Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Port of Everett

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

Published June 30, 2025

Report No. 1037657

Office of the Washington State Auditor
Pat McCarthy

June 30, 2025

Board of Commissioners
Port of Everett
Everett, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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Port of Everett
January 1, 2024 through December 31, 2024

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

ALN	Program or Cluster Title
20.316	Railroad Rehabilitation and Improvement Financing Program

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

Port of Everett
January 1, 2024 through December 31, 2024

Board of Commissioners
Port of Everett
Everett, 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 Everett, 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 June 26, 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.

We noted certain other matters that we have reported to the management of the Port in a separate letter dated June 26, 2025.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

June 26, 2025

INDEPENDENT AUDITOR'S REPORT

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

Port of Everett
January 1, 2024 through December 31, 2024

Board of Commissioners
Port of Everett
Everett, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Port of Everett, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended December 31, 2024. The Port's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Port and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Port's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

June 26, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Port of Everett
January 1, 2024 through December 31, 2024

Board of Commissioners
Port of Everett
Everett, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Port of Everett, 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 Everett, 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.

Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 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, State Auditor

Olympia, WA

June 26, 2025

FINANCIAL SECTION

Port of Everett
January 1, 2024 through December 31, 2024

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

PORT OF EVERETT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2024

The Port of Everett's (the Port) management discussion and analysis provides an overview of the Port's financial activities for the fiscal year ended December 31, 2024. This discussion and analysis is designed to assist the reader in focusing on the financial issues and activities of the Port and to identify any significant changes in financial position. Please read it in conjunction with the Port's financial statements and notes to the financial statements, which immediately follow this discussion.

The Port is a Special Purpose Municipal Government. The Port was created in 1918 by a vote of the citizens of the Port district and encompasses most of the City of Everett, about one-half of the City of Mukilteo, and portions of unincorporated Snohomish County, Washington. The Port's primary mission is economic development for the citizens of the district. Three elected Commissioners serve as the governing body of the Port. In accordance with the laws of Washington, the Commissioners have appointed an Executive Director to manage Port operations, and a Port Auditor to manage the Port's finances. The Chief Administrative and Financial Officer serves as the appointed Port Auditor.

Financial Highlights

- In 2024, the Port earned operating revenues totaling $48.5 million, decreasing by 10.4% over that recorded in 2023.
- The Port's overall operating costs, including depreciation and amortization, decreased by 2.1% over 2023, totaling $56.8 million.
- The Port had an overall operating loss of $8.3 million in 2024 as compared to a $3.9 million operating loss recorded in 2023.
- The Port's recorded net nonoperating loss in 2024 of $2.8 million.
- Loss before capital contributions totaled $11.1 million for the year.
- Capital contributions for the year equaled $1.5 million.
- The Port experienced an overall annual decrease in net position of $9.6 million.
- The Port's assets and deferred outflows totaled $511.7 million at year-end and exceeded its liabilities and deferred inflows by $252.3 million (net position) as of December 31, 2024.

Overview and Use of the Annual Report

Government accounting falls under the control of the Government Accounting Standards Board (GASB). The Port uses the "one proprietary fund" model in compliance with GASB Statement No. 34. Since the Port is comprised of a single enterprise fund, no fund level financial statements are shown. This discussion and analysis section is intended to serve as an introduction to the Port's basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements.

The financial statements provide a broad view of the Port's operations in a manner similar to a private-sector business. The Port financial statements are on an accrual basis and therefore consider all revenues and expenses connected with the fiscal year even if cash has not been received or paid. These statements offer short- and long-term financial information about Port activities.

The Statement of Net Position presents the Port's assets, deferred outflows and inflows, and liabilities. Net position is the remainder after subtracting liabilities and deferred inflows from the sum of assets and deferred outflows. Over time, increases or decreases in the Port's net position may serve as a useful indicator of whether the financial position of the Port is improving or declining.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Port's net position changed during the year. Revenues, net of expenses, when combined with nonoperating items and capital contributions, results in a net increase or decrease in the Port's net position for the year.

The Statement of Cash Flows presents information on the Port's cash receipts, cash payments, and net changes in cash and cash equivalents for the most recent fiscal year. Generally Accepted Accounting Principles (GAAP) require that cash flows be classified into one of four categories:

• Cash flows from operating activities

• Cash flows from noncapital financing activities

• Cash flows from capital and related financing activities

• Cash flows from investing activities

A reconciliation of the cash provided by operating activities to the Port's operating income as reflected on the Statement of Revenues, Expenses and Changes in Fund Net Position is also included.

The Notes to the Financial Statements provide additional information that may not be readily apparent from the financial statements and that is essential to a full understanding of the data provided within the financial statements. The Notes to the Financial Statements can be found immediately following the financial statements.

Financial Analysis

Overall, the net position of the Port decreased in 2024 by $9.6 million. For the year ended December 31, 2024, total assets of the Port exceeded total liabilities by $335.2 million. Total assets amounted to $506.3 million at year-end, while liabilities were $171.1 million. The Port is a capital-intensive enterprise and 78.6 percent of its assets is invested in capital assets. The $31.8 million negative unrestricted net position is reflective of the estimated liability for various environmental remediation work currently in progress though not offset by any potential recoveries from various sources. The Port anticipates raising funds for this estimated liability in the future. The following is a comparative summary of the Port's net position as of December 31, 2024 and 2023.

Summary Statement of Net Position

	As of December 31,	
($ in millions)	**2024**	**2023**
Current Assets	$ 14.1	$ 18.8
Restricted Current Assets	6.6	6.6
Capital Assets, net	397.8	389.1
Other Noncurrent Assets	87.8	92.3
Total Assets	**506.3**	**506.8**
Deferred Outflows	**5.4**	**2.5**
Current Liabilities	22.2	20.7
Noncurrent Liabilities	148.9	133.3
Total Liabilities	**171.1**	**154.0**
Deferred Inflows	**88.3**	**93.7**
Net Investment in Capital Assets	275.3	286.7
Restricted for Pension	2.4	3.0
Restricted for Capital Projects	6.4	6.5
Unrestricted	(31.8)	(34.6)
Total Net Position	**$ 252.3**	**$ 261.6**

The Statement of Revenues, Expenses and Changes in Net Position provides insight as to the nature and source of the Port's revenues and expenses. During 2024, the Port's net position decreased by $9.6 million, after the beginning balance was adjusted for prior period adjustments of $0.3 million related to: 1) prepaid insurance and b) a correction related to the recording of leases under GASB 87. The following is a summary Statement of

Revenues, Expenses and Change in Net Position for the year ended December 31, 2024 along with the comparative for the year ended December 31, 2023.

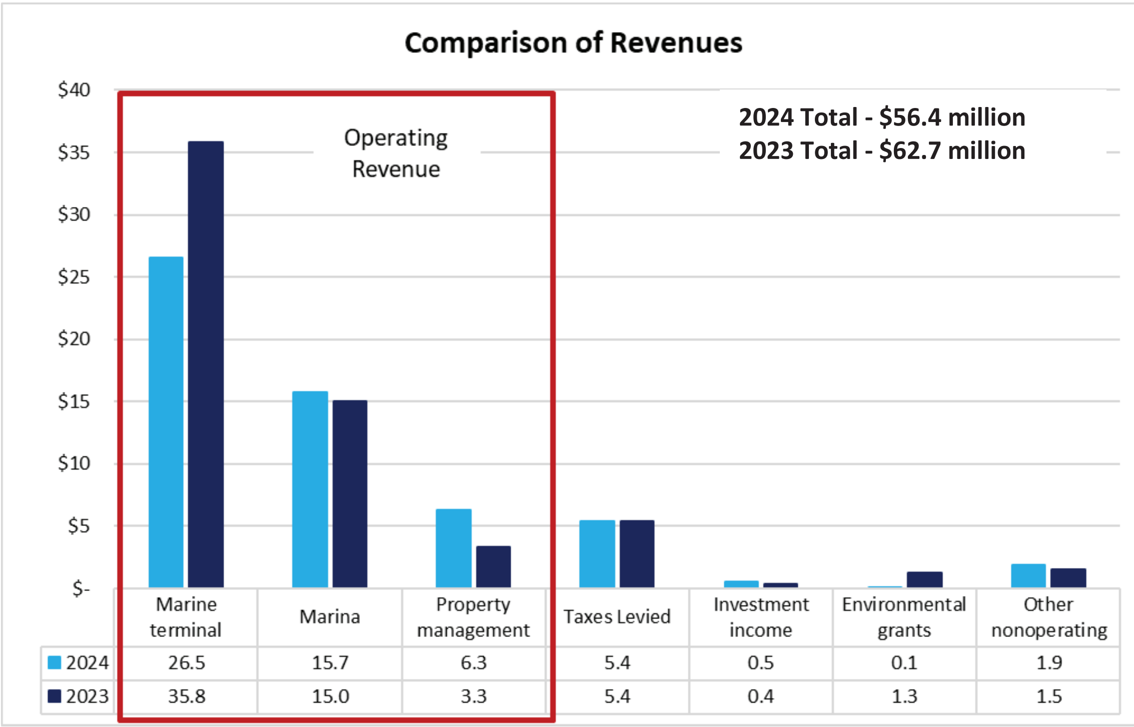
Summary Statement of Revenues, Expenses, and Change in Net Position

($ in millions)	For the Year Ended December 31, 2024	2023
Operating Revenues		
Marine Terminal	$ 26.5	$ 35.8
Marina	15.7	15.0
Property Management	6.3	3.3
Nonoperating Revenues		
Taxes Levied	5.4	5.4
Investment Income	0.5	0.4
Environmental Grants	0.1	1.3
Other Nonoperating	1.9	1.5
Total Revenues	**56.4**	**62.7**
Operating Expenses	56.8	58.0
Nonoperating Expenses	10.7	5.7
Total Expenses	**67.5**	**63.7**
Deficit before contributions and adjustments	**(11.1)**	**(1.0)**
Capital Contributions	1.5	3.7
Increase / (Decrease) in Net Position	**(9.6)**	**2.7**
Beginning Net Position	261.6	258.9
Prior Period Adjustments	0.3	-
Ending Net Position	**$ 252.3**	**$ 261.6**

Revenues

Operating revenues are generated from three primary lines of business: Marine Terminals, Marina and Property Management. The Port recorded $48.5 million in operating revenues in 2024, an 10.4% decrease from 2023. The Port also earns Nonoperating revenues in the form of grants, tax levies, interest income and other sources.

Operating and Nonoperating Revenues for the last two years are detailed below, followed by additional background on each source of revenues:



Marine Terminals

The Port owns and operates four marine terminals, providing inter-modal cargo facilities utilized by several steamship lines and shippers. Three of the terminals are contiguous, while the Mount Baker Terminal is located approximately 3 miles southwest of the South Terminal. The South Terminal features a 705-foot (215 meters) wharf, 26 acres of lighted upland, is dredged to minus 40 feet (12 meters) mean lower low water (MLLW), and two 100-gauge container cranes are available. The South Terminal also has a dolphin berth, with a 900-foot (274 meters) usable length and dredged to minus 40 feet (12 meters) MLLW. Hewitt Terminal has two piers, a wharf, a 36,000-square foot (3,345 square meters) warehouse and 21 acres of upland area. This terminal is dredged to minus 23 feet (7 meters) MLLW. The Pacific Terminal has a usable berth length of 640 feet (195 meters) and is dredged to minus 40 feet (12 meters) MLLW. Two 40-ton container gantry cranes and two mobile harbor cranes with lifting capacity in excess of 100 tons each, as well as a full array of cargo loading equipment, are available to service the Port's customers on the 10-acre terminal. The Port also manages over 12,500 lineal feet (3,800 meters) of on-dock rail and warehouse facilities with direct connectivity to the mainline of the Burlington Northern Santa Fe railroad.

The Mount Baker Terminal is a satellite terminal designed to transport oversized aerospace parts to the manufacturer via rail. Aerospace parts arrive in the Port's shipping terminals on Port Gardner Bay and are then barged to the Mount Baker Terminal to be loaded on to rail cars. The Port has been working to develop the facilities necessary to meet the needs of its terminal users both today and into the future. More than $16 million is planned to be spent in the next 5 years to respond to the growing needs of cargo carriers.

Since the fall of 2022, the Port has also been offering customers 38 acres of additional cargo storage adjacent to the existing north wharfs located on the former Kimberly-Clark (KC) mill site which it developed into a marine terminal facility.

The Marine Terminal is the largest revenue division of the Port. Cargo shipping through the terminals accounted for 54.6% of the Port's Operating Revenue in 2024. The Marine Terminals recorded $26.5 million in revenue, a 26.1% decrease from $35.8 million in 2023, contributing to a yearly operating loss, after depreciation and amortization, of $4.2 million, a decrease of $6.2 million from 2023. The Marine Terminal recorded 108 vessel calls during the year compared to the previous year's total of 138, overall tonnage shipped through the terminals was 257,773 short tons of cargo, down from 375,953 tons in 2023, and container numbers decreased to 7,547 in 2024 from 11,568 in 2023, or 34.8% year over year, leading to the revenue decreases in the terminal business for 2024 over 2023. Revenue decreases were due to a continued return to normal of shipping activity following the pandemic and supply chain crises of late 2021 and early 2022. Additionally, the Marine Terminals were impacted in Q4 2024 by a work stoppage from its largest aerospace customer which halted all inbound shipments.

Marina

The Port provides the local boating community with modern small boat marina facilities. The Marina has 1,968 wet moorage slips and 5,000 lineal feet of guest moorage. An array of marine services is available, including a fuel dock, wash down facility, vessel haul out, work yard, and restroom, laundry, and shower complexes. The Port also partners with the City of Everett and Snohomish County at the Port of Everett Marine Park boat launch. This facility is available for public use to launch trailerable boats into Puget Sound.

The Marina accounted for 32.4% of the Port's total Operating Revenues in 2024. Average moorage occupancy for 2024 was on par with 2023 at 89%. The Marina hit its highest revenue in 2024 of $15.7 million, an increase of 5.1% over the prior year, commensurate with annual market moorage increases. 2024 operating income for the Marina amounted to $1.5 million, a $0.7 million increase over 2023 operating income levels.

Property Management

The Port's third operating division is the Property Management group, which serves as the developer and landlord of Port-owned commercial and industrial properties. The Port owns approximately 3,000 acres of land, including 900 +/- acres that have been or will be developed. Some of the sites require cleanup of contaminated soils and often will require new or upgraded primary infrastructure.

The Port has been progressing on several capital projects to prepare land for beneficial use, including new or upgraded roads and utility infrastructure. The improved industrial and commercial sites are anticipated to be leased to developers who develop site specific facilities. The Port also constructs and owns buildings which it then leases to tenants. A wide array of businesses operates within the Port's real property holdings, including light industrial, office, retail, restaurants, educational and hospitality. All the Port's land holdings are adjacent to or near the waterfront.

The primary development location is Waterfront Place, with approval for 1.5 million square-feet of mixed-use development adjacent to the Port's marina. Current buildings include two multifamily residential buildings, a hotel, a multi-tenant office/light industrial building and a multi-tenant building servicing the hospitality industry. The Port will finish construction of two additional commercial building in 2025 with five tenants ready to move in. The Port is advancing the next phase of development, constructing new roads, parking areas, and utilities for a developer-owned multifamily residential building, commercial office space and retail, expected to break ground late 2025.

The Property Management division accounted for 13.0% of the Port's 2024 operating revenues. 2024 revenue of $6.3 million increased 88.7% over 2023 resulting in operating income for 2024 of $1.5 million, a $2.7 million increase over the $1.2 million operating loss in 2023.

Nonoperating Activities

Public ports in Washington, such as the Port of Everett, are municipal special purpose governments. Ports do their accounting and financial reporting very much like a private business. They collect revenues from services performed for 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. The Port collected $5.4 million in property taxes in 2024. These taxes specifically were used to pay for costs associated with cleanup of legacy environmental pollution, for debt service on general obligation debt, and for public amenities throughout the Port district. The Port issues general obligation debt to purchase property and construct facilities that are used to support Port functions. Property taxes collected are recorded as nonoperating revenues of the Port. Other nonoperating revenue sources include grant revenues for environmental remediation (typically from State agencies), gains on sale of Port property, and investment income.

In 2024, the Port Commission approved the designation of a tax increment area (TIA) covering the Port's waterfront as authorized under the Revised Code of Washington (RCW) Chapter 39.114, Tax Increment Financing (TIF). The designation of this TIA creates a financing mechanism for the Port to continue to provide public infrastructure for future economic growth, by enabling new private development, through issuance of bonds payable from the allocation of taxes in the TIA. The Port does not expect this to be a significant contributing source of revenue until 2030 and beyond.

Nonoperating expenses include changes in estimated costs to remediate environmental damage to Port property, costs to operate and maintain public amenities, as well as interest expense on Port debt. Total Nonoperating Activities in 2024 resulted in net expenses of $2.8 million, attributable primarily to the higher change in estimate for the environmental liability of $4.3 million.

Much of the Port's waterfront land and adjacent waterways require various degrees of environmental clean-up. Over the past several years, the Port has been aggressively pursuing cleanup of its property holdings. The Port has developed significant expertise in managing these efforts. Once remediation has occurred, the Port returns these properties to the marketplace, facilitating expansion of area jobs and local taxes. Each year the Port prepares an assessment on the potential remediation costs to which it is likely to be held liable. This assessment, as per guidance provided in GASB Statement No. 49, is used as part of the analysis to determine the appropriate level of estimated liability to be recorded on the Port's financial statements.

The Port has been successful in applying for grants at both the Federal and State level to assist in paying for infrastructure improvements. These grants are recorded as capital contributions and equal $1.5 million in 2024.

Expenses

The Port manages and analyzes its expenses in two different ways; a) by line of business and function and b) by object. The first method analysis provides insight into the performance and deployment of resources for each business line of the Port while the second method shows the type of cost being expended.

Operating Expense by Line of Business and Function

Overall, operating expenses, before depreciation and amortization, totaled $39.9 million for the year, decreasing 3.1% over 2023.

A breakdown by line of business and function is detailed below for the comparative years ended December 31, 2024 and 2023:

Line of Business and Function	2024	2023	Increase/ (Decrease)	% Change
Marine Terminal				
General operations	$ 17,736,599	$ 19,679,845	$(1,943,246)	-9.9%
Maintenance	2,932,489	3,306,229	(373,740)	-11.3%
Subtotal	20,669,088	22,986,074	(2,316,986)	-10.1%
Marina				
General operations	7,072,132	7,383,501	(311,369)	-4.2%
Maintenance	2,701,632	2,592,137	109,495	4.2%
Subtotal	9,773,764	9,975,638	(201,874)	-2.0%
Property Management				
General operations	2,505,817	2,702,864	(197,047)	-7.3%
Maintenance	458,746	394,501	64,245	16.3%
Subtotal	2,964,563	3,097,365	(132,802)	-4.3%
Administration				
Maintenance	86,353	63,906	22,447	35.1%
General and administrative	6,428,712	5,074,125	1,354,587	26.7%
Subtotal	6,515,065	5,138,031	1,377,034	26.8%
Combined				
General operations	27,314,548	29,766,210	(2,451,662)	-8.2%
Maintenance	6,179,220	6,356,773	(177,553)	-2.8%
General and administrative	6,428,712	5,074,125	1,354,587	26.7%
Subtotal	39,922,480	41,197,108	(1,274,628)	-3.1%
Depreciation and amortization	16,827,534	16,776,032	51,502	0.3%
Total Operating Expenses	$ 56,750,014	$ 57,973,140	$(1,223,126)	-2.1%

Marine Terminals

Marine Terminals incurred $20.7 million in expenses, a 10.1% decrease from $23.0 million in 2023, across both general operations and maintenance costs. This decrease was commensurate with the lower cargo volumes from fewer vessel calls and decreased containers, yielding lower tonnage. 2024 Marine Terminal expenses represented 51.8% of overall Port operating expenses, before depreciation and amortization.

Marina

The Marina recorded expenses in 2024 of $9.8 million, a decrease of 2.0% over the prior year, from lower general operation expenditures related to lower average fuel cost available for sale to boaters at the Marina, offset by higher maintenance costs. The Marina's expenses accounted for 24.5% of the Port's total operating expenses, before depreciation and amortization, in 2024.

Property Management

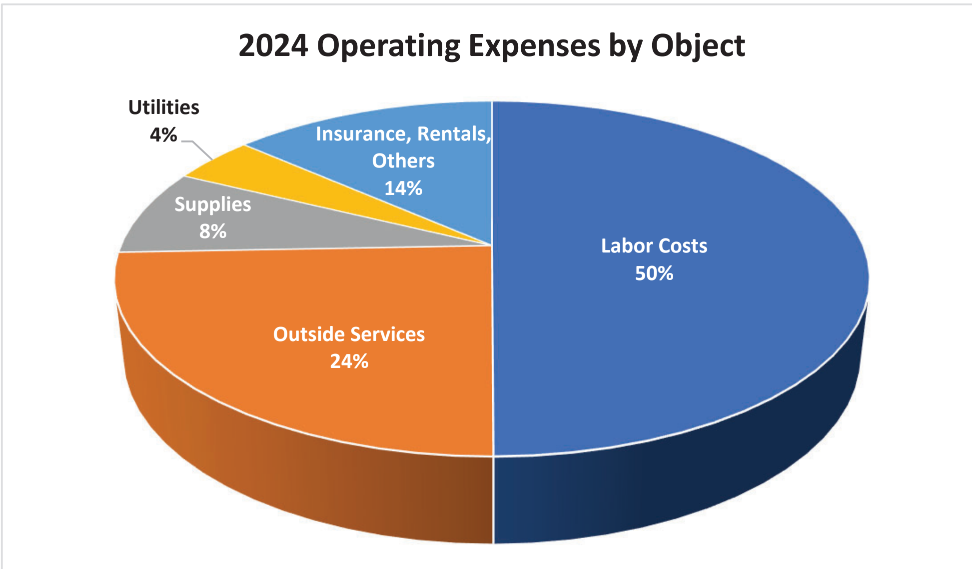
The Property Management division accounted for 7.4% of the Port's 2024 operating expenses, before depreciation and amortization. 2024 expenses decreased $0.1 million or 4.3% over 2023, from reduced general operations costs offset by increased maintenance costs.

Administration

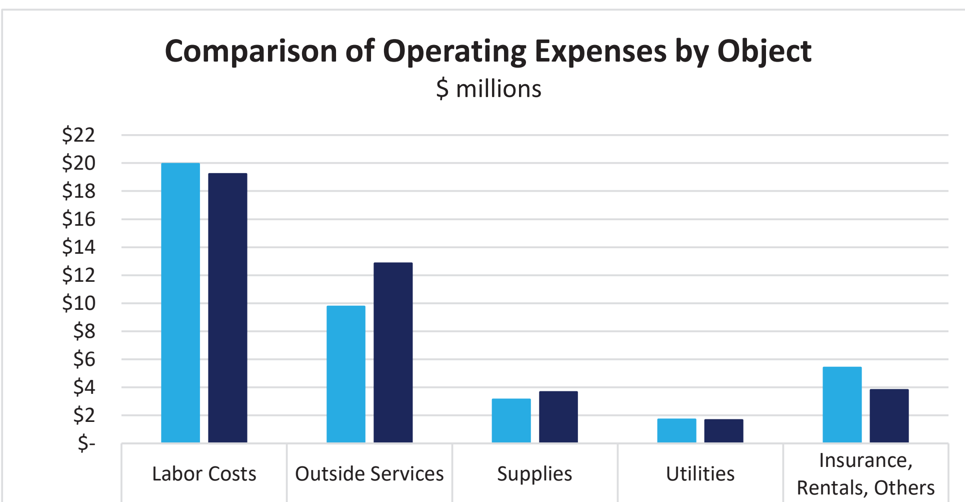
2024 administration expenses increased $1.4 million or 26.8% to $6.5 million, primarily due to legal and election costs. For 2024, administration expenses represented 16.3% of total operating expenses, before depreciation and amortization.

Operating Expense by Object

Below is a brief overview of the annual drivers in each object class impacting the expense. During 2024, the Port's operating expenses, before depreciation and amortization, were $39.9 million. The following chart shows the distribution of 2024 operating expenses by object:



Comparative operating expenses by object, before depreciation and amortization, for the last two years were as follows:



	Labor Costs	Outside Services	Supplies	Utilities	Insurance, Rentals, Others
2024	19.9	9.8	3.1	1.7	5.4
2023	19.2	12.8	3.7	1.7	3.8

Labor Costs increased by 3.8% in 2024 due to the impacts of general wage increases combined with the higher cost of health insurance. This was offset by year-end expense adjustments required by GASB Statement No. 68 for Pensions and GASB Statement No. 75 for Other Post-Employment Benefits (OPEB) which resulted in a decrease in pension costs partially offset by an increase in other post-employment benefit costs.

Outside Services expense primarily includes contracted labor for Marine Terminals, custodial services, engineering consulting, legal and other contracted services. The net decrease of 24.0% in 2024 is mainly related to Marine Terminals contract labor whose utilization was lower from the reduced cargo volumes combined with timing of engineering consulting costs which were significantly higher in the prior year.

Supplies expense decreased by 14.5% in 2024, primarily due to lower average fuel cost. Fuel is made available for sale to boaters in the Marina.

Utilities costs include power, water, gas, and other utility services for properties owned, leased or operated by the Port. These costs increased by 1.4% in 2024 from higher rates for service combined with more available space.

Insurance, Rentals and Other expense include costs related to liability and property insurance, taxes, leases and miscellaneous expenses. The $1.6 million increase in 2024 is primarily attributed to legal and election costs incurred.

Capital Assets and Debt Administration

Capital Assets

The Port has significant resources devoted to capital projects (see Note 4) and Construction in Progress amounted to $40.3 million for year-end 2024, a net increase of $19.6 million. After accounting for additions and deletions from capital assets and depreciation and amortization during the year, the Port's net capital assets increased by $8.7 million, with $7.0 million of completed assets being placed into service from the Construction in Progress account (see Note 4). Major capital asset additions (over $1 million), including work in process and accruals, during 2024 consisted of the following:

- WPC Millwright Loop Road Phase 2 and 2.1 — $11.5 million
- Restaurant Row Development – A6 and A12 Buildings — 6.2 million
- Fuel Dock Reconstruction — 4.9 million
- Marine Terminal Stormwater Improvements — 2.3 million
- Boxcar Park Improvements — 1.1 million

Debt Administration

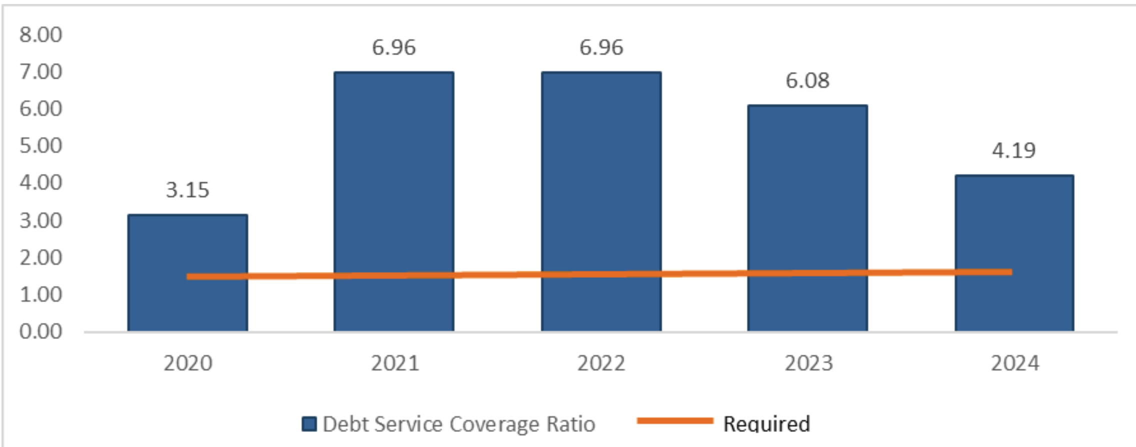
Total long-term debt obligations, net of any current portion, amounted to $107.1 million as of December 31, 2024. Of this amount, a) net general obligation debt represented $38.0 million for 2020 and 2023 issues secured by a pledge of the Port's property tax levy, b) net revenue bonds represented $23.9 million for 2007, 2015 and 2016 revenue bonds secured by a pledge of the Port's net revenues, and c) other direct borrowings, including subordinated revenue bonds, accounted for $45.2 million.

In 2022, the Port issued a $15.0 million subordinated revenue bond to the Snohomish County Treasurer which provides for periodic draws against the total amount of the bond to pay for construction of the new road and utilities being built at Waterfront Place. As of December 31, 2024, the Port has drawn the full $15.0 million against this bond. The bond requires a restricted investment in the Snohomish County Investment Pool (SCIP) of $5.0 million as security.

In 2024, the Port entered into a revolving credit agreement with its primary bank to fund the construction of its newest restaurant row development with an aggregate principal amount not to exceed $20.0 million. The line is secured by a subordinated pledge on the net revenues of the Port and has a balance outstanding as of December 31, 2024 of $4.3 million.

In 2024, the Port maintained a strong revenue bond debt service coverage ratio of 4.19 times debt service. Port bond contracts require the Port to maintain a minimum debt service coverage ratio of 1.35 times the annual Senior Lien Revenue Bond debt service.

Revenue Bond- Debt Service Coverage ratios
(computed as cash flow available divided by revenue bond debt service)



The Port Commission has adopted a comprehensive set of Financial Guidelines which set guidance for staff in managing the Port's finances. The guidelines are available on the Port's website. The guidelines set a benchmark of maintaining cashflow sufficient to achieve a revenue bond debt service coverage ratio of at least a 2.00 times debt service, significantly greater than required by bond agreements, which currently require the Port to maintain a 1.35 times debt service coverage.

Additional information on the Port's long-term debt can be found in Note 11 in the notes to the financial statements.

2025 Budget

The 2025 budget projects operating revenues of $46.7 million, with 61% of the projected operating revenue being contributed by Marine Terminals, 30% from the Marina, and 9% from Property Management. The 2025 budget projects operating expenses of $35.0 million, a $4.9 million decrease over 2024 operating expenses. This decrease is mainly in response to an anticipated reduction in terminal operating revenues.

The 2025 capital budget is funded to support continued investments in the improvement of Port facilities, which are designed to contribute to significant regional economic activity. The Port will advance its major projects which include completing its restaurant row development project, continue progress on greening its Marine Terminals along with working on environment remediation, invest in its Marina facilities, with the completion of a new fuel dock. The 2025 capital program is being financed from a combination of operating revenues, tax levy revenue, grants, and other contributions.

Request for Financial information

The Port of Everett posts to its website information regarding its Annual Budget, as well as a link to the Office of the Washington State Auditor's Website where you can find prior audited annual financial reports. Interested parties can find this information at

https://www.portofeverett.com/your_port/finance/index.php

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Port's finances and to show the Port's accountability for the money it receives. If you have questions about this report, or if you need additional financial information, please contact Monique Liard, Chief Administrative & Financial Officer, at 1205 Craftsman Way, Suite 200, Everett, WA 98201 or by email at CFO@PortofEverett.com.

PORT OF EVERETT

STATEMENT OF NET POSITION
December 31, 2024

ASSETS	
Current Assets	
Cash and cash equivalents *(Note 1)*	$ 1,481,738
Investments *(Note 2)*	3,211,214
Restricted assets *(Note 1)*	
Cash and cash equivalents *(Note 1)*	5,422,655
Investments *(Note 2)*	1,170,072
Taxes receivable *(Note 3)*	104,676
Accounts receivable, net of allowance for uncollectible accounts	4,397,434
Current portion of lease receivable *(Note 9)*	3,303,624
Interest receivable	322,735
Due from other governments	78,314
Inventory	119,603
Prepaid expenses	1,094,731
Total Current Assets	**20,706,796**
Noncurrent Assets	
Lease receivable *(Note 9)*	85,347,198
Capital assets not being depreciated *(Note 4)*	
Land	103,579,238
Construction in progress	40,283,570
Capital assets being depreciated *(Note 4)*	
Buildings	230,665,645
Improvements other than building	175,436,300
Machinery and equipment	49,470,352
Intangible assets	7,940,957
Right-to-use assets *(Notes 10 and 13)*	1,276,099
Less: Accumulated depreciation and amortization	(210,805,857)
Capital assets, net of accumulated depreciation and amortization	253,983,496
Net pension asset *(Note 6)*	2,353,753
Other noncurrent assets	49,109
Total Noncurrent Assets	**485,596,364**
Total Assets	**506,303,160**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	52,326
Pensions *(Note 6)*	3,253,704
Other post-employment benefits *(Note 7)*	2,050,931
Total Deferred Outflows of Resources	**5,356,961**
TOTAL ASSETS AND DEFERRED OUTFLOWS	$511,660,121

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

PORT OF EVERETT

STATEMENT OF NET POSITION
December 31, 2024

LIABILITIES	
Current Liabilities:	
Checks payable	$ 843,518
Accounts payable	4,705,076
Payroll payable	596,555
Accrued liabilities	524,515
Revolving line of credit	7,350,000
Contracts payable	675,661
Current portion of long-term bonded debt *(Note 11)*	2,615,000
Current portion of other long-term debt *(Note 11)*	2,165,537
Current portion of subscription-based information technology arrangements *(Note 13)*	34,254
Current portion of environmental remediation liabilities *(Note 15)*	1,965,000
Other current liabilities	771,289
Total Current Liabilities	**22,246,405**
Noncurrent Liabilities:	
Leased asset liability *(Note 10)*	635,178
General obligation bonds, net *(Note 11)*	37,976,399
Revenue bonds, net *(Note 11)*	23,884,510
Other long-term debt *(Note 11)*	45,255,370
Subscription-based information technology arrangements liability *(Note 13)*	30,811
Employee leave benefits	2,219,657
Net pension liability *(Note 6)*	979,393
Net other post-employment benefits liability	5,458,501
Environmental remediation liability *(Note 15)*	32,366,026
Total Noncurrent Liabilities	**148,805,845**
Total Liabilities	**171,052,250**
DEFERRED INFLOWS OF RESOURCES	
Pensions *(Note 6)*	985,183
Leases *(Note 9)*	86,098,651
Other post-employment benefits *(Note 7)*	1,246,376
Total Deferred Inflows of Resources	**88,330,210**
NET POSITION:	
Net investment in capital assets	275,307,458
Restricted for capital projects	6,428,175
Restricted for pension	2,353,753
Unrestricted	(31,811,725)
Total Net Position	**252,277,661**
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$511,660,121

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

PORT OF EVERETT

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

OPERATING REVENUES:	
Marine terminal operations	$ 26,452,753
Marina operations	15,711,299
Property management operations	6,312,809
Total Operating Revenues	**48,476,861**
OPERATING EXPENSES:	
General operations	27,314,548
Maintenance	6,179,220
General and administrative	6,428,712
Total Operating Expenses before Depreciation and Amortization	**39,922,480**
Depreciation and amortization *(Note 4)*	16,827,534
Total Operating Expenses	**56,750,014**
Operating Loss	**(8,273,153)**
NONOPERATING REVENUES (EXPENSES):	
Nonoperating grant revenues	140,114
Investment income	505,479
Interest income from leased assets *(Note 9)*	1,633,129
Net increase in fair value of investments	48,939
Taxes levied	5,413,834
Gain on disposal of assets	24,271
Other nonoperating revenues	112,864
Public access expense	(958,602)
Public access depreciation and amortization *(Note 4)*	(1,245,860)
Interest expense	(3,667,629)
Bond issue expense	(61,950)
Change in environmental remediation liability *(Note 15)*	(4,306,163)
Other nonoperating expenses	(448,078)
Total Nonoperating Expenses	**(2,809,652)**
Loss before Capital Contributions	**(11,082,805)**
Capital contributions	1,527,134
Decrease in Net Position	**(9,555,671)**
Total Net Position - January 1, 2024, as previously reported	**261,612,280**
Prior period adjustments *(Note 19)*	221,052
Total Net Position - January 1, 2024, as restated	**261,833,332**
Total Net Position - December 31, 2024	**$252,277,661**

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

PORT OF EVERETT

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

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	
Marine terminal operations	$ 27,929,368
Marina operations	15,566,979
Property management operations	4,861,321
Payments to suppliers of goods and services	(21,723,933)
Payments to employees for services	(20,473,316)
Net Cash Provided by Operating Activities	**6,160,419**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Property taxes received	5,408,120
Payments to other governments	(9,001)
Nonoperating receipts	1,478,036
Nonoperating expenses	(5,491,791)
Net Cash Provided by Noncapital Financing Activities	**1,385,364**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase or construction of capital assets	(27,449,322)
Proceeds from new debt	22,190,771
Principal paid on other long-term debt	(3,462,346)
Principal paid on right-to-use assets	810,634
Principal paid on general obligation and revenue bonds	(3,224,926)
Interest paid on debt	(3,610,768)
Bond issue expense	(61,950)
Proceeds of capital grants and contributions	1,527,134
Net Cash Used in Capital and Related Financing Activities	**(13,280,773)**
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	194,894
Purchase of investments	(119,800)
Investment and interest income	1,991,987
Changes in fair value investments	78,516
Net Cash Provided by Investing Activities	**2,145,597**
Net Decrease in Cash and Cash Equivalents	**(3,589,393)**
Balances - January 1, 2024	**10,493,786**
Balances - December 31, 2024	**$ 6,904,393**

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

PORT OF EVERETT

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

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	($ 8,273,153)
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation and amortization	16,827,534
Change in assets and liabilities	
Decrease in receivables	489,944
Decrease in inventory	58,374
Increase in prepaid expenses	(353,871)
Increase in customer deposits	(609,137)
Decrease in accounts payable and accrued liabilities	(1,217,554)
Decrease in taxes accrued	(101,273)
Decrease in employee benefit liabilities	(660,445)
Net Cash Provided by Operating Activities	**$ 6,160,419**

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Port was incorporated in 1918 and operates under the laws of the state of Washington applicable to a public port district, as a municipal corporation under the provisions of the Revised Code of Washington (RCW) Chapter 53. The Port is centrally located on Puget Sound at Port Gardner Bay about 125 miles inland from the Pacific Ocean. The port district boundaries have been set by voter approval with boundaries encompassing most of Everett, WA, a portion of Mukilteo, WA and a portion of unincorporated Snohomish County. Washington port districts are empowered through authority delegated by the Washington State legislature. Ports have been given powers of eminent domain and the levying of ad valorem property taxes upon real and personal property within the district. Property taxes are currently levied as imposed by the governing board of the Port during the approval of the annual budget.

The Port is a special purpose government, independent of Snohomish County, City of Mukilteo, and City of Everett government. It provides marine terminal, marina, property lease/rental operations, and public access to the general public and is supported primarily through user charges.

The Port is governed by a three-member Board of Commissioners (the Commission), elected by port district voters. As policy makers, they delegate certain administrative authority to the Executive Director to conduct operations of the Port. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. These financial statements present the Port and its component unit. The component unit discussed below is included in the Port's reporting entity because of the significance of its operational or financial relationship with the Port.

The Industrial Development Corporation of the Port of Everett (IDC), a public corporation, is authorized to facilitate the issuance of tax-exempt nonrecourse revenue bonds to finance industrial development within the corporate boundaries of the Port. Revenue bonds issued by the IDC are payable from revenues derived through 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 were 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. The IDC had no operational activity and recorded only interest during 2024.

The Port's financial resources are provided by marine terminal facilities, which handle agricultural products, cement, aircraft parts, and various other break bulk and bulk commodities as well as containerized cargo; a marina providing moorage for over 1,900 pleasure and fishing vessels; and property development and leasing.

B. Measurement Focus, Basis of Accounting

Proprietary Funds

The accounting records of the Port are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The Port uses the Budgeting, Accounting and Reporting System (BARS) for GAAP in the State of Washington.

The Port's Statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Port are facility use charges to customers for marine terminals and the marina, as well as industrial and commercial property leases. Operating expenses for the Port include the costs of sales and services, administrative expenses and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Included in the nonoperating expenses are expenses related to providing the general public access to Port property. This includes maintenance and depreciation and amortization of public access and open spaces and paying the Port's obligations for navigation dredging, as well as other expenses related to open space and public access.

C. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Significant Risks and Uncertainties

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

E. Budgetary Information

The Port prepares its annual operating budget on the accrual basis of accounting and the Port Commission adopts the annual budget in November of the preceding fiscal year, after holding a public hearing. Debt service is adopted at the level of the individual debt issue, and capital projects are budgeted in the year the expenditure is expected to be made. The Port's Executive Director is responsible for the administration of the budget and may adjust the budget during the year in response to business needs, ensuring the financial condition of the Port is protected.

F. 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 the Port was holding $6,904,393 in short-term residual investments of surplus cash. 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 all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments - See Note 2, *Deposits and Investments*

3. Receivables

Taxes receivable consists of property taxes and related interest and penalties (See Note 3). Accrued interest receivable consists of amounts earned, and not collected, on investments, notes, and contracts at the end of the year.

Customer accounts receivable consists of amounts due from private individuals or organizations for goods, services, and facility usage provided.

Receivables have been recorded net of estimated uncollectible amounts. Because property taxes are considered liens on property, no estimated uncollectible amounts are established for property taxes. Estimated uncollectible amounts for accounts receivables as of December 31, 2024 are $102,230.

4. Amounts Due To and From Other Governments

These accounts include amounts due to or from other governments for taxes, grants, entitlements, loans, and charges for services.

5. Inventories and Prepaids

Inventories consist of expendable supplies held for resale, primarily fuel. Inventories in proprietary funds are valued by the FIFO method which approximates the market value.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items when the payment is made and amortized to expense over the benefit period of the expense. As of December 31, 2024, the prepaid balance represents the unamortized premium for the Port's property and liability insurance programs.

6. Restricted Assets

In accordance with bond resolutions and certain agreements, separate restricted accounts are required to be established. These accounts contain resources for construction and funds for specified uses.

The restricted assets of the Port are composed of the following as of December 31, 2024:

Cash - Industrial Development Corporation	$ 29,098
Cash - Fisherman's Tribute Statue	7,526
Cash - NRDA Claim	229,006
Cash - Reserve for Consent Decree	157,025
Cash - Snohomish County Reserve Deposit	5,000,000
Investments - Bond Debt Service Reserve	1,170,072
Total as of December 31, 2024	**$6,592,727**

7. Capital Assets - See Note 4, *Capital Assets*

Capital assets are defined by the Port as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the cost of acquiring the donation.

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

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

Depreciation expense is charged as an expense to allocate the cost of capital assets over their estimated useful lives using the straight-line method. Buildings and improvements are assigned lives of 20 to 50 years and equipment 5 to 25 years. The Port determines the estimated useful life and salvage value of assets at the time of acquisition, if any, based upon current market and economic circumstances.

8. Leases – See Note 9, *Leases (Port as Lessor)* and Note 10, *Leases (Port as Lessee)*

The Port follows GASB Statement No. 87, Leases, to report its various lease transactions. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities.

A lease is a contract that conveys the control of the right to use another entity's nonfinancial asset (the underlying asset) for a period of time in an exchange or exchange-like transaction. As detailed below, the Port has contracts in which it is a lessor, and it is a lessee.

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

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

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

i. The Port uses its estimated incremental borrowing rate as the discount rate for leases.
ii. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are compose of fixed payments from the lessee.
iii. The Port monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lessee: The Port is a lessee for noncancelable leases. The Port recognizes a lease liability and an intangible right-to-use lease asset in the proprietary fund financial statements. The Port recognizes lease liabilities with an initial, individual value of $25,000 or more.

At the commencement of a lease, the Port initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line method over its useful life.

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

i. 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.
ii. The lease term includes the noncancelable 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.
iii. The Port monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

9. Subscription-Based IT Agreements – See Note 13, *Subscription-Based Information Technology Agreements*

In 2023, the Port implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, considered an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation cost of a SBITA; and (4) requires note disclosures regarding SBITA. The scope of the statement contains exceptions for short-term SBITAs, IT software qualifying as a lease, contracts that meet the definition of GASB 96 and governments which provided its IT software to other entities through SBITAs.

The right-to-use SBITA asset is amortized using the straight-line basis over its useful life.

Like leases, a SBITA is defined “as a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.”

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets, plus options to extend or terminate as well as other criteria. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. If the lease term includes noncancelable periods of the SBITAs, payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the Port is reasonably certain to exercise.

In 2024, the Port revised its SBITAs capitalization threshold of $25,000, as allowed under the statement, to capture significant capital assets while minimizing the cost of record keeping for those assets. The Port monitors changes in circumstances that would require a remeasurement of its agreement and will remeasure the SBITAs asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITAs liability.

10. Other Intangible Assets

As part of the sale of property to the Department of Defense for the Navy Homeport, the Port was required to assist in mitigation of traffic impacts. This mitigation effort required the Port to contributed to the 1996 construction of the Alverson Street Bridge. The Port has no ownership interest in this bridge. The cost of the mitigation is amortized over a 50-year life. As mitigation for improvements in the Marina, in 2001 the Port agreed to pay a percentage of the costs of upgrades to a sewer lift station, owned and operated by the City of Everett. The Port has no ownership interest in this station. The cost of the mitigation is amortized over a 40-year life.

In 2017, the Port agreed to pay a percentage of the costs to rebuild the City of Everett's PSO #6 in exchange for a right to use this city owned asset to convey storm water from the terminal. The Port has no ownership interest in this asset. The Port's cost for this right is amortized over a 20-year life.

11. Deferred Outflows/Inflows of Resources

The Port reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s).

The Port also reports a separate section for deferred inflows of resources. This represents an acquisition of net position that is applicable to future reporting period(s).

12. Compensated Absences

In 2024, the Port revised its compensated absences methodology commensurate with its adoption of GASB Statement No. 101, Compensated Absences.

Compensated absences are absences for which employees will be paid, such as vacation, sick and compensatory leave. All vacation, sick and compensatory pay is accrued when earned in the proprietary financial statements.

Unused vacation pay, which may be accumulated up to 3 years of an employee's annual accrual, is payable upon resignation, retirement or death. The Port allows an employee to transfer any balances in excess of 240 hours at 100% of value into their deferred compensation account once per year.

Sick leave may accumulate up to 180 days. Upon separation without cause, employees are paid for accumulated sick leave at 60% of their final balance (75% of their final balance for employees with 35 years of service or more). The Port allows an employee to transfer any balance in excess of 240 hours at 60% of value (75% for those with 35 years of service or more) into their deferred compensation account once per year.

Compensatory time may be made available to employees in lieu of overtime and earned at the rate of 1.5 hours for each overtime hour worked. Accumulated time may not exceed 40 or 50 hours depending on the employee's work group. Compensatory time is payable upon resignation, retirement or death.

Compensated absences balances vary throughout the year. The financial value is measured as of the end of the fiscal year using the estimated leave balance after anticipated usage for the upcoming year times an employee's pay rate at fiscal year-end. On December 31, 2024, the recorded liability for Compensated Absences was $2,219,657.

13. Pensions – See Note 6, *Pension Plans*

    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 deferred inflows.

14. Other Post-Employment Benefits - See Note 7, *Defined Benefit Other Post-Employment Benefits (OPEB)*

    GASB Statement No. 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Revenues, Expenses and Changes in Net Position when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. The post-employment benefit liability is recognized on the Statement of Net Position over time. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

15. Long-Term Debt - See Note 11, *Long-Term Debt*

16. Cash Reserves

    The Port maintains cash or investment reserves to assure cash liquidity sufficient to pay an average of three months of operating expenses to outside vendors and employees. An amount of $1 million is maintained for purposes of financing emergencies that would result from natural disasters, accidents or to address environmental emergencies.

17. Net Position Classification

    For proprietary fund reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of four components: net investment in capital assets, restricted for capital projects, restricted for pension, and unrestricted.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The Port conducts its general banking through accounts established at its primary bank. As of December 31, 2024, the carrying amount of the Port's deposits was $1,063,667 and the bank balance was $1,063,167, with the difference of $500 representing petty cash on hand.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Port would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Port's deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington 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.

Investments

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

The State of Washington under Chapter 39.59 RCW limits the investment of public funds by local governments to the following authorized instruments: (i) bonds of the State or any local government in the State, (ii) general obligation bonds of any other state or local government thereof which have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency, (iii) registered warrants of a local government in the same county as the local government making the investment, (iv) obligations of the U.S. government, its agencies and wholly owned corporations, or obligations issued or guaranteed by supranational institutions, provided, that at the time of investment, the United States government must be the largest shareholder of such institution, (v) obligations of the Federal Home Loan Bank, Fannie Mae and other government-sponsored enterprises whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system, (vi) bankers' acceptances purchased in the secondary market, (vii) commercial paper purchased in the secondary market, subject to State Investment Board policies, and (viii) corporate notes purchased in the secondary market, subject to State Investment Board policies.

The Port's policy is that investment principal be at minimal risk, while seeking a return on investment and following a schedule of maturities that meets cash demands. The Port invests its surplus cash according to an Investment Policy formally adopted by the Commission.

Investments in Local Government Investment Pool (LGIP)

The Port is a voluntary participant in the Local Government Investment Pool (LGIP) authorized by Chapter 294, Laws of 1986, and managed and operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP Advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB Statement No. 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

Investments in Snohomish County Investment Pool (SCIP)

The Port is a voluntary participant in the Snohomish County Investment Pool (SCIP) sponsored by the County and established in 2006. The SCIP is not registered with the SEC and does not have a credit rating. Oversight of the SCIP is provided by the Snohomish County Finance Committee pursuant to RCW 36.29.020. The County's investment policy has been certified by the Washington Public Treasurers' Association and is in compliance with state law.

Pool participants manage their own cash and direct the County Treasurer by written request to deposit or withdraw monies from their funds for investment purposes. The participants' shares in the pool are purchased and redeemed at face value. The aggregate value of all participants' investments is equal the total face value of the pool at all times. The SCIP does not have any legally binding guarantees of share values. The Port reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The SCIP does not impose liquidity fees or redemption gates on participant withdrawals.

All bank deposits as well as deposits in the LGIP and SCIP are considered to be cash equivalents and are reported at cost.

Investments Measured at Amortized Cost

As of December 31, 2024, the Port held the following highly liquid investments, considered cash equivalents, at amortized cost:

Type of Investment	Port's Own Investments	Investments Held by Port as an Agent for Others	Total
Local Government Investment Pool *	$ 166,190	$ -	$ 166,190
Snohomish County Investment Pool	5,288,505		5,288,505
Total	$ 5,454,695	$ -	$ 5,454,695

* Investments in the Local Government Investment Pool and Snohomish County Investment Pool approximates fair value.

Investments Measured at Fair Value

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

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

On December 31, 2024, the Port had the following investments measured at fair value:

Investments by Fair Value Level	December 31, 2024	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
United States Treasury	$ 2,125,726	$ 2,125,726	$ -	$ -
Agency Bond	1,751,706	-	1,751,706	-
Supranational	150,219	-	150,219	-
Corporate A	353,635	-	353,635	-
Total	$ 4,381,286	$ 2,125,726	$2,255,560	$ -

Interest Rate Risk

Interest rate risk is the risk the Port may face should interest rate variances affect the fair value of investments. To minimize risk of loss arising from interest rate fluctuations, and to provide for liquidity, the Port purchases investments with a laddered approach to maturities.

		Investment Maturities (in years)	
Type of Investment	**Fair Value**	**Less than 1**	**1 to 5**
United States Treasury	$ 2,125,726	$ 1,244,255	$ 881,471
Agency Bond	1,751,706	175,002	1,576,704
Supranational	150,219	-	150,219
Corporate A	353,635	-	353,635
Total	$ 4,381,286	$ 1,419,257	$ 2,962,029

Custodial Credit Risk

This risk is the risk that in event of a failure of the counterparty, the Port would not be able to recover the value of the investment or collateral securities that are in possession of an outside party. All investments are purchased directly from financial institutions or through broker relationships. The Port conducts all investment transaction on a delivery-verses-payment (DVP) basis with all securities purchased through broker relationships and delivered to Bank of New York Mellon who serves as the Port's third party custodian.

Credit Risk

The Port's investment policy states that safety of principal is the foremost objective. To obtain this objective the Port employs a diversification approach to management of the investment portfolio. Furthermore, the Port restricts its investments to securities that are rated AA or higher as rated by recognized rating agencies. The LGIP is an unrated 2a-7 like pool, as defined by the Government Accounting Standards Board. The SCIP minimizes credit risk by limiting investments to only those types of securities authorized by RCW 39.59 and by diversification of the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

At year-end, the investment portfolio held the following categories of issuers:

Type of Investment	Moody's / S&P Equivalent Rating	% of Total
United States Treasury	Aaa, AA+	48.52%
Agency Bond	Aaa, AA+	39.98%
Supranational	Aaa, AAA	3.43%
Corporate A	A1, A	8.07%

NOTE 3 - PROPERTY TAX

The County Treasurer acts as agent to collect property taxes levied in the county for all taxing authorities. The County Treasurer distributes collections after the end of each month to the Port.

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 tax is recorded as a receivable and revenue when levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

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

The Port's regular levy for 2024 was $.1884 per $1,000 on an assessed valuation of $28.609 billion for a total regular levy of $5,389,768.

In 2024, the Port Commission approved the designation of a tax increment area (TIA) covering the Port's waterfront as authorized under Chapter 39.114 of the RCW, Tax Increment Financing (TIF). The designation of this TIA creates a financing mechanism for the Port to continue to provide public infrastructure for future economic growth, by enabling new private development, through issuance of bonds payable from the allocation of taxes in the TIA. The first tax revenue from the TIA is expected to be collected in 2025.

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance January 1, 2024	Additions/ Adjustments	Disposals/ Retirements	Ending Balance December 31, 2024
Capital assets not being depreciated and amortized:				
Land	$ 103,146,859	$ 432,379	$ -	$ 103,579,238
Construction in progress	20,652,239	19,631,331	-	40,283,570
Subtotal	123,799,098	20,063,710	-	143,862,808
Capital assets being depreciated and amortized:				
Buildings	229,476,652	3,368,312	(2,179,319)	230,665,645
Improvements other than building	174,116,212	1,583,277	(263,189)	175,436,300
Machinery and equipment	47,914,051	1,614,392	(58,091)	49,470,352
Intangible assets	7,940,957	-	-	7,940,957
Intangible right-to-use assets	946,232	384,549	(54,682)	1,276,099
Subtotal	460,394,104	6,950,530	(2,555,281)	464,789,353
Less accumulated depreciation and amortization:				
Buildings	115,881,528	6,181,846	(2,026,188)	120,037,186
Improvements other than building	53,374,215	9,025,680	(210,869)	62,189,026
Machinery and equipment	21,536,355	2,455,855	(41,705)	23,950,505
Intangible assets	4,077,178	197,653	-	4,274,831
Intangible right-to-use assets	185,756	168,553	-	354,309
Subtotal	195,055,032	18,029,587	(2,278,762)	210,805,857
Capital assets being depreciated and amortized, net	265,339,072	(11,079,057)	(276,519)	253,983,496
Total capital assets, net of accumulated depreciation and amortization	$ 389,138,170	$ 8,984,653	$ (276,519)	$ 397,846,304

NOTE 5 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The Port has active construction projects as of December 31, 2024. The projects include:

Capital Project	Spent to Date	Remaining Commitment
Marine Terminal Stormwater Improvements	$ 1,736,524	$ 431,555
Hewitt Terminal Wharf Repairs	-	295,691
Marina Flotation and Float Surface Rehab 2024	-	180,227
A6/A12 Retail Development	3,483,091	11,723,415
Marina Fuel Tank Replacement	2,142,964	118,136
Fuel Dock Reconstruction	4,542,919	3,299,723
Millwright Loop Road	12,576,827	1,403,803
Total	$ 24,482,325	$ 17,452,550

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	$(979,393)
Pension assets	$2,353,753
Deferred outflows of resources	$3,253,704
Deferred inflows of resources	$(985,183)
Pension (credit) expense	$(229,655)

State Sponsored Pension Plans

Substantially all 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.

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 the defined contribution portion of their plan.

<u>PERS Contributions</u>

The PERS Plan 1 member contribution rate is established by State statute at 6%. The PERS 1 employer and PERS 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 the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

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

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

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

Employer Contribution Rates				
Timeframe	Contribution Rate	PERS 1 UAAL	Administrative 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%

The Port's actual PERS plan contributions were $306,500 to PERS Plan 1 and $710,047 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 increases.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as 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.

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 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%
Total	**100%**	

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

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	$1,440,663	$979,393	$574,849
PERS 2/3	$4,243,089	$(2,353,753)	$(7,771,602)

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 and assets as follows:

	Liability (or Asset)
PERS 1	$979,393
PERS 2/3	$(2,353,753)

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

	Proportionate Share June 30, 2023	Proportionate Share June 30, 2024	Change in Proportion
PERS 1	.056755%	.055120%	-.001635%
PERS 2/3	.073127%	.071400%	-.001727%

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 (Law Enforcement Officers' and Fire Fighters') .

Pension Expense

For the year ended December 31, 2024, the Port recognized pension credit as follows:

	Pension Credit
PERS 1	$ (57,778)
PERS 2/3	(171,877)
Total	$ (229,655)

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:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(78,368)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	141,574	-
Total	$ 141,574	$ (78,368)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$1,337,453	$ (5,450)
Net difference between projected and actual investment earnings on pension plan investments	-	(674,519)
Changes of assumptions	1,299,747	(149,133)
Changes in proportion and differences between contributions and proportionate share of contributions	118,058	(77,713)
Contributions subsequent to the measurement date	356,872	-
Total	$ 3,112,130	$ (906,815)

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 1	PERS 2/3
2025	$(129,694)	$ (537,205)
2026	66,631	1,030,200
2027	(7,055)	464,450
2028	(8,250)	460,348
2029	-	236,334
Thereafter	-	194,315
Total	$ (78,368)	$ 1,848,442

NOTE 7 – DEFINED BENEFIT PLANS - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement No. 75 for the year ending December 31, 2024:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	$5,458,501
OPEB assets	-
Deferred outflows of resources	$2,050,961
Deferred inflows of resources	$1,246,376
OPEB expenses/expenditures	$496,064

Summary of provisions of the Plan

Eligibility

Active employees become eligible for the retiree medical plan at age 60 with 5 years of service, or age plus service equal to at least 75 points.

Benefits provided

The Port of Everett provides medical insurance to its full-time employees and Commissioners through a multiple-employer benefit plan administered by the Washington State Public Employees Benefit Board (PEBB). Port employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system.

OPEB are benefits provided to retired employees (and their spouses) beyond those provided by their pension plans. Such benefits include medical, prescription drug, life, dental, vision, disability, and long-term care insurance. PEBB offers retirees access to all of these benefits. However, PEBB employers primarily provide monetary assistance, or subsidies, only for medical, prescription drug, dental and vision insurance.

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

The explicit subsidy, permitted under the Revised Code of Washington (RCW) 41.05.085, is a straightforward, set dollar amount for a specific group of people. The explicit subsidy lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. Annually, the HCA administrator recommends an amount for the next Calendar Year's (CY) explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. The explicit subsidy is the lesser of 50 percent of the monthly premium and the set dollar amount adopted by the Legislature. In 2024, the dollar amount remains at $183, which was last increased in 2020. We expect increases to the dollar amount in the future.

The current valuation assumes the $183 explicit subsidy will remain constant through 2025 then grow with healthcare trends starting in 2026.

Retiree contributions required

Pre-Medicare retirees are required to pay the full plan premium rate for medical, prescription, dental, and vision coverage. Post-Medicare retirees are eligible to continue paying the full plan premium rate less the subsidy each year they are covered as a retiree. Spouses and covered dependents are additional and do not receive an additional subsidy.

Summary of actuarial assumptions

Mortality rates

PubG.H-2010 with mortality improvement using projection scale MP-2021

Disability rates

State of Washington PERS Plan 2 Rates

Age/Service	<10	10+
<25	0.00%	0.00%
25 - 34	0.01%	0.02%
35 - 44	0.02%	0.03%
45 - 49	0.05%	0.08%
50 - 54	0.15%	0.25%
55 - 59	0.30%	0.45%
60 - 64	0.60%	0.90%
65+	0.20%	0.30%

Retirement rates

State of Washington PERS Plan 2 Rates

	Hired Before May 1, 2013		Hired on or After May 1, 2013	
Age/Service	<30	30+	<30	30+
<55	0%	0%	0%	0%
55	1%	8%	1%	1%
56	1%	8%	1%	2%
57 - 58	2%	8%	2%	3%
59	4%	10%	4%	6%
60	5%	15%	5%	10%
61	8%	20%	8%	12%
62	15%	40%	15%	20%
63	20%	30%	20%	25%
64	40%	35%	40%	35%
65	35%	45%	35%	45%
66	30%	40%	30%	40%
67	27%	30%	27%	30%
68+	25%	30%	25%	30%

Discount rate

4.28% per annum, based on the S&P 500 20-year high quality municipal bond yields at December 31, 2024

Salary increases

3.00% per annum

Withdrawal rates

State of Washington PERS Plan 2 Rates:

Age/ Service	0	1	2	3	4	5	6	7	8	9-10	11	12-15	16	17-21	22-25	26-30
<53	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
54	26.0%	15.0%	10.5%	8.0%	6.5%	6.0%	5.5%	5.0%	4.5%	4.0%	3.5%	3.0%	2.5%	2.0%	1.5%	1.0%
55-62	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
63-64	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
65+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Expected long-term rate of return on plan assets

Not applicable

Plan participation

65% of future eligible retirees are assumed to receive a benefit at retirement.

Marriage assumption

45% of future retirees are assumed to be married and elect spousal coverage. A zero year age difference is assumed.

Medical claims cost for 2025

Premium rates for the UMP and Kaiser plans were projected to the valuation year and spread over the blended, covered population using the Yamamoto aging factors, assuming a 40% reduction factor for post-Medicare claims. Premium rates for the Medicare Supplements plans were assumed to be for a male, age 65 with no blending, as shown below.

	Blended Costs across Insurance Plans		Medicare Supplement Plans	
	Pre-Medicare	Post-Medicare	F	G
Retiree/Spouse	$19,469	$7,860	$3,083	$2,618

Healthcare cost trend rate

7.50% in 2025 graded to 6.60% over 3 years and following the 2025 Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075

Administrative expenses

Included in costs

Valuation date

January 1, 2025

Actuarial valuation method

Entry Age Normal, level percentage of pay

Retiree contributions for 2025

Contributions for retirees are based on active plan premium rates for employees and negotiated rates for dependents. The Consumer Directed Health Plans (CDHP) are not offered post-Medicare, so it is assumed those in the CDHP will migrate to the Classic plan with the same carrier. These premium rates shown below are decreased by the amount of the employer explicit subsidy for Post-Medicare participants.

	UMP Classic	UMP CDHP	Kaiser Classic	Kaiser CDHP	Premera Plan F	Premera Plan G
Retiree						
Pre-Medicare	$10,777	$9,792	$10,716	$9,540	n/a	n/a
Post-Medicare	$7,228	n/a	$4,189	n/a	$3,083	$2,618
Spouse						
Pre-Medicare	$10,709	$9,707	$10,647	$9,455	n/a	n/a
Post-Medicare	$7,160	n/a	$4,121	n/a	$3,083	$2,618

Employer explicit subsidy for 2025

The explicit subsidy is the lesser of 50 percent of the monthly premium and the set dollar amount adopted by the Legislature. In 2025, the dollar amount remains at $183, which was last increased in 2020. We expect increases to the dollar amount in the future. The current valuation assumes the $183 explicit subsidy will remain constant through 2025 then grow with healthcare trends starting in 2026.

Self-insured supplemental COBRA benefit

The Port provides additional self-insured benefits beyond the coverage of the group medical plan with former employees paying the full cost of this benefit. The Port will reimburse in-network coinsurance amounts after the deductible has been met up to the annual out-of-pocket maximum. This report does not value the cost of these self-insured benefits for retirees. There has historically been no election for this plan post-employment, so we are continuing to assume 0% participation.

Funding policy

The benefits of the Port Postretirement Health Insurance Benefit Plan are funded on a pay-as-you-go basis. The company funds on a cash basis as benefits are paid. No assets have been segregated and restricted to provide for postretirement benefits.

Amortization period

For Statement 75 contribution calculations: 20 years (closed) beginning January 1, 2025.

For Statement No. 75: Experience gains or losses and changes in actuarial assumptions are amortized over the average working lifetime of all participants which for the current period is 12 years. Plan amendments are recognized immediately. Investment gains or losses are amortized over a 5 year period.

Summary of Participant Data

Data as of January 1, 2025	
Number of Participants	
Actives (full-time)	98
Actives (part-time)	2
Retirees	12
Spouses of Retirees	9
Annual Projected Payroll	$10,253,608
Average Projected Earnings	$102,536

Actuarially Determined Contribution

	Fiscal Year Ending December 31, 2025	Fiscal Year Ending December 31, 2026
Total OPEB Liability (BOY)	$ 5,458,501	$ 5,940,907
Plan Fiduciary Net Position (BOY)	-	-
Net OPEB Liability (BOY)	$ 5,458,501	$ 5,940,907
Years of Amortization	18	17
Amortization Payment	$ 422,953	$ 478,517
Normal cost	372,854	388,812
Interest	16,852	18,366
Actuarially Determined Contribution	$ 812,659	$ 885,695

Sensitivity of OPEB liability to changes in the medical trend rate

The following represents the net OPEB liability calculated using the stated medical trend assumption, as well as what the OPEB liability would be if it were calculated using a medical trend rate that is 1-percentage-point lower or 1-percentage-point higher than the assumed trend rate:

Net OPEB Liability	1% Decrease	Current Medical Trend Rate	1% Increase
December 31, 2024	$4,548,988	$5,458,501	$6,641,451

Sensitivity of OPEB liability to changes in the discount rate

The following represents the net OEPB liability calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Net OPEB Liability	1% Decrease	Current Discount Rate (4.28%)	1% Increase
Discount Rate	3.28%	4.28%	5.28%
December 31, 2024	$6,449,318	$5,458,501	$4,664,099

Changes in the Total OPEB Liability

Port of Everett	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Total OPEB Liability at January 1, 2024	$2,932,526	$ -	$2,932,526
Changes for the Year:			
Service Cost	280,384	-	280,384
Interest	133,093	-	133,093
Benefit Changes	-	-	-
Experience Losses (Gains)	1,835,834	-	1,835,834
Changes of Assumptions	401,578	-	401,578
Contributions – Employer	-	124,914	(124,914)
Benefits Paid	(124,914)	(124,914)	-
Net Changes	2,525,975	-	2,525,975
Total OPEB Liability at December 31, 2024	$5,458,501	$ -	$5,458,501

At December 31, 2024, the Port reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

December 31, 2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience Losses (Gains)	$1,682,848	$ 333,294
Changes of Assumptions	368,113	913,082
Contributions subsequent to measurement date	-	-
Total	$2,050,961	$1,246,376

Amounts reported as deferred outflows (inflows) of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended December 31:	
2025	$ 82,587
2026	82,587
2027	82,587
2028	82,587
2029	82,587
Thereafter	391,650

NOTE 8 - 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 addition, the Port participates in federal and state assistance programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to the grantor agencies for expenses disallowed under the terms of the grants. Port management is unaware of any grant where received or expected reimbursements would be disallowed. The Port's management believes that such disallowance, if any, will be immaterial.

NOTE 9 – LEASES (Port as Lessor)

The Port leases industrial, retail and marine terminal land to tenants under leases with terms of up to 50 years. Terms occasionally include opportunities for extensions. For the purposes of this disclosure, the Port assumes that all extension opportunities are exercised. Terms also include either a periodic CPI-linked rate adjustment or a fixed increase in rate that is periodically adjusted to market.

As of December 31, 2024, Port of Everett, WA had 51 active leases. The leases have receipts that range from $1,232 to $1,567,406 and interest rates that range from 0.3300% to 3.9740%. As of December 31, 2024, the total combined value of the lease receivable is $88,650,822, and the combined value of the deferred inflow of resources is $86,098,651.

Principal and Interest Expected to Maturity is as follows:

	Business-Type Activities		
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2025	$3,303,624	$1,605,236	$4,908,860
2026	3,415,700	1,560,086	4,975,786
2027	3,230,700	1,499,107	4,729,807
2028	3,224,456	1,440,966	4,665,422
2029	3,033,448	1,382,977	4,416,425
2030 - 2034	12,446,373	6,204,977	18,651,350
2035 - 2039	13,687,966	5,027,776	18,715,742
2040 - 2044	14,369,896	3,751,839	18,121,735
2045 - 2049	8,797,317	2,504,471	11,301,788
2050 - 2054	1,596,159	2,153,786	3,749,945
2055 - 2059	1,664,905	2,009,258	3,674,164
2060 - 2064	1,919,867	1,848,211	3,768,078
2065 - 2069	2,210,703	1,660,052	3,870,755
2070 - 2074	2,530,414	1,440,970	3,971,384
2075 - 2079	2,574,327	1,199,645	3,773,972
2080 - 2084	2,658,868	956,659	3,615,527
2085 - 2089	2,769,133	696,507	3,465,640
2090 - 2094	2,961,874	427,584	3,389,458
2095 - 2099	2,373,494	141,378	2,514,872
2100 - 2102	359,664	12,579	372,243
Total Principal Payments	89,128,888		
Less: Other Principal Adjustment	(478,066)		
Total Lease Receivable	$88,650,822		

2024 Deferred Inflows of Resources activities was as follows:

Business Type Activities:	Balance as of January 1, 2024 As Previously Reported	Prior Period Adjustments	Balance as of January 1, 2024 As Restated	Additions	Reductions/ Adjustments	Balance as of December 31, 2024
Deferred Inflow of Resources						
Total Building Deferred Inflow of Resources	$38,698,637	($23,635,186)	$15,063,451	$3,846,846	($4,164,052)	$14,746,245
Total Land Deferred Inflow of Resources	51,942,896	4,845,837	56,788,733	17,046,634	(2,482,961)	71,352,406
Total Deferred Inflow of Resources	$90,641,533	($18,789,349)	$71,852,184	$20,893,480	($6,647,013)	$86,098,651

2024 Lease Receivable activity was as follows:

Business Type Activities:	Balance as of January 1, 2024 As Previously Reported	Prior Period Adjustments	Balance as of January 1, 2024 As Restated	Additions	Reductions/ Adjustments	Balance as of December 31, 2024
Lease Receivable						
Total Building Lease Receivable	$ 39,229,283	($23,804,863)	$15,424,420	$3,846,846	($4,023,592)	$ 15,247,674
Total Land Lease Receivable	52,841,240	4,910,654	57,751,894	17,046,634	(1,395,380)	73,403,148
Total Lease Receivable	$92,070,523	($18,894,209)	$73,176,314	$20,893,480	($5,418,972)	$88,650,822

NOTE 10 – LEASES (Port as Lessee)

As of December 31, 2024, Port of Everett, WA had 21 active leases. The leases have payments that range from $1,103 to $12,569 and interest rates that range from 0.4260% to 2.3810%. As of December 31, 2024, the total combined value of the lease liability is $857,908. The combined value of the right-to-use assets, as of December 31, 2024, of $1,133,035 with accumulated amortization of $277,699 is included within the Lease activity table found below.

2024 Lease Right-To-Use Asset activity was as follows:

Business Type Activities:	Balance as of January 1, 2024	Additions	Reductions	Balance as of December 31, 2024
Lease Assets				
Total Equipment Lease Assets	$ 36,172	$ -	$ 36,172	$ -
Total Vehicle Lease Assets	748,485	384,550	-	1,133,035
Total Lease Asset	784,657	384,550	36,172	1,133,035
Less: Lease Accumulated Amortization				
Total Equipment Lease Acc. Amortization	27,793	8,379	36,172	-
Total Vehicle Lease Acc. Amortization	112,023	165,680	-	277,703
Total Lease Accumulated Amortization	139,816	174,059	36,172	277,703
Total Business-Type Lease Assets, Net	$ 644,841	$210,491	$ -	$ 855,332

Principal and Interest Requirements to Maturity are as follows:

	Business-Type Activities		
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2025	$ 222,730	$ 10,635	$ 233,365
2026	225,440	7,923	233,363
2027	224,436	5,164	229,600
2028	121,565	2,624	124,189
2029	63,737	668	64,405
Total Principal Payments	857,908		
Cumulative Variance as of Year-End	-		
Total Remaining Liability	$ 857,908		

2024 Lease Liability activity was as follows:

Business Type Activities:	Balance as of January 1, 2024	Additions	Reductions	Balance as of December 31, 2024
Lease Liability				
Total Equipment Lease Liability	$ 8,203	$ -	$ 8,203	$ -
Total Vehicle Lease Liability	637,590	384,550	164,232	857,908
Total Lease Liability	$ 645,793	$384,550	$ 172,435	$ 857,908

NOTE 11 – LONG-TERM DEBT

A. Long-Term Debt

The Port issues general obligation and revenue bonds to finance the purchase or construction of various projects. Bonded indebtedness has also been entered into to advance refund several general obligation and revenue bonds. General Obligation (GO) Bonds have been issued for business-type activities and are being repaid from the applicable resources. The Revenue Bonds are being repaid by net revenues of the Port.

Unamortized deferred charge on refunding is recorded as a deferred outflow and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of the deferred outflow and discount. Funds are transferred to the respective fiscal agent for any redemption of principal and interest payments on GO and Revenue Bonds.

At December 31, 2024, the Port had $12,142,889 available for debt service to service the general bonded debt. Restricted assets include $1,170,072 in reserves as required by bond indentures.

In addition to the General Obligation and Revenue Bonds, the Port is liable for various Direct Borrowings, reported under Other Long-Term Debt on the Statement of Net Position, related to business-type activities as described below:

a. The Port is liable for a loan from the Community Economic Revitalization Board (CERB) to construct a new road and install utilities to support the development of three private manufacturing ventures on the Riverside Business Park. This loan is secured by a general obligation pledge of the taxing power of the Port.
b. The Port is liable for a loan received from the US Department of Transportation Railroad Rehabilitation & Improvement Financing (RRIF) program for the construction of two rail sidings (and related turnouts) in order to allow for easier rail ingress and egress to the Port's shipping facilities and the relocation and repurposing of a warehouse. The RRIF loan is secured by the gross revenue of the Port and is on par with the revenue bonds of the Port. The Port is required to make payment to a reserve account to secure the payment of any first lien bonds including amounts required to reinstate any surety bond and to pay amounts owing to the issuer of a surety bond.
c. In 2022, the Port issued a $15,000,000 subordinated revenue bond to the Snohomish County Treasurer to pay for construction of a road and utilities in support of the Port's development in the central marina area. The bond provides for periodic draws against the total amount of the bond. The loan is secured by the gross revenue of the Port and is subordinate to the revenue bonds of the Port. As a condition of the bond, the Port is required to maintain a reserve deposit in the initial amount of $5,000,000 with the Snohomish County Treasurer. This initial reserve requirement shall be reduced by 50% on the 5th anniversary of the first note and eliminated on the 10th anniversary.

d. Rail Bank loans were entered into with the State of Washington (State) for the purpose of expanding rail capacity and expanding the south terminal wharf. The State maintains a contingent interest in all capital improvements and equipment purchased with funds from these notes. The Port must immediately repay the full amount of any notes upon sale, conveyance, transfer or abandonment of the Port property underlying the improvements within the loan re-payment period. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources.
e. The Port is also liable for a remedial action loan in the maximum amount of $4,300,000 received from the State of Washington Department of Ecology Model Toxic Control Act (MTCA) program to allow for acceleration of the Port's project to achieve a permanent and protective cleanup of the Mill-A cleanup site to guard against impacts that further delay may cause. This loan is currently being drawn on as work on the project continues.
f. In 2022, the Port signed a note with a private party for purchase of real property. The note is in the amount of $2,000,000 and has a maximum term of 10 years. Payments are interest only during the term with principle to be paid at maturity. The seller maintains an interest in the property through a deed of trust and, upon the sale or development of the property, the principal on the note becomes due.
g. In 2019, the Port purchased crane equipment for its Marine Terminals under a capital lease financing arrangement. Payments under the lease are semi-annual and the duration of the lease is 10 years. The capital lease financing is secured by the underlying equipment.

B. General Obligation Bonds

The General Obligation (GO) bonds currently outstanding are as follows:

Obligation	Purpose	Original Amount	Maturity	Interest Rate	Balance as of December 31, 2024
2020	Refunding of outstanding debt	$26,325,000	2049	2.7%-3.3%	$26,325,000
2023	Various capital improvements to port facilities and refunding of outstanding debt	12,215,000	2043	3.0%-4.27%	11,545,000
		Total GO Bonds before current portion			37,870,000
		Current portion of long-term bonded debt			(700,000)
		Premium			891,964
		Discount			(85,565)
		Total long-term GO bonds, net			$37,976,399

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

Year Ending December 31	Principal	Interest
2025	$ 700,000	$ 1,344,571
2026	735,000	1,309,571
2027	965,000	1,272,821
2028	1,015,000	1,224,571
2029	1,065,000	1,173,821
2030-2034	4,985,000	5,053,245
2035-2039	6,975,000	4,049,648
2040-2044	9,155,000	2,680,326
2045-2049	12,275,000	1,210,239
Total	$ 37,870,000	$ 19,318,813

C. Revenue Bonds

The Revenue Bonds currently outstanding are as follows:

Obligation	Purpose	Original Amount	Maturity	Interest Rate	Balance as of December 31, 2024
2007 Series	Various capital improvements to port facilities	$16,225,000	2026	4.125%	$ 5,000
2015 Series	Various capital improvements to port facilities	9,205,000	2035	2.0% - 4.0%	5,950,000
2016 Series	Various capital improvements to port facilities and refund certain outstanding revenue bonds of the Port	27,710,000	2046	2.0% - 5.0%	17,615,000
				Total Revenue Bonds before current portion	23,570,000
				Current portion of long-term bonded debt	(1,915,000)
				Premium	2,229,510
				Total long-term Revenue Bonds, net	$23,884,510

The annual debt service requirements to maturity for the Revenue Bonds are as follows:

Year Ending December 31	Principal	Interest
2025	$ 1,915,000	$ 986,006
2026	2,005,000	894,656
2027	970,000	799,050
2028	1,010,000	755,300
2029	1,055,000	714,900
2030-2034	5,940,000	2,907,300
2035-2039	4,320,000	1,809,800
2040-2044	4,325,000	1,123,700
2045-2049	2,030,000	153,500
Total	$ 23,570,000	$ 10,144,212

D. Direct Borrowings

The Direct Borrowings currently outstanding are as follows:

Obligation	Purpose	Original Amount	Maturity	Interest Rate	Balance as of December 31, 2024
CERB	Road construction and utilities installation for development of private manufacturing ventures	$6,850,000	2039-2044	1.5% - 2.0%	$ 3,847,024
RRIF	Construction of two rail sidings for easier access to Port shipping facilities and relocation/repurposing of a warehouse	5,727,677	2053	3.39%	5,509,590
Snohomish County	Construction of road and utilities for central marina area development	15,000,000	5 years from issuance with option to extend	4.25% - 5.48%	15,000,000
Rail Bank	Rail capacity expansion and expansion of South Terminal wharf	16,136,924	2032-2040	0.0%	10,371,558
Ecology	Permanent and protective environmental cleanup	4,300,000	2035	1.3%	1,008,713
Capital Leasing	Financing for Marine Terminals crane	10,000,000	2029	2.284%	5,283,577
Private Party	Purchase of real property	2,000,000	2032	Variable - 4.0% floor	2,000,000
Other	Maintenance agreement				105,445
		Total Direct Borrowings before current portion			43,125,907
		Current portion of Direct Borrowings			(2,165,537)
		Total long-term Direct Borrowings			$ 40,960,370

The annual debt service requirements of notes from Direct Borrowings are as follows:

Year Ending December 31	Principal	Interest
2025	$ 2,165,537	$ 1,266,826
2026	2,584,021	1,222,649
2027	2,809,080	1,226,883
2028	8,823,600	1,120,042
2029	11,471,364	556,172
2030-2034	8,709,437	1,079,806
2035-2039	2,970,462	675,212
2040-2044	1,182,652	495,786
2045-2049	1,194,616	312,355
Thereafter	1,215,138	95,657
Total	$ 43,125,907	$ 8,051,388

Revenue Debt Service Coverage						
Year	Operating Revenues	Operating Expenses (1)	Nonoperating Income (2)	Available for Debt Service	Revenue Debt Service	Debt Service Coverage (3)
2020	$31,570,605	$25,201,154	$2,780,143	$9,149,594	$2,907,206	3.15
2021	48,101,215	32,548,893	4,623,951	20,176,272	2,899,006	6.96
2022	59,049,218	41,573,495	2,696,151	20,171,874	2,898,606	6.96
2023	54,101,933	41,197,108	4,754,986	17,659,812	2,905,606	6.08
2024	48,476,861	39,922,480	3,588,508	12,142,889	2,899,606	4.19

(1) Excludes depreciation and amortization
(2) Excludes taxes used to pay GO debt service, interest expense, public access depreciation and amortization, capital contributions, and noncash expenses.
(3) The current bond coverage ratio requirement is 1.35

E. Lines of Credit

Revolving Line

In 2017, the Port has entered into a revolving credit agreement with its primary bank (“Bank”) to provide the Port with a line of credit (the “Revolving Line”) with a maximum commitment amount of $15,000,000. The Revolving Line can be renewed annually by mutual consent of the Port and the Bank and currently matures on October 24, 2025. As of December 31, 2024, there was an outstanding balance on the Revolving Line in the amount of $7,350,000.

The Port pays an interest rate indexed to the Secured Overnight Financing Rate (SOFR), 4.49% as of December 31, 2024, plus 1.00 % on any draws made on the Revolving Line and pays a commitment fee in the amount of 22.5 basis points per annum (0.225%) on the unused portion of the Revolving Line, which stands at $7,650,000 as of December 31, 2024.

2024 Line

In May 2024, the Port entered into a line of credit agreement with its primary bank (the "2024 Line") to fund the construction of its newest development with an aggregate principal amount not to exceed $20,000,000. The 2024 Line is secured by a subordinated pledge on the net revenues of the Port. The 2024 Line currently matures on May 14, 2027 and any unpaid principal automatically converts to a term loan. As of December 31, 2024, there was an outstanding balance on the 2024 Line in the amount of $4,295,000, which is reported under Other Long-Term Debt.

The Port pays an interest rate indexed to the Secured Overnight Financing Rate (SOFR), 4.49% as of December 31, 2024, plus 1.15 % on any draws made on the 2024 Line and pays a commitment fee in the amount of 40 basis points per annum (0.40%) on the unused portion of the 2024 Line, which stands at $15,705,000 as of December 31, 2024.

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance January 1, 2024	Additions	Reductions/ Adjustments	Ending Balance December 31, 2024	Due Within One Year
Bonds payable:					
LTGO Bonds	$ 38,540,000	-	$ 670,000	$ 37,870,000	$ 700,000
Revenue Bonds	25,410,000	-	1,840,000	23,570,000	1,915,000
Premiums – LTGO Bonds	939,961	-	47,997	891,964	-
Discounts – LTGO Bonds	(89,431)	-	(3,866)	(85,565)	-
Premiums – Revenue Bonds	2,474,750	-	245,240	2,229,510	-
Total Bonds Payable	67,275,280	-	2,799,371	64,475,909	2,615,000
Other Long-Term Debt	25,243,930	17,646,047	(4,530,930)	47,420,907	2,165,537
Lease and SBITA Liability	7,149,347	384,551	6,610,926	922,972	256,983
Compensated Absences	2,005,080	1,979,365	1,764,788	2,219,657	-
Net Pension Liability	1,295,564	979,393	1,295,564	979,393	-
Other Post Employment Benefits	2,932,526	2,525,975	-	5,458,501	-
Environmental Remediation	33,113,686	4,306,163	3,088,823	34,331,026	1,965,000
Total Long-Term Liabilities	$139,015,413	$27,821,494	$11,028,542	$155,808,365	$ 7,002,520

NOTE 13 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS

The Port is committed under various subscription-based IT arrangements (SBITAs). At December 31, 2024, the Port has 2 qualifying SBITAs under GASB 96 in which it is acting as lessee, down from 5 as of December 31, 2023, as the Port increased its valuation threshold for SBITAs to $25,000 in 2024.

On March 1, 2023, Port of Everett, WA entered into a 60-month subscription for the use of access control software. An initial subscription liability was recorded in the amount of $69,513. As of December 31, 2024, the value of the subscription liability is $44,514. The Port is required to make annual fixed payments of $6,594. The subscription has an interest rate of 2.6820%. The value of the right-to-use asset as of December 31, 2024 amounts to $69,513 with accumulated amortization of $23,170.

On January 1, 2023, Port of Everett, WA entered into a 33-month subscription for the phone software. An initial subscription liability was recorded in the amount of $73,552. As of December 31, 2024, the value of the subscription liability is $20,551. The Port is required to make monthly fixed payments of $2,762. The subscription has an interest rate of 2.6560%. The value of the right-to-use asset as of December 31, 2024 amounts to $73,552 with accumulated amortization of $53,439.

	Beginning Balance as of January 1, 2024	Increases	Decreases	Ending Balance as of December 31, 2024
Subscription Assets				
Software	$ 161,575	$ -	$ 18,510	$ 143,065
Total Subscription Assets	161,575	-	18,510	143,065
Less Accumulated Amortization				
Software	(45,940)	(38,305)	(7,636)	(76,609)
Total Accumulated Amortization	(45,940)	(38,305)	(7,636)	(76,609)
Subscriptions Assets, Net	$ 115,635	$ (38,305)	$ 10,874	$ 66,456

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

Year Ended December 31	Principal Payments	Interest Payments	Total Payments
2025	$ 34,254	$ 1,422	$ 35,676
2026	14,816	829	15,645
2027	15,995	429	16,424
Total Principal Payments	65,065		
Cumulative Variance as of Year-End	-		
Total Remaining Liability	$ 65,065		

2024 SBITA Liability activity was as follows:

Business Type Activities:	Balance as of January 1, 2024	Additions	Reductions/ Adjustments	Balance as of December 31, 2024
SBITA Liability				
Total Subscription Liability	$ 112,339	$ -	$ 47,274	$ 65,065
Total Lease Liability	$ 112,339	$ -	$ 47,274	$ 65,065

NOTE 14 - RISK MANAGEMENT

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

To limit exposure, the Port maintains commercial insurance coverage against most normal hazards except for unemployment insurance where it has elected to become self-insured through the Washington State Employment Security Department on a reimbursement basis. The self-insured program is reviewed and any necessary reserve is recorded on an annual basis. No reserve for self-insurance has been established at this time as utilization remains low and the potential liability is not considered to be material to the financial statements.

The Port participates in an insurance buying group arranged through a commercial broker with policies tailored for the risk management needs of public port authorities. General liability coverage is in effect to a limit of $1 million per occurrence ($3 million general aggregate) with a $25,000 deductible. Excess liability coverage is in effect with a limit of $50 million over the first $1 million of loss.

Commercial property replacement cost coverage with a total insured value of $483.4 million with a deductible of $250,000 is in effect. In addition, the Port maintains standard business automobile, construction, and boiler and machinery coverage. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Port provides medical, vision, life, and long-term disability insurance coverage for Port employees through standard plans. The Port does not administer any of these plans. In 2019, the Port established a self-insured dental plan and added a self-insured component to its medical plan.

- The 2024 dental plan had 96 active members. A monthly administrative fee per employee is charged, along with actual claims. Fixed costs were $18,543, and the claims paid were $102,363. Total dental costs were $101,270 in 2024. The required eight weeks of reserve for the dental plan is calculated to be $18,433 and is included in the Port's Accrued Liabilities on the Statement of Net Position.
- The 2024 self-insured portion of the medical plan had 107 active members. A monthly administrative fee per member is charged, along with actual claims. Fixed costs were $6,068, and the claims paid were $17,914. The required 16 weeks of reserve for the medical plan is calculated to be $7,380 and is included in the Port's Accrued Liabilities on the Statement of Net Position.

NOTE 15 – POLLUTION REMEDIATION OBLIGATIONS

The Port has identified a number of contaminated sites on various port properties that must be investigated for the presence of hazardous substances and remediated in compliance with Federal and State environmental laws and regulations. Although the Port may not bear ultimate liability for the contamination, 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 $34,331,026 as of December 31, 2024. In some cases, the Port has successfully recovered Port-incurred investigation and cleanup costs from other responsible parties. The Port will continue to seek appropriate recoveries in the future through various means, including through legal challenges.

As of December 31, 2024, unrealized recoveries were estimated at $15,366,974. The Port liability will change over time due to changes in cost estimates, changes in technology, and changes in governing laws and regulations. During fiscal year 2024, the Port expended $3,088,823 in cleanup activities.

In 2024, the Port recognized nonoperating grant revenues and capital contributions in support of its cleanup program from the Department of Ecology Model Toxics Control Act (MTCA) in the amount of $92,354.

The four projects below have a higher degree of uncertainty as to what the Port's remediation obligations may be and are described in further detail below:

East Waterway

The East Waterway is a listed site on the Washington State Department of Ecology's (Ecology) Hazardous Sites List. The site was listed by Ecology for sediment contamination caused by historical industrial activities in the area. In April, 2013, the Port was named a Potentially Liable Party (PLP) under the Model Toxics Control Act (MTCA) based on the Port's historical ownership and operations in the East Waterway. On Feb 16, 2016 the Port entered into a MTCA order for a remedial investigation and feasibility study of the sediment contamination in the East Waterway. In October of 2019, the Port purchased a portion of the East Waterway previously owned by Kimberly-Clark and assumed liability for that property, as well as Kimberly-Clark's PLP obligations in the East Waterway, as partial consideration for that purchase. It is uncertain at this time what the Port's additional remediation obligations may be.

TC Systems

The TC Systems site is a listed site on the Washington State Department of Ecology's Hazardous Sites List. The site was listed by Ecology for suspected soil and groundwater contamination caused by historical industrial activities in the area. The Port accepted responsibility for any future remediation of the site as partial consideration for the property purchase. It is uncertain at this time what the Port's remediation obligations may be.

Jeld-Wen

The Port was notified by Ecology that it is a Potentially Liable Party (PLP) for the Jeld-Wen cleanup site (Site) based on its ownership of a contaminated tideland parcel. According to the Ecology PLP letter, the Port's parcel is one of the parcels making up the Site. On the basis of this finding, Ecology determined that the Port is a PLP with regard to the Site. The Site is adjacent to the Bay Wood Product cleanup site, which the Port cleaned up under an Agreed Order with the Department of Ecology. A narrow in-water inlet runs between these sites. Based on Ecology's understanding of the historical operations at and releases of hazardous substances from the former Nord Door / Jeld Wen manufacturing facility, contamination from those releases has come to be located on the Port's parcel in this inlet. Further the Port acquired two tideland parcels to the south of the Jeld-Wen property, unofficially known as the Wick Tideland property and the Foss Tideland property. Both of these parcels are within the Jeld-Wen cleanup site. The Port indemnified the former owners of these two properties as part of the transfers. The Port has not joined the Agreed Order for the Site, however, the Port is reviewing and commenting, as appropriate, on draft documents produced by Jeld-Wen. Jeld-Wen is now producing the Cleanup Action Plan for the Site and the Port plans to review and comment on the drafts as they become available. At this time Jeld-Wen has not made any claims against the Port for the cost of historic or future remediation.

Mill-A

The Port's South Terminal facility operates on a former mill site which the Port acquired in 1983. Historical activities at the site included pulp manufacturing, saw milling, ship building, shingle milling, and log handling. Since its ownership of the site, the Port regularly conducted upland and in-water investigation activities to assess the contamination of sediments accumulated at the site. In 2012, Ecology entered into an agreed order for site clean-up with the Port and the former owner of the site, as Potentially Liable Persons (PLPs), after it was determined that the sediments contained various hazardous substances both in-water and upland.

With respect to the upland area, the Port has completed several substantial rounds of remedial investigation. In 2017, the Port performed an interim action at the site that focused on dredging contaminated sediment in the northern portion of the marine area of the site. These efforts have been done in collaboration with Ecology as part of a grant agreement. In 2024, the Port completed the Remedial Investigation/Feasibility Study (RI/FS) phase of the clean-up and is entering into the design phase. As design is the only remaining required component under the agreed order from Ecology, the Port has reflected the estimate for costs through the design phase in accordance with the standard. The project is being litigated which will impact the construction estimate, financial allocation of costs and ultimate path the Port will take to progress on this remediation.

NOTE 16 – PAID FAMILY MEDICAL LEAVE ACT SELF-INSURANCE

The Port administers a voluntary plan for paid family and medical leave benefits for its employees. Voluntary plans are approved by the Employment Security Department and are available for employers who wish to opt out of the State of Washington's Paid Family Medical Leave Program for either family leave benefit, medical leave benefit, or both, and instead administer their own internal plan. Employers with voluntary plans are required to offer benefits that are equal to or exceed the benefits offered by the State's program and must report employee hours, wages, premiums deducted from employee pay, and other information to the Employment Security Department on a quarterly basis.

The Port paid 7 claims during 2024 for a total of $48,448. The Port held no employee premiums at fiscal year-end.

NOTE 17 – MAJOR CUSTOMER

The Port had one major customer in 2024 that represented individually 17.9% percent of total operating revenues and operates in the aerospace industry.

NOTE 18 – TAX ABATEMENT

State of Washington Tax Abatements

RCW 84.14.020: Multi-unit urban housing exemption

The purpose of this exemption is to encourage increased residential opportunities in cities that are required to plan or choose to plan under the Growth Management Act within urban centers where the legislative body of the affected city has found there is insufficient housing opportunities. It is further the purpose of this legislation to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing in urban centers having insufficient housing opportunities that will increase and improve residential opportunities within these urban centers. To achieve these purposes, this legislation provides for special valuations for eligible improvements associated with multiunit housing in residentially deficient urban centers.

During the fiscal year ending December 31, 2024, the Port's property tax revenues were reduced in the amount of $63,429 as a result of these special valuations. Taxpayer savings for the State were $41,171,131 over the same period.

NOTE 19 – ACCOUNTING CHANGES AND ERROR CORRECTIONS

Accounting and Reporting Changes

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, Certain Risk Disclosures. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The Port will evaluate the impacts of this Statement and implement as needed in fiscal year 2025.

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, Financial Reporting Model Improvements. Statement 103 does make several notable changes to the following sections improving clarity for readers and eliminating duplication: a) Management's discussion and analysis (MD&A), b) Unusual or infrequent items, c) Proprietary fund statement of revenues, expenses, and changes in fund net position, d) Operating and nonoperating revenues and expenses, e) Major component units, and f) Budgetary comparisons. Statement 103 will be applicable beginning with fiscal years ending June 15, 2025. The Port will evaluate the impacts of this Statement and implement as needed no later than fiscal year 2026.

GASB Statement No. 104 – In September 2024, GASB issued Statement No. 104, Disclosure of Certain Capital Assets. The objective of Statement 104 is to enhance the transparency and usefulness of financial statements for state and local governments by requiring separate disclosure of specific types of capital assets. This statement also establishes requirements for capital assets that are held for sale. Statement 104 will be applicable beginning with fiscal years ending June 15, 2025. The Port will evaluate the impacts of this Statement and implement as needed no later than fiscal year 2026.

Prior Period Adjustments

In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, which was effective for fiscal years beginning after December 15, 2023, the Port implemented the requirements of this Statement in fiscal year 2024.

During its review of prepaid insurance, the Port determined that its prepaid insurance balance was understated by $325,912 as of December 31, 2024. As this related to fiscal 2023, the Port reclassified this item to as a prior period adjustment increase to its beginning net position to correct for the overstated insurance expense in that year.

During fiscal year 2024, the Port corrected an error related to its implementation of GASB 87 as of and for the year ended December 31, 2023 which resulted in adjustment to and restatement of its beginning net position for fiscal year 2024.

Below is a tabular summary of the impact of the 2 error corrections on the beginning net position of the Port:

	Port-Wide Business-Type Activities
January 1, 2024 Net Position As Previously Reported	$261,612,280
Prepaid Insurance	325,912
GASB 87 Leases Deferred Inflow and Leases Receivable	(104,860)
January 1, 2024 Net Position As Restated	**$261,833,332**

A summary of financial statement impacts are as follows:

Statement of Net Position:

- Decrease in assets in the amount of $18,568,297
- Decrease in deferred inflows of resources (leases) in the amount of $18,789,349
- Increase in unrestricted net position in the amount of $221,052

Statement of Revenues, Expenses, and Changes in Net Position:

- Increase in beginning net position in the amount of $221,052

Introduction: The Port of Everett is providing the following Required Supplementary Information to meet our financial reporting requirements. This information is an integral part of the accompanying financial statements. RSI generally includes schedules, statistical data, and other information.

Port of Everett
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Washington State Public Employee Retirement Systems Plan 1
As of June 30, 2024
Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.055120%	0.056755%	0.057207%	0.056862%	0.055217%	0.060200%	0.063511%	0.071397%	0.070121%	0.068656%
Employer's proportionate share of the net pension liability (asset)	-$979,393	$1,295,565	$1,592,853	$694,418	$1,949,458	$2,314,904	$2,836,423	$3,387,843	$3,765,828	$3,591,347
Covered payroll	$11,056,865	$10,562,668	$9,450,209	$8,376,395	$8,407,620	$8,416,614	$8,601,190	$8,502,842	$8,230,352	$7,721,591
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-8.86%	12.27%	16.86%	8.29%	23.19%	27.50%	32.98%	39.84%	45.76%	46.51%
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%

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

Port of Everett
Schedule of Proportionate Share of the Net Pension Liability
Washington State Public Employee Retirement Systems Plans 2 & 3
As of June 30, 2024
Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.071400%	0.073127%	0.074814%	0.073052%	0.071909%	0.077336%	0.079001%	0.088850%	0.086756%	0.085692%
Employer's proportionate share of the net pension liability (asset)	$2,353,753	-$2,997,244	-$2,774,687	-$7,277,155	$919,675	$751,196	$1,348,872	$3,087,113	$4,368,096	$3,061,824
Covered payroll	$11,056,865	$10,562,668	$9,450,209	$8,376,395	$8,407,620	$8,404,537	$8,474,886	$8,380,810	$8,104,897	$7,604,827
Employer's proportionate share of the net pension liability as a percentage of covered payroll	21.29%	-28.38%	-29.36%	-86.88%	10.94%	8.94%	15.92%	36.84%	53.89%	40.26%
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%

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

Port of Everett
Schedule of Employer Contributions
Washington State Public Employee Retirement Systems Plan 1
For the year ended December 31, 2024
Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$306,500	$365,975	$382,148	$371,961	$399,957	$418,807	$436,237	$425,661	$422,497	$346,796
Contributions in relation to the statutorily or contractually required contributions	-$306,500	-$365,975	-$382,148	-$371,961	-$399,957	-$418,807	-$436,237	-$425,661	-$422,497	-$346,796
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Covered payroll	$11,056,865	$10,562,668	$10,168,708	$8,715,975	$8,338,403	$8,470,847	$8,505,762	$8,510,637	$8,694,275	$7,764,262
Contributions as a percentage of covered payroll	2.77%	3.46%	3.76%	4.27%	4.80%	4.94%	5.13%	5.00%	4.86%	4.47%

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

Port of Everett
Schedule of Employer Contributions
Washington State Public Employee Retirement Systems Plans 2 & 3
For the year ended December 31, 2024
Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$710,047	$688,248	$646,731	$619,693	$660,402	$654,032	$632,276	$575,827	$533,873	$429,433
Contributions in relation to the statutorily or contractually required contributions	-$710,047	-$688,248	-$646,731	-$619,693	-$660,402	-$654,032	-$632,276	-$575,827	-$533,873	-$429,433
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Covered payroll	$11,056,865	$10,562,668	$10,168,708	$8,715,975	$8,338,403	$8,470,847	$8,430,534	$8,386,468	$8,569,393	$7,642,240
Contributions as a percentage of covered payroll	6.42%	6.52%	6.36%	7.11%	7.92%	7.72%	7.50%	6.87%	6.23%	5.62%

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

Port of Everett
Schedule of Changes in Total OPEB Liability and Related Ratios
Washington State Public Employee Benefit Board
For the year ended December 31, 2024
Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	20XX	20XX	20XX	20XX
Total OPEB liability - beginning	$2,932,526	$2,582,280	$3,804,953	$4,474,317	$3,532,724	$2,815,399				
Service cost	280,384	268,799	285,054	279,027	177,943	141,329				
Interest	133,093	121,169	87,539	104,821	129,621	114,184				
Changes in benefit terms	0	0	0	0	0	0				
Differences between expected and actual experience	1,835,834	0	(416,616)	(1,032,511)	648,589	474,387				
Changes of assumptions	401,578	0	(1,141,352)	0	0	0				
Benefit payments	(124,914)	(39,722)	(37,298)	(20,701)	(14,560)	(12,575)				
Other changes										
Total OPEB liability - ending	$5,458,501	$2,932,526	$2,582,280	$3,804,953	$4,474,317	$3,532,724				
Covered-employee payroll	$10,063,380	$9,717,898	$9,434,852	$8,376,395	$8,407,620	$8,416,614				
Total OPEB liability as a % of covered payroll	54.24%	30.18%	27.37%	45.42%	53.22%	41.97%				

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Port of Everett
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF LOCAL DEFENSE COMMUNITY COOPERATION, DEPT OF DEFENSE	Community Investment	12.600		-	3,147,434	3,147,434	-	1,2,4
U.S. FISH AND WILDLIFE SERVICE, INTERIOR, DEPARTMENT OF THE (via (via Washington State Parks Commission))	Clean Vessel Act	15.616	CV 123-537	10,000	-	10,000	-	1,2,4
OFFICE OF THE SECRETARY, TRANSPORTATION, DEPARTMENT OF	Railroad Rehabilitation and Improvement Financing Program	20.316		-	5,509,607	5,509,607	-	1,2,3
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Port Security Grant Program	97.056		-	86,277	86,277	-	1,2,4
			Total Federal Awards Expended:	**10,000**	**8,743,318**	**8,753,318**	**-**	

The accompanying notes are an integral part of this schedule.

PORT OF EVERETT, WASHINGTON
(PORT)

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the Port of Everett's financial statements. The financial statements of the Port have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Note 2 – Federal De Minimus Indirect Cost Rate

The Port has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The amount expended does not include reimbursement claimed as indirect cost recovery.

Note 3 – Federal Loans

The Port was approved by the Federal Railroad Administration, Railroad Rehabilitation and Improvement Financing Program to receive a loan totaling $5,727,677 for rail line expansion within the Port's terminal. The amount listed for this loan includes the beginning of the period loan balance less any amounts paid during the year. The balance owing at the end of the period is $5,509,606.

Both the current and prior year loan are reported on the Port's Schedule of Changes in Long-Term Liabilities.

Note 4 – Program Costs

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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