2020 Annual Report

For the Fiscal Year Ended December 31, 2020

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2020 Commissioners

Jim Orvis	President
Angela Harris	Vice-President
David Preston	Secretary
Bruce Faires	Commissioner
Steve Johnston	Commissioner

Port Officers

Robert McChesney	Executive Director
Brandon Baker	Marina Manager
Tina Drennan	Finance Manager
Brian Menard	Facilities Maintenance Manager
Karin Michaud	Office Manager

Port of Edmonds
2020 Annual Report

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PORT OF EDMONDS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Port of Edmonds' (the Port's) financial performance provides an overview of the Port's financial activities for the fiscal year ended December 31, 2020. This discussion and analysis is designed to assist the reader in focusing on the significant 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.

The Port of Edmonds is a Special Purpose Municipal Government. The Port was created in 1948 by a vote of the citizens of the Port district. The district encompasses portions of the City of Edmonds and all of the Town of Woodway. Ports exist to build infrastructure and promote economic development and tourism within their districts. Ports are often, though not always, involved in transportation activities.

The Port of Edmonds operates a marina on Puget Sound for recreational boating. The marina consists of an in-water facility with approximately 660 slips, a dry stack storage facility with approximately 230 spaces, two public boat launches, a boatyard, a fuel dock, guest moorage, and parking facilities. In addition to the Port's marina operations, the Port rents its land to commercial users who then build suitable facilities on the land. The Port also owns and manages eight buildings, renting portions of those buildings to approximately 60 tenants. Major tenants include a hotel, an athletic club, three restaurants, a yacht broker/repair facility, and a yacht club.

Five elected Port Commissioners administer the Port. In accordance with the laws of Washington, the Commissioners have appointed an Executive Director to manage Port operations.

USING THE ANNUAL REPORT

Governmental accounting falls under the control of the Governmental Accounting Standards Board (GASB). All of the functions of the Port are considered in the numbers shown on the following pages, including the cost of general government of the Port District. Since the Port is a Special Purpose government, all of its assets and liabilities are shown in its Proprietary Fund. The Port incurs a substantial amount of governmental activity expense, such as Port management and administration, public facility maintenance, and public meeting expenses. All of these expenses of the Port are reported in the Proprietary Fund. The "one fund" model is used in compliance with the rules of GASB 34, which state that separately issued debt and separately issued classified assets are needed in order for a separate fund to exist. Most of the governmental costs are contained in the General and Administrative cost centers shown on the Port's financial reports. Since the Port is comprised of a single enterprise fund, no fund level financial statements are shown.

Ports perform their accounting and financial reporting of their activities very much like a business. The Port prepares an income statement, manages operations, and plans for capital investments. Ports collect revenues from services performed for customers and pay for expenses related to those services. However, ports are municipal governments. As such, ports may collect property tax revenues from the property owners within the Port district. These tax revenues may go to support the capital investments made by the Port. Often, ports will use tax revenues to pay for debt incurred to construct facilities that are used to support port functions. Sometimes, ports may use a portion of their tax revenue to pay for operating expenses. The Port of Edmonds uses its tax revenue to pay for Commission costs, to supplement the cost of public amenities, and to promote economic development and tourism.

The financial statements provide a broad view of the Port's operations in a manner similar to a private-sector business. The financial statements take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid.

The Statement of Net Position (also known as the Balance Sheet) presents all of the Port's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in the Port's net position may serve as a useful indicator of whether the financial position of the Port is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents information showing how the Port's net position changed during the year. Revenues less expenses, when combined with other nonoperating items such as investment income, tax receipts and interest expense, results in a net increase or decrease in the Port's net position for the year.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, and investing and financing 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 actual financial statements. The notes to the financial statements can be found immediately following the financial statements.

One of the questions to be answered by the financial statements would be, "Is the Port as a whole better off or worse off as a result of this year's activities?" Changes in net position and cash flows are two ways of measuring the financial position of the Port. Increases in Net Position as a result of the year's operations indicate an improved financial position. In 2020, the Port's Net Position increased by $2.8 million or 7%, which shows that the Port of Edmonds performed better in 2020 than in 2019. Cash flows show if the Port is spending more money than it received. In 2020, total cash and investments increased by $2.8 million. Overall, the Port is in a better financial position than it was in 2019.

FINANCIAL ANALYSIS – STATEMENT OF NET POSITION

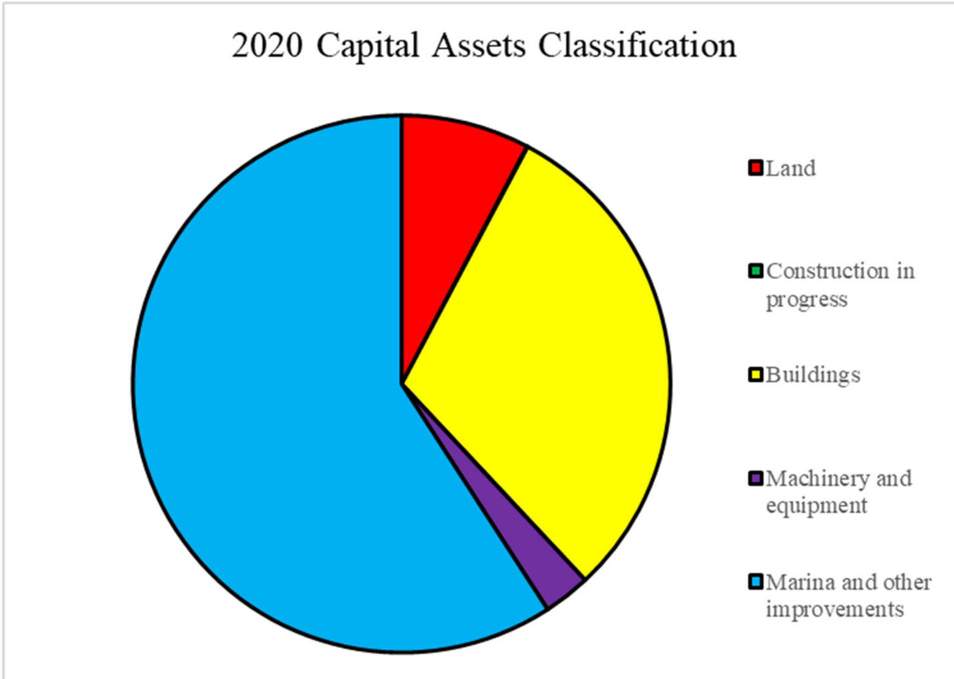
Summary of Statement of Net Position

	2020	2019	Increase (Decrease)	% Change
Current Assets	$ 6,842,021	$ 3,777,181	$ 3,064,840	81%
Noncurrent Assets	28,884,862	14,787,473	14,097,389	95%
Capital Assets, Net	26,058,367	26,265,150	(206,783)	-1%
Total Assets	61,785,250	44,829,804	16,955,445	38%
Deferred Outflows of Resources	356,702	333,751	22,951	7%
Total Assets and Deferred Outflows of Resources	62,141,952	45,163,555	16,978,396	38%
Current Liabilities	1,144,926	1,202,995	(58,069)	-5%
Noncurrent Liabilities	3,147,997	2,855,313	292,684	10%
Total Liabilities	4,292,923	4,058,308	234,614	6%
Deferred Inflows of Resources	14,339,225	401,573	13,937,652	3471%
Net investment in capital assets	26,058,367	26,265,150	(206,783)	-1%
Unrestricted	17,451,437	14,438,524	3,012,913	21%
Total Net Position	43,509,804	40,703,674	2,806,130	7%
Total Liabilities, Deferred Inflows of Revenues, and Net Position	$ 62,141,952	$ 45,163,555	$ 16,978,396	38%

This discussion of the Port's financial statements includes an analysis of major changes in the assets and liabilities for 2020, as well as reviewing changes in revenues and expenses reflected in the financial statements. The Port implemented GASB 87 - Leases in January 2020, which resulted in a $1.5 million increase to Current Assets for Current Lease Receivable, a $13 million increase to Noncurrent Assets for Noncurrent Lease Receivable, and a $14.5 million increase to Deferred Inflows of Resources for Deferred Lease Inflow. The Port's Net Position increased by $2.8 million or 7% in 2020. $26 million of the Port's Net Position reflects the Port's net investment in capital assets.

The Port's assets exceeded its liabilities by $43.5 million (net position) as of December 31, 2020.

CAPITAL ASSETS



Capital Assets	2020	2019
Land	$ 4,323,675	$ 4,323,675
Construction in progress	26,132	43,919
Buildings	16,926,786	16,522,192
Machinery and equipment	1,578,369	1,756,604
Marina and other improvements	33,086,488	33,048,321
	$ 55,941,451	$ 55,694,711

The Port has booked the acquisition of all assets at historical costs on its Statement of Net Position. GASB 34 requires the Port to capitalize and depreciate all of the assets owned or controlled by the Port, which is done on these financial statements. In 2020, the Port purchased and capitalized major renovations on a rental property building, 2 HVAC units, a mobile office trailer, a scissor lift, a portable air compressor, and a new dock gangway.

The Port's capital assets are classified into the following categories: land, construction in progress, buildings, marina and other improvements, and machinery and equipment. Marina and other improvements include assets such as docks, breakwaters, the dry stack facility, roads, and landscaping. On the graph above, Construction in Progress is so minor compared to the Port's capital assets that it cannot be seen in the graph. See Note 4, *Capital Assets and Depreciation*, in the Notes to the Financial Statements for more information.

The Port maintained capital assets of $56 million as of December 31, 2020. The book value of the capital assets decreased by $207 thousand in 2020 as a result of investments in capital assets, offset by depreciation charged against revenue in the year. When the Port invests more than depreciation in new capital assets in a year, the book value of its asset base increases.

LIABILITIES

The Port's current liabilities as of December 31, 2020, are debts that the Port will repay in 2021. The total current liabilities decreased by $58 thousand in 2020. Current liabilities include payments for expenses already incurred and customer deposits.

The Port's long term liabilities are employee leave benefits, other postemployment benefits, net pension liability, environmental remediation liability, and underground storage tank retirement obligation, most of which will never be paid by the Port, but that the Port is required to show on its financial statements. See Notes 7, *Pension Plans*; 8, *Other Postemployment Benefit (OPEB) Plans*; 13, *Pollution Remediation Obligations*; and 14, *Underground Storage Tank Remediation Obligation* in the Notes to the Financial Statements for more information.

FINANCIAL ANALYSIS – REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Summary of Statement of Revenues, Expenses, and Changes in Fund Net Position

	2020	2019	Increase (Decrease)	% Change
Marina Operations Revenues	$ 6,539,700	$ 6,744,287	$ (204,587)	-3%
Property/Lease Rental Operations Revenues	2,571,001	2,764,051	(193,050)	-7%
Nonoperating Revenues	912,822	851,570	61,252	7%
Total Revenues	10,023,523	10,359,908	(336,385)	-3%
Operating Expenses	6,751,786	7,226,166	(474,380)	-7%
Nonoperating Expenses	465,607	38,220	427,387	1118%
Total Expenses	7,217,393	7,264,386	(46,993)	-1%
Increase in Net Position	2,806,130	3,095,522	(289,392)	-9%
Net Position - Beginning	40,703,674	37,758,152	2,945,522	8%
Change in Accounting Principle		(150,000)	150,000	100%
Net Position - Ending	$ 43,509,804	$ 40,703,674	$ 2,806,130	7%

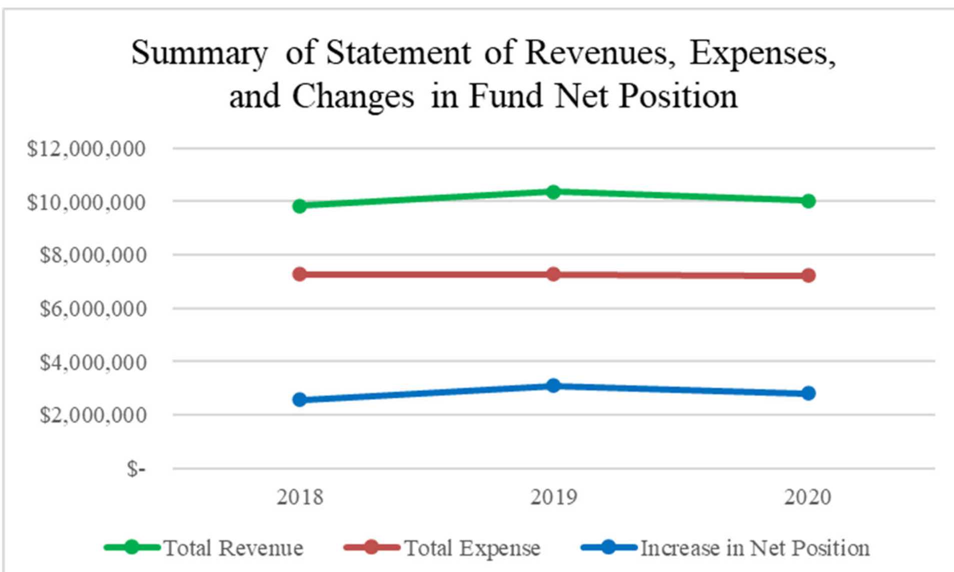
While the Statement of Net Position shows the change in net position, the Statement of Revenues, Expenses, and Changes in Fund Net Position provides answers as to the nature and source of these changes.

The Port's 2020 marina operations revenues were $6.5 million, a decrease of $205 thousand or 3% less than the previous year. Decreases are primarily due to COVID closures and decreased activity due to COVID. 2020 property/lease rental operations revenues were $2.6 million, a decrease of $193 thousand or 7% less than the previous year. The decrease is due to construction credits given to tenants while their rental spaces were disrupted, holding some vacant space open during construction in case some tenants wanted to temporarily relocate, lack of revenue from monthly parking, and decreased percentage rent from a tenant that has a minimum annual guarantee lease. The Port's 2020 non-operating revenues were $913 thousand, an increase of $61 thousand, or 7% greater than the previous year. The increases were due to positive results from the Port's investment activity.

The Port's 2020 operating expenses were $6.8 million, a decrease of $474 thousand or 7% less than the previous year's operating expense levels. The Port's non-operating expenses were $465 thousand, an increase of $427 thousand from the previous year's non-operating expense levels.

The Port's operating income was $2.4 million in 2020, which is approximately $77 thousand greater than 2019.

In 2020, the Port's net position increased by $2.8 million, as compared to $3.1 million in 2019.



CONTACTING THE PORT'S FINANCIAL MANAGEMENT

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 Tina Drennan, Finance Manager, at the Port of Edmonds, 336 Admiral Way, Edmonds, WA 98020, by e-mail at tdrennan@portofedmonds.org, or by telephone at (425) 673-2009.

PORT OF EDMONDS
STATEMENT OF NET POSITION
DECEMBER 31, 2020

ASSETS	
Current Assets	
Cash and cash equivalents (Notes 1 and 2)	$ 4,762,343
Accounts receivable (net of allowance for uncollectibles) (Note 1)	351,053
Lease receivable - current (Notes 1 and 11)	1,431,015
Taxes receivable (Notes 1 and 3)	4,716
Interest receivable (Notes 1 and 2)	54,378
Inventory (Note 1)	52,059
Prepaid expenses (Note 1)	186,457
Total Current Assets	6,842,021
Noncurrent Assets	
Investments (Note 2)	16,333,223
Lease receivable - non-current (Notes 1 and 11)	12,551,638
Capital Assets	
Capital Assets Not Being Depreciated (Notes 1 and 4)	
Land	4,323,675
Construction in progress (Note 4)	26,132
Capital Assets Being Depreciated (Notes 1 and 4)	
Buildings	16,926,786
Marina and other improvements	33,086,488
Machinery and equipment	1,578,369
Less: Accumulated depreciation	(29,883,084)
Total Net Capital Assets	26,058,367
Total Noncurrent Assets	54,943,229
TOTAL ASSETS	$ 61,785,250
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflow (Notes 1 and 7)	256,062
Deferred other post employment benefits outflow (Notes 1 and 8)	10,336
Deferred underground storage tank retirement outflow (Notes 1 and 14)	90,304
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 356,702

See accompanying notes to the financial statements.

PORT OF EDMONDS
STATEMENT OF NET POSITION
DECEMBER 31, 2020

LIABILITIES		
Current Liabilities		
Accounts payable	$	144,459
Accrued expenses (Note 1)		323,021
Unearned revenue (Note 1)		15,132
Customer deposits		662,313
Total Current Liabilities		1,144,926
Noncurrent Liabilities		
Employee leave benefits (Note 1)		187,049
Other postemployment benefits (Note 8)		1,409,327
Net pension liability (Notes 1 and 7)		685,621
Environmental remediation liability (Note 13)		612,500
Underground storage tank retirement obligation (Note 14)		253,500
Total Noncurrent Liabilities		3,147,997
TOTAL LIABILITIES		4,292,923
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows (Notes 1 and 7)		207,520
Deferred lease inflow (Notes 1 and 11)		14,131,705
Total Deferred Inflows of Resources		14,339,225
NET POSITION		
Net investment in capital assets		26,058,367
Unrestricted		17,451,437
TOTAL NET POSITION	$	43,509,804

See accompanying notes to the financial statements.

PORT OF EDMONDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

OPERATING REVENUES (Note 1)	
Marina operations	$ 6,539,700
Property lease/rental operations	1,921,680
Interest income from lease activity	649,321
Total Operating Revenues	9,110,701
OPERATING EXPENSES (Note 1)	
General operations	3,761,983
Maintenance	415,568
General and administrative	1,337,303
Depreciation and amortization	1,236,932
Total Operating Expenses	6,751,786
Operating Income	2,358,915
NONOPERATING REVENUES (EXPENSES) (Note 1)	
Investment income (Notes 1 and 2)	241,132
Taxes levied for general purposes (Notes 1 and 3)	403,731
Grant proceeds (Note 12)	869
Change in fair value of investments (Note 2)	267,090
Loss on disposition of fixed assets (Note 4)	(465,607)
Total Nonoperating Revenues (Expenses)	447,215
Increase in net position	2,806,130
Net position as of January 1	40,703,674
Net position as of December 31	$ 43,509,804

See accompanying notes to the financial statements.

PORT OF EDMONDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 8,802,207
Payments to suppliers	(2,310,078)
Payments to employees	(3,074,141)
Net cash provided by operating activities	3,417,987
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from property taxes (Note 3)	405,119
Nonoperating receipts	869
Net cash provided by noncapital financing activities	405,988
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases and construction of capital assets (Note 4)	(1,488,810)
Net cash used by capital and related financing activities	(1,488,810)
CASH FLOWS FROM INVESTING ACTIVITIES	
Maturities of investments (Note 2)	6,038,000
Purchases of investments (Note 2)	(7,316,661)
Interest and dividends	239,158
Net cash used by investing activities	(1,039,503)
Net increase in cash and cash equivalents	1,295,663
Balances - beginning of the year	3,466,680
Balances - end of the year (Note 1)	$ 4,762,343

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	2,358,915
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization expense (Note 4)	1,236,932
Other post-employment benefits expense	285,874
Pension negative expense	(232,498)
Changes in assets and liabilities	
(Increase)/decrease in accounts receivable	(335,692)
(Increase)/decrease in inventory	23,289
(Increase)/decrease in prepaid expenses	(25,173)
Increase/(decrease) in accounts payable	51,594
Increase/(decrease) in accrued expenses	12,191
Increase/(decrease) in customer deposits	(5,903)
Increase/(decrease) in unearned revenue	(115,951)
Increase/(decrease) in deferred lease inflow	149,051
Increase/(decrease) in employee leave benefits	15,359
Net cash provided by operating activities	$ 3,417,987

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Port was incorporated in December 1948 and operates under the laws of the State of Washington applicable to public port districts. The Port is a special purpose government and provides marina and property lease/rental operations to the general public and is supported primarily through user charges. The Port is governed by an elected five member board.

As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Port has no component units.

B. Basis of Accounting and Reporting

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 for GAAP Cities, Counties, and Special Purpose Districts* in the State of Washington.

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

All assets and all liabilities (whether current or noncurrent) associated with the Port's activity are included on the statement of net position. Net position is segregated into net investment in capital assets, and restricted and unrestricted components of net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. The Port discloses changes in cash flows on a separate statement that presents its operating, noncapital financing, capital and related financing, and investing activities.

The Port distinguishes between operating revenues and expenses and nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Port's principal ongoing operations. The principal operating revenues of the Port are charges to customers for boating services and land and building lease revenue, including interest income from lease activity. Operating expenses for the Port include general operations, maintenance, general and administrative, and depreciation. Revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2020, the treasurer was holding $4,762,343 in short-term residual investments of surplus cash. This amount is classified on the Statement of Net Position as cash and cash equivalents.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2020 were approximately $333,000.

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

Accounts receivable consist of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared. Accounts receivable has been recorded net of estimated uncollectible amounts.

Lease receivable consists of the present value of lease payments expected to be received over lease terms that exceed one year. Lease receivable – current is the portion that will be received in the upcoming year. Lease receivable – non-current is the portion that will be received more than a year from December 31, 2020 through the end of the lease term. As the Port estimates that all lease receivable amounts will be collected, no estimated uncollectible amounts are established.

Taxes receivable consists of property taxes and related interest and penalties (See Note 3, *Property Taxes*). Because property taxes are considered liens on property, no estimated uncollectible amounts are established.

Interest receivable consists of amounts earned on investments at the end of the year.

4. Inventory

Inventory consists of fuel and workyard supplies held for sale to customers. Inventory is valued by the FIFO (first-in, first-out basis) cost method, which approximates market value. The cost is recorded as cost of goods sold at the time the inventory items are consumed.

5. Prepaid Expenses

Prepaid expenses include items that were paid in the current year but will not be used until the following year. Examples are insurance, dues, advertising, marketing programs, and software maintenance agreements.

6. Capital Assets and Depreciation - See Note 4, *Capital Assets and Depreciation*.

Capital assets include land, buildings, equipment, and improvements. 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 1 year. Such assets are recorded at historical cost or estimated historical cost, where historical cost is not known. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

When an asset is sold, retired, or otherwise disposed of, the original cost of the property and the cost of installation, less salvage, is removed from the Port of Edmonds' capital asset accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method based on the following estimated useful lives:

Buildings and Structures	10 to 50 years
Machinery and Equipment	3 to 20 years
Other Improvements	10 to 50 years

7. Deferred Outflows/Inflows of Resources

The Port reports deferred outflows and deferred inflows separately on the Statement of Net Position. Deferred outflows represent a consumption of net assets that apply to a future period(s). Conversely, deferred inflows represent an acquisition of net assets that apply to a future period(s).

8. Employee Leave Benefits

Employee leave benefits are absences for which employees will be paid, such as vacation leave. The Port records employee leave benefits as an expense and liability when earned.

Each employee may carry forward 120 hours of vacation pay to the following year. Unused vacation pay is payable upon separation, retirement, or death.

Sick leave may accumulate up to 1,000 hours. Beginning in 2014, the Executive Director's contract allows him to be compensated for 100% of his sick pay upon termination. The Port began accruing this in 2014. No accrual is made for sick pay for other employees as it expires if unused.

9. Pensions

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

10. Accrued Expenses

Accrued expenses consist of accrued leasehold, payroll, sales, and business taxes, employee withholdings, accrued wages payable, and abandoned property.

11. Unearned Revenues

At December 31, 2020, the Port held $15,132 in Unearned Revenue. These amounts are prepayments of rent and will be recognized as revenue in 2021.

12. Leases – See Note 11 - *Leases*

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

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

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

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

    a. If the lease term is 20 years or more, the implicit rate in the lease agreement is used.
    b. If the lease term is less than 20 years, the lessee's borrowing rate is estimated as follows:

Total Lease Payments Over the Lease Term Plus Options to Extend	Discount Rate Used
$500,000 or more	Prime
$50,001 to $499,999	Prime + 2.75%
$25,001 to $50,000	Prime + 3.25%
$25,000 or less	Prime + 4.25%

2. The lease term includes the noncancellable period of the lease plus any additional periods covered by either a lessee or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and the lessor/vendor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease or subscription term. Lease terms for portions of buildings are typically 1 year to 7 years, with lease extensions ranging from none to three extensions of 1 year to 5 years. The Port has two longer term building leases of 25 and 40 years with multiple lease extensions of 3 to 10 years each. Land leases are typically 30 to 49 years with two or more extensions of 3 to 15 years, as the tenant has invested in constructing and maintaining a building on the leased land.

3. Port procedure is to negotiate all leases at fair market value, considering market conditions, economic factors, property condition, and location, as well as other factors that may impact negotiating lease prices. Land lease rent ranges from $5,000 to $12,000 per month. Building lease and major portions of building lease rent range from $19,000 to $27,000 per month. Partial building lease rent ranges from $500 to $13,000 per month. Payments are evaluated to determine if they should be included in the measurement of the lease receivable.

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

Cash on hand at December 31, 2020 was $1,200 in petty cash and change funds. As investments in the Washington Local Government Investment Pool have a maturity of three months or less when purchased, deposits in the Investment Pool are included in cash and cash equivalents. The carrying amount of the Port's deposits, including the

Local Government Investment Pool (LGIP), was $4,761,143. Total cash and cash equivalents was $4,762,343.

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 policy is that bank deposits and certificates of deposit must be entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

B. Investments Authorized

The Port may invest in all types of securities approved by State law. Those securities include:

1. Savings or time accounts, including certificates of deposit, in designated qualified public depositories in accordance with RCW 39.58.

2. Certificates of deposit in commercial banks, savings and loan associations, and mutual savings banks doing business in this state, but not holding collateral pursuant to RCW 39.58, in an amount not in excess of FDIC or FSLIC insurance coverage.

3. Certificates, notes, or bonds of the United States, or other obligations of the U.S. government or its agencies, or of any corporation wholly owned by the government of the United States.

4. Federal home loan bank notes and bonds, Federal land bank bonds, Federal national mortgage association notes, debentures, and guaranteed certificates of participation.

5. Obligations of any other government sponsored corporation 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 systems.

6. Bonds of the state of Washington and any local government in the State of Washington that carry one of the three highest ratings of a nationally recognized rating agency.

7. General obligation bonds of a state other than the state of Washington and general obligation bonds of a local government of a state other than the state of Washington that carry one of the three highest ratings of a nationally recognized rating agency.

8. Shares of money market funds with portfolios consisting of securities otherwise authorized by law for investment by local governments.

Port staff invests surplus cash according to Port Resolution Number 13-12. Investment objectives, in priority order, are safety, liquidity, and return on investment.

C. Investments

Investments are subject to the following risks:

Interest Rate Risk: Interest rate risk is the risk that an investment's fair value decreases as market interest rates increase. Through its investment policy, the Port manages its exposure to fair value losses arising from increasing interest rates by setting maturity and effective duration limits for the Port's Investment Portfolio. Securities within the portfolio are laddered, and limited to maximum terms of five years.

As of December 31, 2020, the Port held the following investments:

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less Than 1	1-3	More Than 3
U.S. Treasuries	$ 2,040,879	$ 502,031	$ 1,538,848	$ -
U.S. Treasury STRIPS	519,327	-	519,327	-
U.S Agencies	13,773,017	1,036,257	4,134,734	8,602,026
Total Investments	$ 16,333,223	$ 1,538,288	$ 6,192,909	$ 8,602,026

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Port manages this risk through its investment policy, which requires that only highly secure investments may be purchased.

At December 31, 2020, the Port's investments had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa	AA Aa	A	BBB Baa	BBBa and Below	Unrated
U.S. Treasuries	$ 2,040,879	$ 2,040,879	$ -	$ -	$ -	$ -	$ -
U.S. Treasury STRIPS	519,327	519,327	-	-	-	-	-
U.S Agencies	13,773,017	13,773,017	-	-	-	-	-
Totals	$ 16,333,223	$ 16,333,223	$ -	$ -	$ -	$ -	$ -

Custodial Credit Risk: Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction, 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 security transactions entered into by the Port of Edmonds are conducted on a deliveryversus-payment (DVP) basis. Securities purchased by the Port are delivered against payment and held in a custodial safekeeping account. The Port has designated U.S. Bank as the third-party custodian. Safekeeping receipts evidence all transactions. None of the Port's investments are held by counterparties.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The Port's U.S. Treasury, U.S. Treasury STRIPS, and U.S. Agency investments are secured by the full faith and credit of the United States government. As all U.S. Treasury, U.S. Treasury STRIPS, and U.S. Agency bonds are backed by the full faith and credit of the United States government, the Port's investment policy does not require diversification of U.S. bonds.

D. Investments in Local Government Investment Pool (LGIP)

The Port is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and is not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

As the maturity of LGIP investments is 3 months or less, the Port considers LGIP investments to be cash equivalents.

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.

E. Investments Measured at Fair Value

The Port's investments, stated at fair value, are based on quoted market prices for similar assets in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in the fair value of an investment is recognized as an increase or decrease in the investment asset and investment income.

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.

As of December 31, 2020, the Port held the following investments measured at fair value:

Investments by Fair Value Level	12/31/2020	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasuries	$ 2,040,879	$ -	$ 2,040,879	$ -
U.S. Treasury STRIPS	519,327	-	519,327	-
U.S Agencies	13,773,017	-	13,773,017	-
Total Investments Measured at Fair Value	$ 16,333,223	$ -	$ 16,333,223	$ -

Total Investments in Statement of Net Position	$ 16,333,223
Investments Shown without Restriction	$ 16,333,223

F. Change in Fair Value of Investments

Change in fair value of investments of $267,090 is the difference between the price at December 31, 2019 or at which the Port of Edmonds purchased the securities, whichever is later, and the fair value at December 31, 2020. GASB Statement Number 31, paragraph 7, requires the Port to "…report investments at fair value in the balance sheets. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties…" The market value or fair value is reported to the Port by U.S. Bank, the Port's third-party safekeeping bank. If the Port holds the investments to maturity or call date, there will be no realized loss or gain.

G. Summary of Deposit and Investment Balances

The table below reconciles the Port's deposits and investment balances as of December 31, 2020:

	Total
Cash and Cash Equivalents	
Cash on Hand	$ 1,200
Deposits with Private Financial Institutions	4,714,959
Snohomish County Treasurer	5,796
LGIP	40,388
Total Cash and Cash Equivalents	$ 4,762,343
Investments	
U.S. Treasuries	$ 2,040,879
U.S. Treasury STRIPS	519,327
U.S Agencies	13,773,017
Total Investments	$ 16,333,223

NOTE 3 – PROPERTY TAXES

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

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

Property taxes are recorded as a receivable when levied, offset by an unearned revenue. During the year, property tax revenues are recognized equally over all twelve months. Property taxes collected in advance of the fiscal year to which it applies are recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principle, and delinquent taxes are evaluated annually.

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

The Port's regular levy for 2020 was approximately $0.061 per $1,000 on an assessed valuation of $6,507,568,974 for a total regular tax levy of $400,000.

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended December 31, 2020, was as follows:

	Beginning Balance 1/1/2020	Increases	Decreases	Ending Balance 12/31/2020
Capital assets, not being depreciated				
Land	$ 4,323,675	$ -	$ -	$ 4,323,675
Construction in progress	43,919	1,447,547	1,465,334	26,132
Total capital assets, not being depreciated	4,367,594	1,447,547	1,465,334	4,349,807
Capital assets, being depreciated				
Buildings	16,522,192	1,453,151	1,048,557	16,926,786
Marina and other improvements	33,048,321	65,327	27,159	33,086,489
Machinery and equipment	1,756,604	48,444	226,679	1,578,369
Total capital assets being depreciated	51,327,117	1,566,922	1,302,395	51,591,644
Less accumulated depreciation for				
Buildings	8,242,006	641,504	552,202	8,331,308
Marina and other improvements	20,392,502	492,981	23,391	20,862,092
Machinery and equipment	795,053	110,375	215,744	689,684
Total accumulated depreciation	29,429,561	1,244,860	791,337	29,883,084
Total capital assets, being depreciated, net	$ 21,897,556			$ 21,708,560

NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2020, the Port didn't have any commitments with contractors.

NOTE 6 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

NOTE 7 – PENSION PLANS

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

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	(685,621)
Pension assets	$	-
Deferred outflows of resources	$	256,063
Deferred inflows of resources	$	(207,521)
Pension expense/expenditures	$	27,725

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 comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 1 Actual Contribution Rates	**Employer**	**Employee**
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	**12.86%**	**6.00%**
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	**12.97%**	**6.00%**

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

<u>Contributions</u>

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

PERS Plan 2/3 Actual Contribution Rates	**Employer 2/3**	**Employee 2**
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.86%**	**7.41%**
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.97%**	**7.90%**

The Port's actual PERS plan contributions were $98,108 to PERS Plan 1 and $162,117 to PERS Plan 2/3 for the year ended December 31, 2020.

Actuarial Assumptions

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

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

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

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

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

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

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 583,067	$ 465,502	$ 362,972
PERS 2/3	$ 1,369,639	$ 220,119	$ (726,511)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2020, the Port reported a total pension liability of $685,621 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$ 465,502
PERS 2/3	$ 220,119

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

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.013704%	0.013185%	(0.000519%)
PERS 2/3	0.017692%	0.017211%	(0.000481%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

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

Pension Expense

For the year ended December 31, 2020, the Port recognized pension expense as follows:

	Pension Expense
PERS 1	$ 1,482
PERS 2/3	$ 26,243
TOTAL	$ 27,725

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 0
Net difference between projected and actual investment earnings on pension plan investments	$ 0	$ (2,592)
Changes of assumptions	$ 0	$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	$ 0	$ 0
Contributions subsequent to the measurement date	$ 50,352	$ 0
TOTAL	$ 50,352	$ (2,592)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 78,798	$ (27,585)
Net difference between projected and actual investment earnings on pension plan investments	$ 0	$ (11,179)
Changes of assumptions	$ 3,135	$ (150,360)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 41,120	$ (15,804)
Contributions subsequent to the measurement date	$ 82,657	$0
TOTAL	$ 205,710	$ (204,928)

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 78,798	$ (27,585)
Net difference between projected and actual investment earnings on pension plan investments	$ 0	$ (13,771)
Changes of assumptions	$ 3,135	$ (150,360)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 41,120	$ (15,804)
Contributions subsequent to the measurement date	$ 133,009	$ 0
TOTAL	$ 256,062	$ (207,520)

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	PERS 1
2021	$ (11,761)
2022	(370)
2023	3,589
2024	5,951
2025	
Thereafter	
TOTAL	**$ (2,592)**

Year ended December 31	PERS 2/3
2021	$ (85,365)
2022	(15,861)
2023	9,883
2024	26,751
2025	(5,552)
Thereafter	(11,731)
TOTAL	**$ (81,875)**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

In June 2015, the Governmental Accounting Standards Board issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Port adopted this standard in 2018.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year ending December 31, 2020:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	$ 1,409,327
OPEB assets	$ 0
Deferred outflows of resources	$ 10,336
Deferred inflows of resources	$ 0
OPEB expenses/expenditures	$ 307,870

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	N/A
Active employees	27
Total	32

The Port is not able to determine the number of inactive employees entitled to but not yet receiving benefits as eligibility is determined by the Washington State Office of Retirement Services and the Washington State Public Employees Benefit Board. Inactive employees entitled to but not yet receiving benefits would include any former Port employee who retires under the public employees' retirement system and who are vested in that system. Retirees may also elect alternate coverage through Medicare and a Medicare supplemental plan.

A. OPEB Plan Description

The Port of Edmonds provides medical, dental, life, and long-term disability insurance to its full time employees and Commissioners through 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.

Other post-employment benefits (OPEB) are benefits provided to retired employees beyond those provided by their pension plans. Such benefits include medical, prescription drug, life, dental, and vision insurance. PEBB offers retirees access to all of these benefits and PEBB employers, through this single-employer defined benefit plan, provide monetary assistance, or subsidies, these benefits.

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 Office of the State Actuary, a department within the primary government of the State of Washington, issues a publicly available Other Post-Employment Benefits Actuarial Valuation Report. The Other Post-Employment Benefits Actuarial Valuation Report may be obtained by writing to: Office of the State Actuary, PO Box 40914, Olympia, Washington 98504-0914 or it may be downloaded from the Office of the State Actuary website at http://leg.wa.gov/osa/Pages/default.aspx.

B. Subsidies

The Washington State Health Care Authority (HCA) administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidy**,** permitted under 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 retired members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually.

The implicit subsidy, set up under RCW 41.05.022, is more complex because it is not a direct payment from the employer on behalf of the member. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retirees.

C. Funding Policy

The Port funds the implicit and explicit subsidies on a pay-as-you-go basis, meaning that Port pays these costs as they occur or become due. Therefore, there are no assets accumulating in a qualifying trust.

Actuarial Methods and Assumptions

The Port used the alternative measurement method permitted under GASB Statement No. 75 and provided by the Office of the State Actuary. The Office of the State Actuary made the following assumptions:

- 2/3 of members select a Uniform Medical Plan (UMP) and 1/3 select a Kaiser Permanente (KP) plan.
- UMP pre- and post-Medicare costs and premiums are equal to the Uniform Medical Plan.
- KP pre-Medicare costs and premiums are a 50/50 blend of KP Classic and KP Value.
- The KP post-Medicare costs and premiums are equal to KP Medicare.

No inactive members entitled to but not currently receiving a benefit were included in the calculation.

The actuary estimated retirement service for each active employee based on the average entry age of 35 with a minimum service of 1 year. For example, an age 47 member is assumed to have 12 years of service. Service is a component of benefit eligibility.

Assumptions made for retirement, disability, termination, and mortality were based on the *2018 PEBB OPEB AVR*. For simplicity, the Office of the State Actuary assumed that all employees are retirement eligible at age 55, relied on the retirement rates for members with less than 30 years of service, and assumed a 100% retirement rate at the age of 70.

Each primary member was assumed to be a 50/50 male/female split, and that eligible spouses are the same age as the primary member. Age-based primary members were selected for the tool based on the overall distribution of State employees and retirees that participate in PEBB.

Dental benefits were not included when calculating the Total OPEB Liability, as dental benefits represent less then 3% of the accrued benefit obligations under the *2018 PEBB OPEB AVR*.

Other assumptions include:

Discount Rate[1]	
Beginning of Measurement Year	3.50%
End of Measurement Year	2.21%
Projected Salary Changes	3.5% + Service-Based Increases
Healthcare Trend Rates[2]	Initial rate is about 7%, trends down to around 5% in 2020.
Mortality Rates	
Base Mortality Table	Healthy RP-2000
Age Setback	1 year
Mortality Improvements	100% Scale BB
Projection Period	Generational
Inflation Rate	2.75%
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

The following presents the total OPEB liability of the Port calculated using a discount rate of 3.5% at the beginning of the year and 2.21% at the end of the year, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% point higher than the current rate. It also shows the total OPEB liability based on a healthcare trend rate of 7%, which trends down to 5% in 2020, and 1% lower and 1% higher than the current rate.

Total OPEB Liability	1% Decrease	Current	1% Increase
Discount Rate	$1,716,054	**$1,409,327**	$1,170,682
Healthcare Trend	$1,139,483	**$1,409,327**	$1,770,559

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in total OPEB liability and related ratios is presented as required supplementary information following the notes to the financial statements.

D. Changes in the Total OPEB Liability

The following table shows the components of the Port's annual OPEB expense for the year, the benefit payments made, and changes in the Port's total OPEB liability as of June 30, 2020 The net OPEB liability of $1,409,327 is included as a noncurrent liability in the Statement of Net Position.

Total OPEB Liability at 7/1/2019		$1,122,307
	Service Cost	57,899
	Interest	40,945
	Changes in Experience Data and Assumptions	209,026
	Changes in Benefit Terms	-
	Benefit Payments	(20,850)
	Other	-
Total OPEB Liability at 6/30/2020		$ 1,409,327

The Port of Edmonds used the alternative measurement method, which does not calculate deferred outflows and inflows for anything other than payments subsequent to the measurement date. Payments subsequent to the measurement date of 6/30/2020 were $10,336.

All Plans	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 0	$ 0
Changes of assumptions	$ 0	$ 0
Payments subsequent to the measurement date	$ 10,336	$ 0
TOTAL	$ 10,336	$ 0

E. Funded Status and Funding Progress

In order to fund the OPEB plan, the Port would have to establish an irrevocable trust, which means that the Port would no longer have control of the money put into the trust. Even if the Port left the PEBB program, the Port would not be able to get the money out of the trust. The plan is funding on a pay-as-you go basis and there are no assets accumulating in a qualifying trust.

NOTE 9 – RISK MANAGEMENT

The Port is a member of Enduris. RCW 48.62 provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of RCW 48.62, WAC 200-100, and RCW 39.34 when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2020, there were 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

- $1,000,000 self-insured retention on liability loss - the member is responsible for the first $5,000 of the amount of each claim, while Enduris is responsible for the remaining $995,000 on a liability loss.

- $250,000 self-insured retention on property loss - the member is responsible for the first $5,000 of the amount of each claim, while Enduris is responsible for the remaining $245,000 on a property loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk,” blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is $20 million per occurrence and property coverage limit is $800 million per occurrence. Enduris offers crime coverage up to a limit of $1 million per occurrence.

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

The contract requires members to remain in the Pool for a minimum of one year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental

Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

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

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

Enduris did not have any claim settlements that exceeded the limits in the last 3 years.

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance 1/1/2020	Additions	Reductions	Ending Balance 12/31/2020	Due Within One Year
Employee leave benefits	$ 171,690	$ 158,155	$ 142,796	$ 187,049	$ -
Other post employment benefits	1,122,307	307,870	20,850	1,409,327	-
Net pension liability	698,816	48,271	61,466	685,621	-
Environmental remediation liability	612,500	-	-	612,500	-
Underground storage tank retirement	250,000	3,500	-	253,500	-
Total Long-Term Liabilities	$2,855,313	$ 517,796	$ 225,112	$ 3,147,997	$ -

NOTE 11 - LEASES

A. Lessee Activity

As of December 31, 2020, the Port had no material noncancelable contracts where the Port leases property as a lessee.

B. Lessor Activity

In 2020, the Port of Edmonds implemented GASB Statement No. 87, Leases. Leases subject to GASB Statement No. 87 have a fixed term that exceed one-year. Therefore, moorage, dry storage, and other month-to-month leases are not considered in the discussion below.

As of December 31, 2020, the Port participated as a lessor in the following lease agreements:

Lease Type	Full Service or NNN	Number of Leases	Term	Remaining Extensions	Monthly Rent	Rent Increases
Land Lease	NNN	1	49 years	Two 15-year terms	$ 5,501	CPI annually
Land Lease	NNN	1	40 years	Two 15-year terms	$ 5,051	CPI annually, FMV every 5 years
Land Lease	NNN	1	35 years	Multiple through 2064	$ 11,639	CPI annually
Land Lease	NNN	1	35 years	None	$ 10,033	CPI and FMV alternating 5 years
Land Lease	NNN	1	30 years	Two 10-year terms	$ 4,801	2.5% annually
Building Lease	NNN	1	40 years	Multiple through 2064	$ 26,850	FMV every 5 years
Partial Building Lease	NNN	1	25 years	Four 10-year terms	$ 18,927	None, minimum annual guarantee
Partial Building Lease	Full Service	1	7 years	None	$ 1,820	CPI annually
Partial Building Lease	Full Service	1	5 years	None	$ 2,212	CPI annually
Partial Building Lease	Full Service	1	5 years	One 3-year term	$ 9,232	CPI annually
Partial Building Lease	Full Service	1	5 years	Two 5-year terms	$ 4,101	CPI or 3%, whichever is lesser, annually
Partial Building Lease	NNN	1	5 years	None	$ 3,947	Fixed for term of lease extension
Partial Building Lease	NNN	1	5 years	None	$ 4,711	CPI annually
Partial Building Lease	NNN	1	5 years	One 5-year term	$ 2,786	CPI annually
Partial Building Lease	NNN	1	5 years	Two 2-year terms	$ 3,652	CPI annually
Partial Building Lease	NNN	1	5 years	Two 5-year terms	$ 4,233	CPI annually
Partial Building Lease	Full Service	2	3 years	None	$716 - $1,585	CPI annually
Partial Building Lease	Full Service	1	3 years	Three 1-year terms	$ 3,175	CPI annually
Partial Building Lease	Full Service	1	3 years	One 2-year term	$ 1,595	CPI annually
Partial Building Lease	Full Service	1	3 years	Three 1-year terms	$ 2,901	CPI annually
Partial Building Lease	Full Service	1	3 years	None	$ 2,016	3% annually
Partial Building Lease	NNN	3	3 years	None	$934 - $5,135	CPI annually
Partial Building Lease	Full Service	6	2 years	None	$1,620 - $4,689	CPI annually
Partial Building Lease	NNN	1	2 years	None	$ 12,950	CPI annually
Partial Building Lease	NNN	1	2 years	Two 1-year terms	$ 1,463	CPI annually
Partial Building Lease	Full Service	4	1 year	None	$571 - $2,720	CPI annually
Partial Building Lease	Full Service	1	1 year	One 1-year terms	$ 1,519	CPI annually
Partial Building Lease	NNN	3	1 year	None	$1,152 - $1,853	CPI annually

Variable payments include common area maintenance charges for triple net (NNN) leases and a percentage of sales on a minimum annual guarantee lease agreement. In a triple net lease agreement, the tenant agrees to pay real estate taxes, building insurance, and maintenance, in additional to rent and utilities. Common area maintenance charges include utilities, repairs, and maintenance to common spaces like entryways, elevators, and restrooms in buildings and parking lots.

2020 inflows of resources from lease activity were as follows:

Lease Revenue from Lease Receivable	$ 1,575,208
Interest Revenue	649,321
Variable Payments	180,886
Other Lease-Related Inflows Not Included in Lease Receivable Measurement	10,052
Total	$ 2,415,467

The Port's minimum future lease rental income on noncancelable operating lease terms remaining are as follows:

Year Ended December 31	Principal	Interest	Total
2021	$ 1,378,852	$ 584,661	$ 1,963,513
2022	901,683	520,010	1,421,693
2023	807,486	477,689	1,285,175
2024	830,760	437,692	1,268,452
2025	819,473	396,784	1,216,257
2026-2030	3,454,945	1,496,202	4,951,147
2031-2035	2,965,240	815,962	3,781,202
2036-2040	2,451,801	298,793	2,750,594
2041-2045	320,251	28,202	348,453
Total	$ 13,930,491	$ 5,055,995	$ 18,986,486

NOTE 12 – 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 that it is probable that the Port will have to make payment. In the opinion of management, the Port's insurance policies are adequate to pay all known or pending claims.

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

NOTE 13 – ENVIRONMENTAL REMEDIATION OBLIGATIONS

The Port of Edmonds is subject to laws and regulations relating to the protection of the environment. The Port's policy is to accrue environmental and cleanup related costs when it is both probable that a liability has been incurred and when the amount can be reasonably estimated.

In November 2006, the Governmental Accounting Standards Board issued GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The provisions of this Statement are effective for fiscal periods beginning after December 15, 2007. The Port adopted this standard in 2008.

GASB Statement No. 49 requires disclosure of "obligations to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities." GASB Statement No. 49 identifies five "obligating events" that require a government agency to disclose future outlays associated with remediation of contaminated sites. Once any of the five obligating events occurs, the government agency must document the components of expected pollution remediation outlays that are reasonably estimable. At this time, the Port has determined that future cleanup costs associated with one site constitute the Port's pollution remediation obligations.

A. Nature and Source of Pollution Remediation Obligations

From 2003 to 2006, the Port of Edmonds was involved in cleaning up a property known as the Harbor Square property, which was purchased by the Port from the Union Oil Company in 1978. From 1924 to 1968, portions of the property were used as an oil and gasoline depot and distribution facility, a railcar cleaning facility, an asphalt batch plant, and heavy-equipment storage. Several remedial investigations were conducted at the property from 1989 to 2003. In June 2003, a supplemental site investigation was conducted at the direction of the Department of Ecology to further define the extent of contamination at the property identified during previous investigations, to help identify any additional areas of contamination, and to further evaluate any impacts to groundwater. The Port developed a remediation plan based on that investigation and commenced cleanup activities.

The Port's environmental engineering firm, Landau Associates, prepared a report for the Port of Edmonds in November 2003 that provided estimates of the cost of remediation activities at the Port of Edmonds' Harbor Square complex due to past industrial activities at the site. The estimated costs presented in the report are for all remediation activities anticipated at the site, which are described as Phase I through Phase III remediation in the report. Phase I and Phase II remediation efforts were essentially completed in 2005 and 2006. Phase III remediation remains to be completed.

B. Amount of Estimated Liability

The estimated cost of Phase III remediation was a range of $150,000 to $900,000, reflecting the uncertainty of the extent of contamination under existing structures that could not be readily accessed for assessment. Landau Associates estimates the liability to the Port of Edmonds associated with the future cleanup of known areas of contamination on Port property to be $175,000 to $1,050,000 (in 2008 dollars). The middle point of this estimated range is $612,500.

As per GASB Statement No. 49, "Estimates of a pollution remediation liability should be adjusted when benchmarks are met or when new information indicates changes in estimated outlays due to, for example, changes in the remediation plan or operating conditions. These changes may include the type of equipment, facilities, and services that will be used, price increases or reductions for specific outlay elements such as ongoing monitoring requirements, changes in technology, and changes in legal or regulatory requirements."

The Port did not meet any benchmarks or receive new information that indicates changes in estimated outlays in 2020. Therefore, the Port did not make any adjustments to Environmental Remediation Liability in 2020.

C. Methods and Assumptions Used for the Estimate

The majority of the contamination to be addressed in Phase III remediation is located under existing buildings; some areas of residual contamination (expected to be relatively small) are located outside building footprints, but underneath paved surfaces. Phase III activities were not undertaken due to the inaccessibility of the contaminated areas, although the Port has committed to remediation at such time that the structures at the Harbor Square complex are removed for future development.

The Port has chosen to use only the best case and worse case for the ranges of potential outcomes. As the Port does not have a reasonable basis for specifying the probability and amount of a most likely potential cash flow, it is using only two data points, a range of $175,000 to $1,050,000.

D. Potential for Changes

As Phase III remediation may only be completed when the Harbor Square property is redeveloped, this estimate may be revised due to price increases or reductions, technology, and applicable laws or regulations.

E. Estimated Recoveries Reducing the Liability

The Port does not expect to receive any recoveries to reduce this liability.

NOTE 14 – UNDERGROUND STORAGE TANK RETIREMENT OBLIGATION

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement are effective for fiscal periods beginning after June 15, 2018. The Port adopted this standard in 2019.

The Port owns and operates a marina fueling facility. The fuel dispensers are supplied by 3 12,000 gallon, double-walled underground storage tanks that were installed in 1995. Washington Administrative Code (WAC) 173-360A requires owners and operators to monitor the tanks for leakage, provide insurance coverage for all leakage, submit to periodic testing of the tanks and monitoring equipment, provide training for certain staff, and to properly close the underground storage tanks when they are no longer needed.

The Port has chosen to measure the ARO based on the cost estimate for decommissioning and removing one 20,000 gallon gasoline underground storage tank prepared by DH Environmental, Inc. in October 2019, for the Port of Seattle. The estimate totaled $82,382. Multiplying by the 3 tanks the Port owns, results in a liability of roughly $250,000. This amount will be reviewed annually to account for the effects of inflation or deflation, and to consider any factors significantly affecting the estimate; such as, changes in technology, changes in legal or regulatory requirements, and changes to the type of equipment or services that may be used to decommission the underground storage tanks. In 2020, the Port increased the ARO by $3,500 to account for inflation.

GASB 83 is retroactive to the date of the internal obligating event in September 1995 and is effective over the life of the underground storage tanks. The tanks originally had a 20 year estimated life, which was reevaluated in 2019 and increased to 40 years.

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

NOTE 15 – COVID-19 PANDEMIC

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus known as COVID-19. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures include closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel, and non-essential activities.

Due to these closures, many businesses in the community have experienced negative financial impacts. The Port leases space to many businesses that have been affected by the closures, and many have requested and been granted rent deferrals. The Port’s marina services closed temporarily, and some marina tenants received reduced rent while they are receiving reduced access to their boats. The Port has also incurred additional costs to maintain and secure the facility, while protecting the health of staff and allowing financial activities like payroll, billing, and accounts payable to occur remotely.

The length of time these measures will be in place, and the full extent of the financial impact on the Port is unknown at this time.

NOTE 16 – ACCOUNTING AND REPORTING CHANGES

The Port of Edmonds implemented GASB Statement No. 87, *Leases*, in 2020. The implementation required recognition of a Current Lease Receivable of $1,470,787, a Noncurrent Lease Receivable of $13,032,401, and a Deferred Lease Inflow of $14,503,188.

SUPPLEMENTARY INFORMATION

Port of Edmonds
Schedule of Proportionate Share of the Net Pension Liability
Washington State Public Employee Retirement Systems Plan 1
As of June 30, 2020

	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	0.014396%	0.013921%	0.012421%	0.013252%	0.013704%	0.013185%
Employer's proportionate share of the net pension liability	$ 753,045	$ 747,623	$ 589,386	$ 591,839	$ 526,967	$ 465,502
TOTAL	$ 753,045	$ 747,623	$ 589,386	$ 591,839	$ 526,967	$ 465,502
Employer's covered employee payroll	$ 1,561,301	$ 1,570,980	$ 1,566,327	$ 1,762,667	$ 1,923,048	$ 2,004,169
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	48.23%	47.59%	37.63%	33.58%	27.40%	23.23%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%

Port of Edmonds
Schedule of Proportionate Share of the Net Pension Liability
Washington State Public Employee Retirement Systems Plans 2 & 3
As of June 30, 2020

	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	0.016797%	0.016216%	0.015976%	0.017057%	0.017692%	0.017211%
Employer's proportionate share of the net pension liability	$ 600,166	$ 816,463	$ 555,090	$ 291,233	$ 171,849	$ 220,119
TOTAL	$ 600,166	$ 816,463	$ 555,090	$ 291,233	$ 171,849	$ 220,119
Employer's covered employee payroll	$ 1,490,532	$ 1,505,056	$ 1,566,327	$ 1,762,667	$ 1,923,048	$ 2,004,169
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	40.27%	54.25%	35.44%	16.52%	8.94%	10.98%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%

Port of Edmonds
Schedule of Employer Contributions
Washington State Employee Retirement Systems Plan 1
As of December 31, 2020

	2015	2016	2017	2018	2019	2020
Statutorily or contractually required contributions	$ 71,356	$ 76,567	$ 80,995	$ 93,588	$ 97,764	$ 98,108
Contributions in relation to the statutorily or contractually required contributions	$ (71,356)	$ (76,567)	$ (80,995)	$ (93,588)	$ (97,764)	$ (98,108)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered employer payroll	$ 1,538,725	$ 1,564,005	$ 1,652,801	$ 1,849,424	$ 1,974,739	$ 2,046,919
Contributions as a percentage of covered employee payroll	4.64%	4.90%	4.90%	5.06%	4.95%	4.79%

Port of Edmonds
Schedule of Employer Contributions
Washington State Employee Retirement Systems Plans 2 & 3
As of December 31, 2020

	2015	2016	2017	2018	2019	2020
Statutorily or contractually required contributions	$ 82,765	$ 95,473	$ 113,423	$ 138,691	$ 152,328	$ 162,117
Contributions in relation to the statutorily or contractually required contributions	$ (82,765)	$ (95,473)	$ (113,423)	$ (138,691)	$ (152,328)	$ (162,117)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered employer payroll	$ 1,469,808	$ 1,532,480	$ 1,652,801	$ 1,849,424	$ 1,974,739	$ 2,046,919
Contributions as a percentage of covered employee payroll	5.63%	6.23%	6.86%	7.50%	7.71%	7.92%

Port of Edmonds

Schedule of Changes in Total OPEB Liability and Related Ratios

As of June 30, 2020

	2018	2019	2020
Total OPEB liability - beginning	$ 1,052,444	$ 1,079,896	$ 1,122,307
Service cost	61,926	52,469	57,899
Interest	39,645	43,460	40,945
Changes in benefit terms	-	-	-
Changes in experience data and assumptions	(60,067)	(34,624)	209,026
Benefit payments	(14,052)	(18,894)	(20,850)
Other changes	-	-	-
Total OPEB liability - ending	$ 1,079,896	$ 1,122,307	$ 1,409,327
Covered-employee payroll	$ 1,762,667	$ 1,923,048	$ 2,004,169
Total OPEB liability as a % of covered payroll	61.26%	58.36%	70.32%

Port of Edmonds

Schedule 01

For the year ended December 31, 2020

MCAG	Fund #	Fund Name	BARS Account	BARS Name	Amount
1759	401	Operations	3081900	Restricted Net Position - Beginning	$0
1759	401	Operations	3086000	Net Investment in Capital Assets - Beginning	$26,265,150
1759	401	Operations	3088900	Unrestricted Net Position - Beginning	$14,438,524
1759	401	Operations	3445000	Sales of Fuel	$947,559
1759	401	Operations	3446000	Airports and Ports Services	$7,513,821
1759	401	Operations	3331500	Federal Indirect Grant from Department of Interior	$869
1759	401	Operations	3611000	Investment Earnings	$241,132
1759	401	Operations	3613000	Gains (Losses) on Sale of Investments	$267,090
1759	401	Operations	3614000	Other Interest	$649,321
1759	401	Operations	3111000	Property Tax	$403,731
1759	401	Operations	3730000	Gains (Losses)	($465,607)
1759	401	Operations	5460010	Airports and Ports	$2,197,894
1759	401	Operations	5460020	Airports and Ports	$1,015,342
1759	401	Operations	5460030	Airports and Ports	$1,005,514
1759	401	Operations	5460040	Airports and Ports	$1,296,104
1759	401	Operations	5014600	Depreciation, Depletion, Amortization - Airports and Ports	$1,236,932
1759	401	Operations	5081900	Restricted Net Position - Ending	$0
1759	401	Operations	5086000	Net Investment in Capital Assets - Ending	$26,058,367
1759	401	Operations	5088900	Unrestricted Net Position - Ending	$17,451,437
1759	401	Operations	8100000	Current Assets	$4,762,343
1759	401	Operations	8200000	Other Current Assets	$2,079,678
1759	401	Operations	8300000	Noncurrent Assets	$54,943,229
1759	401	Operations	8400000	Deferred Outflows	$356,702
1759	401	Operations	8500000	Current Liabilities	$1,144,926
1759	401	Operations	8600000	Noncurrent Liabilities	$3,147,997
1759	401	Operations	8700000	Deferred Inflows	$14,339,225
1759	401	Operations	5914670	Debt Repayment - Airports and Ports	$0
1759	401	Operations	5944660	Capital Expenditures/Expenses - Airports and Ports	$1,558,730

Port of Edmonds
Schedule of Liabilities
For the Year Ended December 31, 2020

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Employee Leave Benefits		171,690	158,155	142,796	187,049
264.40	Other Post-employment Benefits		1,122,307	307,870	20,850	1,409,327
264.30	Net Pension Liability		698,816	48,271	61,466	685,621
263.93	Environmental Remediation Liability		612,500	-	-	612,500
263.93	Underground Storage Tank Retirement Obligation		250,000	3,500	-	253,500
	Total Revenue and Other (non G.O.) Debt/Liabilities:		**2,855,313**	**517,796**	**225,112**	**3,147,997**
		Total Liabilities:	**2,855,313**	**517,796**	**225,112**	**3,147,997**

Port of Edmonds
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
U.S. FISH AND WILDLIFE SERVICE, INTERIOR, DEPARTMENT OF THE (via Washington State Parks and Recreation)	Clean Vessel Act	15.616	CV921-115	1,113	-	1,113	-	
			Total Federal Awards Expended:	**1,113**	**-**	**1,113**	**-**	

<u>Note 1 – Basis of Accounting</u>

This Schedule is prepared on the same basis of accounting as the Port's financial statements. The Port uses Generally Accepted Accounting Principles (GAAP) as applied to governments.

<u>Note 2 – Federal De Minimis Indirect Cost Rate</u>

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

<u>Note 3 – Program Costs</u>

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Port's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or 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.