate of its pollution remediation obligations is analyzed by independent environmental consultants annually (using the expected cash flow technique) and has been estimated at $13,095,851 as of December 31, 2024. The Port's historical insurance policy provides unlimited defense and indemnity coverage of $3.5 million, of which $3,118,566 remains. This policy constitutes an unrealizable recovery, which reduces the liability as presented in current and long-term liabilities, totaling $9,977,285. The Port has and will continue to actively pursue cost sharing and cost recovery agreements with current and former tenants, former site operators, the Port's former insurance carriers, the tenants' former insurance carriers and granting agencies. The Port has been extremely successful in negotiating these agreements on the completed sites, and in partnership with the other liable parties and the Washington State Department of Ecology (DOE), has expended minimal out of pocket costs relative to total remediation expenses. As of December 31, 2024, the Port has estimated realizable recoveries from these agreements (not including DOE grant funds) totaling $496,589. The Port estimates $6,478,300 in future expected recoveries that are not yet included on the Statement of Net Position as of December 31, 2024. These amounts consist of estimated future grant reimbursements expected from DOE, and will be recognized as a receivable as the work is performed.

The Port liability will change over time due to changes in cost estimates, changes in technology, and changes in governing laws and regulations. In 2024, the Port recognized an increase in the accrued net liability in the amount of $77,924. During the fiscal year 2024, the Port recorded recoveries in the amount of $659,197, and expended $689,065 in cleanup activities.

## NOTE 13 – ASSET RETIREMENT OBLIGATION

The Port owns and operates two fuel facilities, a fuel island at its airport and a fuel dock at its marina. The fuel dispensers at the airport fuel island are supplied by two 12,000 gallon, double-walled, dielectric-coated, underground storage tanks that were installed in 1991. The marina fuel dock is supplied by two 15,000 gallon, double-walled, fiberglass underground storage tanks that were installed in 2008. The Washington State Department of Ecology (DOE) monitors and regulates underground storage tanks, including requirements for permanent closure, pursuant Washington Administrative Code (WAC) Chapter 173-360A.

Using DOE's permanent closure requirements, internal project management staff prepared the Port's initial estimate of its underground storage tank retirement obligation, utilizing the expected cash flow technique for a series of associated tasks. Key assumptions were no soil contamination, complete site surface pavement restoration, and decommissioning by demolition and disposal. In addition to construction costs, permitting, design and engineering, construction oversight and project administration, and a 10% construction contingency were considered.

As of December 31, 2024, the asset retirement obligation for the Port's four underground storage tanks was $589,827, an increase of 3.8% over 2023 to reflect the effects of inflation on the Port's initial estimate.

**NOTE 13 – ASSET RETIREMENT OBLIGATION** – *continued*

Underground storage tanks typically have estimated useful lives ranging from 30-40 years. The Port's airport fuel tanks were installed in 1991, but underwent significant cathodic protection repairs in 2019. The Port estimates this work extended the useful lives of those tanks 20 years. The marina fuel tanks were installed in 2008, and given an estimated useful life at acquisition, of 30 years.

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

**NOTE 14 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)**

The Port enters into subscription-based information technology arrangements (SBITAs) for software solutions used to manage all facets of its business and operations. Most of the Port's SBITAs are considered short-term or are excluded from GASB No. 96 accounting due to mutual termination language.

Those that do qualify, often begin with an initial term, and provide for various options to extend. Typically, due to the speed at which technology is developed and advanced, the Port is reasonably certain to exercise renewal options for a period of 3 years or less.

The Port is committed under various SBITAs. At December 31, 2024, the Port has 10 qualifying SBITAs under GASB 96 in which it is acting as a lessee:

| Description | Initial Term (in years) | Interest Rate | Payment Frequency | Expiration Date (with extensions) |
|---|---|---|---|---|
| Password Management Software | 3 | 3.214% | Annual | 2026 |
| Accounting Standard Software | 3 | 2.860% | Annual | 2026 |
| Telephone Software | 5 | 4.249% | Monthly | 2028 |
| Cost Estimation Software | 3 | 3.214% | Annual | 2026 |
| Data Management | 3 | 3.510% | Monthly | 2026 |
| Network Security Firewall | 3 | 3.214% | Prepaid | 2026 |
| Anti-Virus and Cyber Security | 3 | 3.214% | Prepaid | 2025 |
| E-mail Spam Filter | 3 | 3.214% | Prepaid | 2025 |
| Employment Hiring Software | 3 | 4.394% | Annual | 2026 |
| Safety Data Management Software | 3 | 2.935% | Annual | 2026 |

SBITAs asset activities for the year ended December 31, 2024, were as follows:

| | Beginning Balance 12/31/2023 | Increases | Decreases | Ending Balance 12/31/2024 |
|---|---|---|---|---|
| Subscription assets | $ 175,230 | $ 11,014 | $ - | $ 186,244 |
| Total subscription assets: | 175,230 | 11,014 | - | 186,244 |
| Less accumulated amortization for: | | | | |
| Subscription asset | 27,117 | 55,965 | - | 83,082 |
| Total accumulated amortization | 27,117 | 55,965 | - | 83,082 |
| **Total leased assets, net:** | **$ 148,113** | **$ (44,951)** | **$ -** | **$ 103,162** |

**NOTE 14 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)** – *continued*

2024 outflows of resources from SBITAs activities were as follows:

| | | |
|---|---|---|
| Principal subscription payments | $ | 48,033 |
| Interest expense | | 4,127 |
| Variable payments | | 4,731 |
| **Total** | **$** | **56,891** |

As of December 31, 2024, the principal and interest requirements to maturity are as follows:

| Year Ended December 31, | | Principal | | Interest | | Total |
|---|---|---|---|---|---|---|
| 2025 | $ | 50,551 | $ | 2,788 | $ | 53,339 |
| 2026 | | 22,711 | | 1,089 | | 23,800 |
| 2027 | | 8,725 | | 491 | | 9,216 |
| 2028 | | 6,792 | | 121 | | 6,913 |
| **Total** | **$** | **88,779** | **$** | **4,489** | **$** | **93,268** |

**NOTE 15 – CONTINGENCIES AND LITIGATION**

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

As discussed in Note 8 – Long-Term Debt, the Port is contingently liable for repayment of refunded debt.

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

**NOTE 16 – JOINT VENTURES**

The Port participates in a single joint venture with Skagit County and other local governments in the Skagit Council of Governments (SCOG), a regional transportation-planning agency formed in 1967. The purpose of SCOG is to provide staff support for regional transportation planning and economic development activities in Skagit County.

A Board of Directors, composed of elected officials representing the cities of: Anacortes, Burlington, Mount Vernon, and Sedro Woolley; the towns of: Concrete, Hamilton, LaConner, and Lyman; Skagit County, Skagit County Public Utility District, the Port of Anacortes, the Port of Skagit County, Skagit Transit, Swinomish Tribal Community and the Samish Indian Nation, governs SCOG. Annual dues are assessed according to a per capita ratio or through an equitable assessment established by the Board of Directors. In 2024, the Port was assessed annual dues of $12,003.

Pursuant the SCOG Governance Agreement, approved by the Board of Directors in May 2014, SCOG shall have perpetual existence, until dissolved by 1) a vote of 2/3 of the voting members, or 2) withdrawal of such members so that the ratification thresholds as required by State or Federal law are no longer met. Upon dissolution, the debts, liabilities, and obligations shall be paid from SCOG's assets. The remaining net assets shall be distributed to member agencies in proportion to their respective contributions to SCOG.

**NOTE 16 – JOINT VENTURES**– *continued*

The Port's net investment in SCOG as of December 31, 2024 has not been communicated. Furthermore, based on the SCOG's most recent audited financial statements available on the State Auditor's website, the Port believes the investment to be immaterial to the financial statements.

**NOTE 17 – ACCOUNTING AND REPORTING CHANGES**

In June 2022, GASB issued Statement No. 101 Compensated Absences. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance of compensated absences. The requirement of this statement is effective for reporting periods beginning after December 15, 2023. The Port implemented GASB No. 101 on January 1, 2024.

**PORT OF ANACORTES**
**REQUIRED SUPPLEMENTARY INFORMATION**
**December 31, 2024**

## Introduction

The Port of Anacortes is presenting Required Supplementary Information (RSI) to meet the minimum financial reporting requirements and is an integral part of the accompanying financial statements. RSI generally includes schedules, statistical data, and other information.

## REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS

**Port of Anacortes**
**Schedule of Proportionate Share of the Net Pension Liability**
**PERS Plan 1**
**As of June 30,**
**Last 10 Fiscal Years**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Employer’s proportion of the net pension liability | 0.018776% | 0.019462% | 0.019407% | 0.019475% | 0.019048% | 0.019056% | 0.018114% | 0.018188% | 0.017568% | 0.016440% |
| Employer’s proportionate share of the net pension liability | 333,619 | 444,265 | 540,362 | 237,835 | 672,497 | 732,771 | 808,977 | 863,035 | 943,484 | 859,965 |
| Covered payroll | 3,687,813 | 3,477,760 | 3,131,226 | 2,997,121 | 2,880,652 | 2,677,419 | 2,411,395 | 2,291,088 | 2,114,171 | 1,884,289 |
| Employer’s proportionate share of the net pension liability as a percentage of covered payroll | 9.05% | 12.77% | 17.26% | 7.94% | 23.35% | 27.37% | 33.55% | 37.67% | 44.63% | 45.64% |
| Plan fiduciary net position as a percentage of the total pension liability | 84.05% | 80.16% | 76.56% | 88.74% | 68.64% | 67.12% | 63.22% | 61.24% | 57.03% | 59.10% |

**Port of Anacortes**
**Schedule of Proportionate Share of the Net Pension Liability (Asset)**
**PERS Plan 2/3**
**As of June 30,**
**Last 10 Fiscal Years**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Employer's proportion of the net pension liability | 0.023829% | 0.025157% | 0.025249% | 0.025059% | 0.024685% | 0.024626% | 0.023156% | 0.023390% | 0.022487% | 0.021235% |
| Employer's proportionate share of the net pension liability (asset) | (785,540) | (1,031,106) | (936,430) | (2,496,280) | 315,707 | 239,202 | 395,368 | 812,691 | 1,132,203 | 758,739 |
| Covered payroll | 3,687,813 | 3,477,760 | 3,131,226 | 2,997,121 | 2,880,652 | 2,677,419 | 2,411,395 | 2,291,088 | 2,114,171 | 1,884,289 |
| Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll | -21.30% | -29.65% | -29.91% | -83.29% | 10.96% | 8.93% | 16.40% | 35.47% | 53.55% | 40.27% |
| Plan fiduciary net position as a percentage of the total pension liability | 105.17% | 107.02% | 106.73% | 120.29% | 97.22% | 97.77% | 95.77% | 90.97% | 85.82% | 89.20% |

**Port of Anacortes**
**Schedule of Employer Contributions**
**PERS Plan 1**
**For the year ended December, 31,**
**Last 10 Fiscal Years**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily or contractually required contributions | 106,170 | 123,727 | 123,836 | 132,002 | 144,123 | 136,124 | 128,496 | 115,883 | 105,734 | 84,102 |
| Contributions in relation to the statutorily or contractually required contributions | 106,170 | 123,727 | 123,836 | 132,002 | 144,123 | 136,124 | 128,496 | 115,883 | 105,734 | 84,102 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - | - |
| Covered payroll | 3,816,893 | 3,540,761 | 3,308,372 | 3,014,855 | 3,011,947 | 2,734,033 | 2,537,780 | 2,372,021 | 2,216,729 | 1,940,212 |
| Contributions as a percentage of covered payroll | 2.78% | 3.49% | 3.74% | 4.38% | 4.79% | 4.98% | 5.06% | 4.89% | 4.77% | 4.33% |

**Port of Anacortes**
**Schedule of Employer Contributions**
**PERS Plan 2/3**
**For the year ended December, 31,**
**Last 10 Fiscal Years**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily or contractually required contributions | 242,755 | 225,193 | 210,413 | 218,817 | 238,546 | 210,329 | 190,568 | 160,584 | 138,097 | 107,712 |
| Contributions in relation to the statutorily or contractually required contributions | 242,755 | 225,193 | 210,413 | 218,817 | 238,546 | 210,329 | 190,568 | 160,584 | 138,097 | 107,712 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - | - |
| Covered payroll | 3,816,893 | 3,540,761 | 3,308,372 | 3,014,855 | 3,011,947 | 2,734,033 | 2,537,780 | 2,372,021 | 2,216,729 | 1,940,212 |
| Contributions as a percentage of covered payroll | 6.36% | 6.36% | 6.36% | 7.28% | 7.92% | 7.69% | 7.51% | 6.77% | 6.23% | 5.55% |

## 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.

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