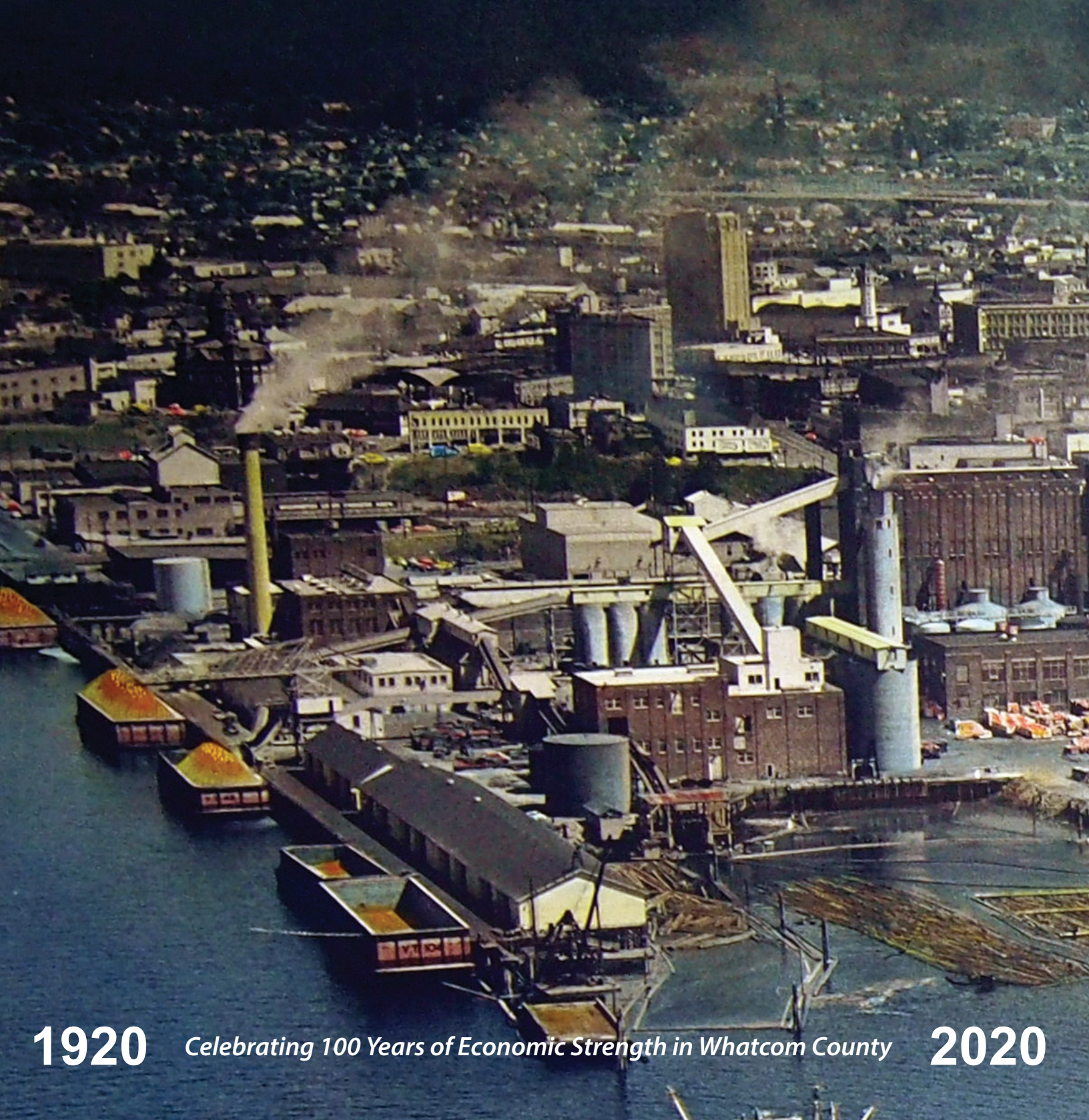




2020 Annual Comprehensive Financial Report

For the fiscal year ended December 31, 2020



1920

Celebrating 100 Years of Economic Strength in Whatcom County

2020

Comprehensive Annual Financial Report

For The Fiscal Year Ended December 31, 2020

Prepared by the Finance Division

The Port of Bellingham



PORT OF BELLINGHAM
Washington State

**Port of Bellingham
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2020**

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SECTION 1

INTRODUCTORY



PORT OF BELLINGHAM
Washington State

June 29, 2021

Commissioners, Port of Bellingham
Citizens of Whatcom County

The Comprehensive Annual Financial Report of the Port of Bellingham for the fiscal year ended December 31, 2020, is hereby submitted for your review. This report includes an overview of the Port, detailed financial information as presented in our year-end audited financial statements, and statistical data relevant to the Port's operations. This report has been prepared by the Port's Finance Department which is responsible for its accuracy and presentation. Management believes this report fairly presents the Port's financial position and contains all material disclosures regarding the financial condition necessary to gain a full and complete understanding of the financial affairs of the Port.

The Port is legally required to have its financial statements audited annually by an independent accountant. The Port Commission has engaged the State of Washington Auditors' Office to provide the financial audit on an annual basis. The opinion of the auditors is included in the financial section of this report. When completed, the report will be available on the Port's website at <http://www.portofbellingham.com>.

This letter of transmittal is designed to complement the management's discussion and analysis (MD&A), which presents a narrative introduction, overview and analysis of the financial statements. The accompanying report includes accounts of the primary government as well as its component unit. Component units are legally separate entities for which the primary government is financially accountable. The determination of "financial accountability" is based on criteria established in Governmental Accounting Standards Board Statement No. 14 as revised by Statement 39. The attached financial statements include the Industrial Development Corporation (IDC) of the Port of Bellingham as a significant component unit. The IDC is a public corporation authorized by state statute to facilitate the issuance of tax-exempt revenue bonds to finance industrial development within the corporate boundaries of the Port. The IDC is governed by the Port's three-member Commission.

PROFILE OF THE PORT

The Port of Bellingham is a special purpose municipal corporation organized under the State of Washington Port Laws R.C.W. Title 53 and is governed by a three-member elected Commission. The Port was created in 1920 by a vote of the people of Whatcom County to ensure public ownership of our waterfront and to promote economic development. The Port operates within the district boundaries of Whatcom County (Whatcom) between the major metropolitan areas of Seattle, Washington and Vancouver, British Columbia. The Port is a unique organization that makes significant contributions to the local community by using combined expertise in both the business and government sectors. The majority of Port revenues are generated from operations

including Aviation, Marinas, Marine Terminals, and Real Estate. The Port is custodian to approximately 1600 acres of land and 1,300,000 square feet of buildings including Blaine and Squalicum Marinas, Bellingham International Airport, Bellingham Cruise Terminal, Bellingham Shipping Terminal, Fairhaven Transportation Center, Fairhaven Marine Industrial Park (FMIP), Sumas Industrial Park, the Airport Industrial Park, and the Bellingham Waterfront Acquisition Site (BWAS).

The Port of Bellingham's mission is to fulfill the essential transportation and economic development needs of the region while providing leadership in maintaining Whatcom's overall economic vitality through expansion of comprehensive facilities, programs, and services.

ECONOMIC CONDITION

Local Economy

Information presented in the financial statements is best considered in the broader context of the economic environment in Whatcom County and the surrounding area. Whatcom County had a population of 229,247 in 2019 (US Census Bureau 2020). Of that total 58% live in the seven incorporated cities. From 2010 to 2019 Whatcom County has grown by 13.4%, which is below the state average of 13.9%, and makes Whatcom the 8th fastest growing county in the state.

The local economy showed numerous disruptions over the last year due to the COVID-19 pandemic, with the first emergency stay-at-home order issued on March 23, 2020. In February 2020, on average local industries provided 96,500 non-farm jobs, up from 94,400 in February 2019. Likewise, in February 2020 the average unemployment rate for Washington State was 4.5% while the Whatcom average was 5.4%, not seasonally adjusted. By April 2020 Whatcom's unemployment rate surged to its highest point thus far in the pandemic to 18.3% (ESD WA Labor Area Summaries 2021). While unemployment rates have recovered substantially throughout Washington State since Spring 2020, with Whatcom County hitting 6.7% in March 2021, which was just above the state unemployment rate of 6.1%. Non-farm jobs remain down in March 2021, with Whatcom at 90,300 jobs. According to the Employment Security Department (2021), prior to the COVID-19 pandemic Whatcom County's average annual wage was \$49,662 in 2019; below the statewide annual average wage of \$69,195. In 2018, the county's median hourly wage was \$22.12, lower than the state median of \$25.98 per hour.

The local economy has diversified from its historic dependence on natural resource industries. Much of the growth is due to small business, local industry expansion, and some new business from outside of Whatcom County. The lifestyle experience is an additional benefit to retain businesses. The service-providing sectors of the economy, which were hard hit by COVID-19 related closures, account for 72,700 of 90,300 (80.5%) non-agricultural jobs in March 2021 (ESD Labor Area Summaries 2021). The three largest employers in the county are Peace Health St. Joseph Medical Center, the Lummi Nation, and Western Washington University (WWU 2017). The BP refinery is the largest private company with over 1,000 jobs including contractors. Manufacturing provided 9,300 jobs in March 2021 compared to 10,600 jobs in 2019. Approximately 700 of the lost manufacturing jobs can be attributed to the closure of the Alcoa Intalco Works aluminum smelter.

Whatcom is influenced by its location on the Canadian border and the large population in lower mainland British Columbia. In the past a strong Canadian dollar, plus other cost differentials in goods, has benefited retail activity in the county. Due to the COVID-19 outbreak, the US-Canadian Border has been closed to non-commercial activity since March 21, 2021 and is expected to stay closed through at least August 2021, if not through the end of 2021. This has hit border cities and communities in Whatcom County hard, particularly those that rely upon Canadians for consumption-based visits such as package parcels, milk, gas, and tourism. The Canadian dollar slightly strengthened compared to the U.S. dollar and is currently around \$0.81 US. Despite the border closure, Canadian manufacturers continue to show interest in expanding into the county to access US markets.

Whatcom County has a well-educated workforce with 19.4% having a Bachelor's degree, 8.4% with an Associate's degree, and 12.1% with a graduate or professional degree (American Community Survey 2014-2019). Western Washington University, with a student population of 16,142 in 2019, as well as Whatcom Community College, Bellingham Technical College and Northwest Indian College, provide Whatcom County with a strong academic and vocational-technical base. Graduates of these institutions enhance the education and skill level of the area labor force. Moreover, WWU has received national recognition as one of the finest regional public universities. Meeting industry demand for skilled workforce is a high priority of area education institutions.

The Port actively participates in local economic development efforts. As a significant landowner with strong financial capabilities and patient capital the Port has been a principal driver in the growth of the local economy. The Port provides leadership in countywide economic development, financially contributes to local economic development agencies and is active at state, national, and international levels promoting the local community to economic constituents.

Long-Term Financial Planning

The measure of success for the Port of Bellingham is how effectively it serves the community through providing transportation services and facilities, promoting a sustainable economy, and undertaking successful custodial oversight of its assets and natural capital. On the resource side, the Port is different from other public agencies in that it does not rely solely on public funds, such as taxes, to fulfill a community purpose. The Port has access to limited public funds, but it also has the ability to engage directly in lines of business that earn financial returns. In this regard, the Port uses commercial means to accomplish public ends. The Port has established the following criteria to meet long-term financial goals in order to achieve its overall success in serving the community:

➤ Financial Standards

The Port Commission has adopted specific financial standards which guide the Port's Operations, including:

- The Port will prepare 1-year budgets and 5-year forecasts.
- The Port will fund operating activities and overhead from user fees and lease revenues.
- The Port will use tax levy for public purpose priorities and environmental programs.

- The Port will retain a cash balance reserve consisting of \$1 million for emergencies, 3 months of average operating expenses, and an amount equal to the legal bond debt reserve.
- The Port will utilize its tax levy only for public purposes with receipts over \$5 million allocated to the infrastructure redevelopment of the Bellingham Waterfront.

➤ **Financial Highlights**

- Operating revenues exceeded \$22.9 million for 2020, a decrease from 2019 of over \$3.5 million.
- Operating income before depreciation exceeded \$5.8 million for 2020 which is over \$2.5 million lower than the 2019 equivalent income.
- The port has budgeted to spend about \$9.5 million, net of grants, in new capital projects in 2021.
- The 2021 budget includes the design components of several projects at the airport such as shoulders and blast pads, relocation of taxiways, and a facility to house snow removal equipment. In addition, life extension projects of the marina inner harbor, re-roofing of a large building, and major repairs to the structural component of the Bellingham Cruise Terminal and the Bellingham Shipping Terminal piers are also planned, as well as other various other capital maintenance projects.

Lines of Business

▪ **Aviation**

The Port of Bellingham owns, manages, operates and maintains Bellingham International Airport (BLI), the third busiest commercial aviation facility (in terms of passenger enplanements) in the state of Washington. In 2020, BLI served over 196,000 enplaning and deplaning passengers and is classified by the Federal Aviation Administration as a non-hub commercial service and general aviation airport. Currently, the Airport has facilities for commercial passengers, air cargo, general aviation and maintenance on a site of approximately 1,200 acres. Airside facilities are served by Runway 16-34, a 6,701-foot precision-instrumented runway. In addition, the Airport provides a 16.5-hour air traffic control tower and weather service, hangars, domestic and international terminal for air carrier use and serves as an International Port of Entry with a U.S. Customs and Border Protection facility.

The general aviation center and fixed base operation facilities are available for a variety of corporate and general aviation users. The General Aviation Terminal is owned by the Port and leased to the fixed base operator ("FBO") and is equipped with a corporate meeting room and pilot lounge with a flight planning facility. General aviation facilities include one FBO, two aircraft maintenance facilities, 10 corporate hangars and seven T-hangar units (90 total hangars), as well as 69 aircraft tie-down spaces. A private company provides fixed based operating services including fueling. Aviation 100LL gasoline and Jet A fuel are both available at the Airport. The existing fuel farm and self-serve tanks, owned by the Port and operated by the FBO, has storage capacity of 124,000 gallons.

Aviation revenues of \$3.4 million in 2020 is a 50% decrease from 2019 and accounted for just over 15% of total Port operating revenues for 2020. The COVID-19 pandemic was the direct result of the airport decline in passengers and revenue. Revenues are expected to recover after the Canadian-US border reopens.

- **Marinas**

As of December 2020, Squalicum Harbor was operating at 97% occupancy for all slip sizes. Occupancy for this harbor's 1,386 wet moorage berths is expected to be at full capacity in the summer months, and has a waiting list for all sizes of vessels. Blaine Harbor was at 78% occupancy at the end of 2019. Occupancy is also anticipated to increase in the summer months, and there is a small waiting list in Blaine for certain slip sizes. Marina revenues of \$8.9 million accounted for nearly 39% of total 2020 Port operating revenues.

- **Marine Terminals**

Although the shipping terminal has not seen the break-bulk shipping it had prior to 2001, it continues to remain available to handle bulk and break-bulk cargo, and has begun to see more activity in the last couple of years. Recently the shipping terminal's primary revenue source has been from industrial lease tenants along with dockage for ship berthing and ship-side repair. The Port's passenger facilities are currently utilized by the Alaska Marine Highway System on a weekly schedule that primarily serves southeast Alaska. In addition, it serves as the homeport for seasonal daily passenger service to the San Juan Islands, multiple charter vessels and whale watching tour boats. The cargo and passenger terminal revenues of over \$2.4 million account for approximately 10% of total 2020 Port operating revenues.

- **Real Estate**

The Port continues to obtain approximately 97 percent occupancy of its real estate portfolio, which includes approximately 1.2 million square feet of office, commercial and industrial building space leased out to 251 tenants. The Port's tenants lease space in Blaine and Squalicum Harbor areas, Bellingham International Airport, Fairhaven area, the Waterfront District, Sumas, and the Bellingham Shipping Terminal. Commercial real estate revenues of over \$8.1 million accounted for 35% of total 2020 Port operating revenues.

- **Community Access**

The Port operates a number of public-use facilities including parks, boat launches, meeting areas, and extensive visitor facilities at the airport and marinas. The Port encourages public activity on Port properties and hosts numerous public events during the year including festivals, holiday events, arts and craft shows, and a variety of recreational activities.

Financial Management Information

- **Budgeting Controls**

Washington State Law, RCW 53.35.010 through 53.35.040, prescribes procedures for the preparation of annual budgets by port districts. In August each department director of the Port of Bellingham prepares a proposed budget to be reviewed with the Executive Director. The

preliminary budget is provided to the Port Commission for comments. Final budgets are adopted by the Commission in November for the following calendar year. The final budget document, that includes amounts to be raised by taxation, is filed with the County Treasurer on or before the first Monday in December.

Budgetary control is maintained at the department level. Monthly departmental financial statements are produced comparing actual results to budgeted figures. These statements are analyzed and distributed to the Port Commission, senior management and department heads. Adjustments to budgeted amounts are approved by the Port Commission in an action taken at an open public meeting.

- **Cash Management and Investments**

The Commission has appointed the Chief Financial Officer as Treasurer. Investments consist of government notes and participation in the State of Washington Local Government Investment Pool. All investments are highly liquid and are protected against loss through depository and liability restrictions governed by the Washington Public Deposit Protection Commission. December 31, 2020, the Port's cash and investment portfolio totaled \$67 million at market value. Approximately eighty eight percent (88%) of the invested cash was invested in U.S. Government Securities. The remainder was invested in short-term savings and the State and Local Government Investment Pool.

- **Environmental Matters**

In order to identify and minimize environmental liabilities associated with both Port and tenant operations, the Port administers an Environmental Compliance Assessment Program. The Program is designed to prevent the occurrence of environmental contamination on Port property through education, assessment, and remediation as necessary.

Typically, the environmental regulations that are most applicable to Port and tenant operations tend to be those that focus on the proper storage and handling of hazardous materials, permitted discharge of waste to both sanitary sewers and storm water systems, air permits, and remediation of soil and groundwater contamination from past practices. Although the Port's environmental program is designed to ensure compliance with these regulations, in all circumstances, formal regulatory oversight and enforcement is performed by state and federal agencies, including the Washington State Department of Ecology, the U.S. Environmental Protection Agency, and the U.S. Army Corps of Engineers.

- **Internal Controls**

In developing and evaluating the accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

- **Planning and Development**

The Port continues its planning and redevelopment effort of the Bellingham Waterfront District assets. The planning area includes over 200 acres which will be redeveloped for a variety of uses including a mixed use residential and commercial, marine trades and public access. Under the approved Master Development Agreement with the Port, Harcourt Developments LTD (“Harcourt”) completed extensive restoration work on the Granary Building, modified the Sub-Area Plan to better suit their development plans. The Granary Building opened in 2019 and continues to fill out with a mix of tenants including office, food & beverage and salon/spa services. Harcourt began construction for three waterfront residential buildings with approximately 90 units in 2020. Construction on the residential buildings is expected to continue in 2021 and 2022.

The City of Bellingham completed the installation the two main arterial roads, Granary Avenue and Laurel Street, and associated utilities in 2019 which are currently open for public use. The City completed the first phase of Waypoint Park in 2018 and is currently working on the design for the second phase of which will be constructed following the completion of the Harcourt residential buildings. Along with the construction of the Granary Avenue and Laurel Street project, the Port installed district energy piping system in 2019, and in 2020 the Port entered into an Infrastructure Agreement with Corix Utilities to operate a district wide heating and cooling system that all new development in the Downtown Waterfront will connect to. Corix anticipates construction of the district energy center to be initiated in 2021.

Additional redevelopment of the waterfront is expected to include promenades, public waterfront access, institutional facilities, marine-related businesses, retail, offices, residences, light industry and marine trades. In the process, shoreline habitat is expected to be restored along Bellingham Bay. Redevelopment of the waterfront is anticipated to occur in a number of phases over approximately 30 years and the Port continues to support interim uses throughout the Downtown Waterfront including a bicycle pump track, installation of temporary restrooms and associated utilities. The Port anticipates a temporary food trucks and food/beverage container village to be constructed in 2021.

In addition to redevelopment, the Port is also in the process of completing a number of environmental cleanup plans. The cleanup plans are subject to approval of the Washington State Department of Ecology. The Port did not complete any cleanup construction work in 2020 but did begin the initial engineering and design work for the Central Waterfront and Whatcom Waterway Phase 2 in 2020, both of which will continue into 2021. The Port and Department of Ecology will issue the draft Cleanup Action Plan for the Chlor-Alkali portion of the GP West site in 2021.

For most of the waterfront site, the Port has obtained environmental cost cap and environmental liability insurance which provides the Port with relative assurance that its remedial efforts will not exceed the projected value of the land. The Port has also applied for grant funding for environmental cleanup from the Department of Ecology. In addition to state funding, the Port plans to issue a combination of general obligation and revenue bonds to fund this significant development. Over the development life of the project, revenues from the project are expected to support the debt obligations.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to the government entities which publish a report which is easily readable and efficiently organized and in which the contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The Port of Bellingham has been awarded a Certificate of Achievement for Excellence in Financial Reporting for the years 1992–2019. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgment

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire Port staff. The Port realizes its strong financial controls only through the significant contributions of its entire administrative staff. Special recognition needs to be given to the Accounting Department staff for their responsibility in producing this document.

Finally, thanks to the Port Commissioners for their interest and support in planning and conducting the financial operations of the Port in a responsible and progressive manner.

Sincerely,

A handwritten signature in black ink that reads "Tamara Sobjack". The signature is written in a cursive, flowing style.

Tamara Sobjack, CPA
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Port of Bellingham
Washington**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

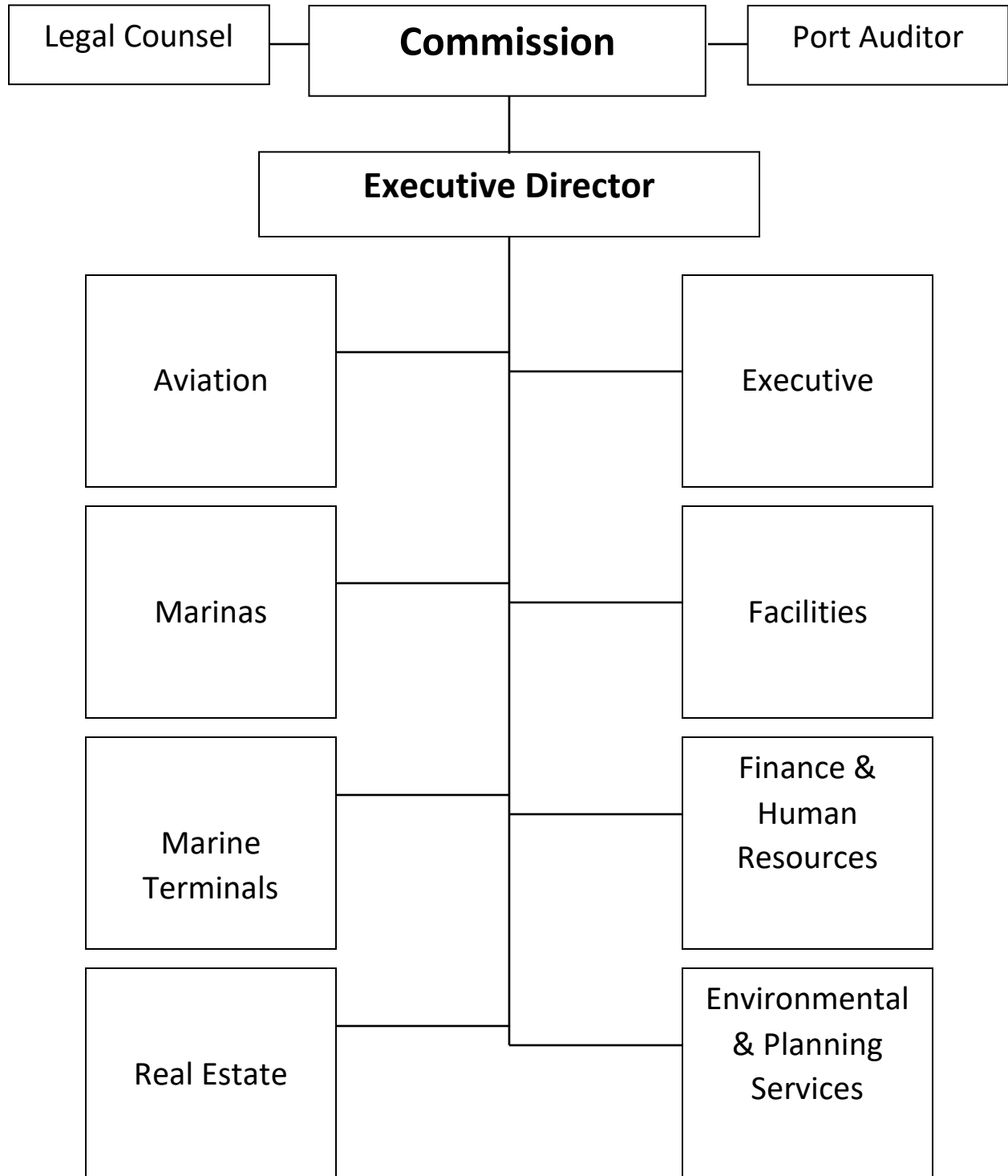
Christopher P. Morill

Executive Director/CEO

Port of Bellingham
List of Principal Officials
As of December 31, 2020

TITLE	NAME
Commissioner	Bobby Briscoe
Commissioner	Ken Bell
Commissioner	Michael Shepard
Legal Counsel	Frank Chmelik
Executive Director	Rob Fix
Port Auditor/CFO, Finance	Tamara Sobjack
Director, Aviation	Sunil Harman
Director, Environmental and Planning	Brian Gouran
Director, Economic Development	Don Goldberg
Director, Real Estate	Shirley McFearin
Director, Human Resources	Elizabeth Monahan

ORGANIZATIONAL STRUCTURE



SECTION 2

FINANCIAL



PORT OF BELLINGHAM
Washington State



Office of the Washington State Auditor Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Commissioners
Port of Bellingham
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Bellingham, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating

the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Bellingham, as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 17 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Port is unknown. Management's plans in response to this matter are also described in Note 17. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements as a whole. The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Port. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 29, 2021, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the Port's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

June 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Document contains the Port of Bellingham's (the Port's) Management Discussion and Analysis (MD&A) of financial activities and performance for the fiscal year ended December 31, 2020. Information contained in this MD&A has been prepared by the Finance Department and should be considered in conjunction with the financial statements and notes.

The notes are essential to a full understanding of the data contained in the financial statements. This report also presents certain required supplementary information regarding capital assets and long-term debt activity during the year, including commitments made for capital expenditures.

Overview of the Financial Statements

The financial section of this annual report consists of three parts – MD&A, the basic financial statements, and the notes to the financial statements. The basic financial statements include: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. This report also includes statistical and economic data, and required supplementary information.

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

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

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

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

Financial Analysis of the Port

Net Position

The assets and deferred outflows of the Port exceeded its liabilities and deferred inflows at December 31, 2020 by nearly \$270 million. Total assets of the Port at year end were \$405.5 million, while total liabilities were \$132.7 million. The Port's long-term debt outstanding was \$35 million which is a decrease from 2019 due to the scheduled debt payments. The Port's net investment in capital assets was \$279.8 million. Unrestricted net position was negative \$13.7 million, reflecting the full estimated liability for the environmental remediation work but not offset by the expected Department of Ecology MTCA grants. It is anticipated that in the future the Port will raise funds for this estimated future liability.

Statements of Net Position	2020	2019
Current Assets	\$ 70,976,052	\$ 51,477,475
Capital Assets:		
Capital assets not being depreciated	100,606,521	125,967,035
Capital assets being depreciated	215,345,488	196,717,793
Other Assets	18,523,651	19,078,202
Total Assets	\$ 405,451,712	\$ 393,240,505
Deferred Outflows of Resources	\$ 768,660	\$ 1,959,098
Current Liabilities	\$ 15,016,100	\$ 14,581,358
Non-current Liabilities	117,715,229	110,001,079
Total Liabilities	\$ 132,731,329	\$ 124,582,437
Deferred Inflows of Resources	\$ 3,724,168	\$ 4,527,009
Net Position:		
Net investment in capital assets	\$ 279,783,081	\$ 284,332,618
Restricted	3,655,741	4,090,690
Unrestricted	(13,673,947)	(22,333,151)
Total Net Position	\$ 269,764,875	\$ 266,090,157

Changes in Net Position

In 2020, Port operating revenues decreased from 2019 totaling \$22.9 million, a decrease of over 13%. The Aviation and Marine Terminals divisions showed a decrease in revenues from 2019. The Marinas and Real Estate divisions both had increases due to scheduled contractual increases and high occupancy rates. Revenues for the Aviation division decreased over 50% due in large part to the COVID-19 pandemic resulting in the closure of the US/Canadian border. The Bellingham Shipping Terminal, a component of the Marine Terminals Division, had a nearly 10% decrease in revenues due to the reduced customer demand for that site.

Total operating expenses (before depreciation) totaled \$17 million, more than 5% below the prior year due to cost control measures put in place to mitigate the decrease in revenues. Depreciation expenses remained at \$13.6 million, which is similar to 2019.

The receipt of capital grants, passenger facility charges, and various cost control measures put into place resulted in an increase in net position of \$3.7 million over 2019, to \$269.8 million. Overall, the financial position of the Port improved in 2020.

Statements of Revenues, Expenses and Changes in Net Position

	2020	2019
Operating Revenues:		
Airport operations	\$ 3,363,086	\$ 6,729,943
Marina operations	8,883,309	8,579,721
Marine terminal operations	2,409,662	2,667,666
Property lease operations	8,144,108	8,138,866
Other	102,223	351,151
Total Operating Revenues	\$ 22,902,388	\$ 26,467,347
Non-operating Revenues:		
Ad valorem tax revenues	\$ 7,454,249	\$ 7,310,137
Investment income	428,702	1,191,805
Environmental insurance claim revenue and adjustment	423,378	12,287,299
Environmental grant revenues	1,065,770	837,891
Other non-operating income	6,460,146	264,858
Total non-Operating Revenues	\$ 15,832,245	\$ 21,891,990
Total Revenues	\$ 38,734,633	\$ 48,359,337
Expenses:		
General operating expenses	\$ 12,533,601	\$ 13,231,143
Maintenance expenses	2,662,480	2,890,530
General and administrative expenses	1,854,817	1,899,125
Depreciation expense	13,602,701	13,083,323
Non-operating expenses	7,257,754	3,656,725
Total Expenses	\$ 37,911,353	\$ 34,760,846
Increase (Decrease) in Net Position before Capital Contributions	\$ 823,280	\$ 13,598,491
Capital Contributions	\$ 2,851,438	\$ 2,093,294
Change in Net Position	\$ 3,674,718	\$ 15,691,785
Net Position - Beginning of Period	\$ 266,090,157	\$ 250,398,372
Net Position - End of Period	\$ 269,764,875	\$ 266,090,157

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2020, the Port had nearly \$316 million (net of accumulated depreciation) in capital and intangible assets. The Port's capital assets include land, buildings, improvements, machinery, equipment and construction in progress. Capital assets (net of accumulated depreciation) at December 31, 2019, totaled \$323 million. Capital assets, net of depreciation, decreased slightly in 2020 due to depreciation. See Notes 4 and 11. Capital projects which individually totaled in excess of \$500,000 during 2020 were:

• Demolish and relocate Webhouse #1 in Blaine	\$4,338,765
• Franchise Utilities at Waterfront site	\$1,749,208
• Blaine bulkhead design	\$1,416,672
• Repair and upgrade main pier at Shipping Terminal	\$1,376,655
• ECO District Utilities at Waterfront site	\$1,041,628
• Phase II infrastructure at C Street	\$832,512
• Harris Ave railroad crossing	\$571,827
• Airport sidewalks and landscaping	\$541,482

Over \$7.1 million was spent during 2020 on construction of capital assets. See note 4.

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

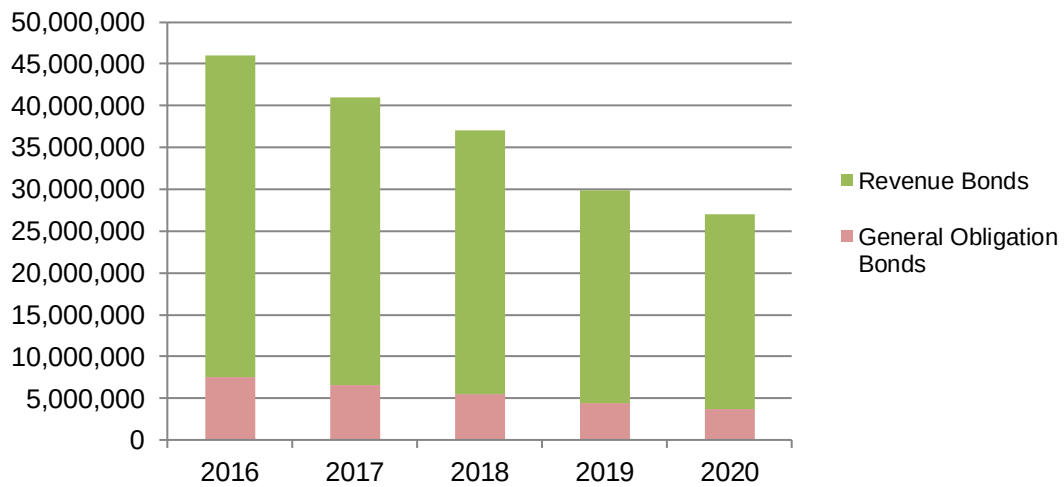
Debt Administration

At December 31, 2020, long-term debt obligations totaled \$127.6 million of which \$9.9 million is due within one year. The total bonded debt is comprised of \$4 million balance in general obligation debt, and \$27.6 million (net of premiums and discounts) representing bonds secured by revenue sources of the Port. The terms of the Port debt vary per issue with interest rates ranging from 1.35% to 7%. Revenue bond debt will be fully amortized by 2030 while currently outstanding General Obligation Bond debt will be fully amortized by the year 2025. Moody's Investor Services rates the Port's general obligation bonds as Aa2 and the Port's issued Revenue Bonds as A2. The remainder of the Port's debt is primarily pension liability and environmental remediation.

The Port through various contractual relationships has assumed contingent liability for environment cleanup of various properties acquired by the Port. Total environmental cleanup activities have been estimated as of December 31, 2020 at \$134.8 million. Per GASB 49, effective 2008, the Port expects to capitalize \$46.6 million of the environmental remediation efforts, leaving \$88.2 million as a liability. The Port has purchased insurance which is expected to fund over \$18 million of the liability and expects to receive grants from the State of Washington for approximately ½ of the liability costs. In addition to these funding sources, the Port continues to pursue environmental contributions payments from liable 3rd parties. See Note 14.

Outstanding Bonded Debt

Fiscal Year Ended	General Obligation Bonds	Revenue Bonds	Total Bonded Debt
2016	\$ 7,540,000	\$ 38,485,000	\$ 46,025,000
2017	\$ 6,550,000	\$ 34,405,000	\$ 40,955,000
2018	\$ 5,515,000	\$ 31,535,000	\$ 37,050,000
2019	\$ 4,440,000	\$ 25,395,000	\$ 29,835,000
2020	\$ 3,760,000	\$ 23,290,000	\$ 27,050,000



2021 Budget

The Port's 2021 budget anticipates Operating Revenues to decrease from \$22.9 million in 2020 to just over \$21.7 million in 2021, with the largest decrease in the Aviation Division due in large part to the US/Canadian border closure resulting from the COVID-19 pandemic. Operating expenses are budgeted at \$16 million, a decrease of just over \$1 million. Income from traditional operations before depreciation is anticipated to be approximately \$5.7 million.

In 2021, \$9.5 million, net of anticipated grants, is forecasted for capital projects. This total includes capital improvements and purchases of over \$2.5 million at the Port's waterfront district, over \$2.6 million in real estate projects, as well as various airport and public access projects. Many of these projects are complex and are anticipated to occur over multiple years and are currently in various stages of planning, design, and permitting.

Property taxes for 2021 are levied at .1976 per 1,000 valuation rate, resulting in a total levy of just over \$7.5 million. \$844 thousand of this amount is levied for the General Obligation Fund. The levy rate for 2020 was .2099 for a levy amount of \$7.5 million.

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

Contacting the Port's Financial Management

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

PORT OF BELLINGHAM
STATEMENT OF NET POSITION
December 31, 2020

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 1)	\$ 58,642,249
Investments (Note 2)	4,653,018
Restricted assets:	
Cash and cash equivalents	144,040
Investments	3,511,701
Taxes receivable	156,798
Due from other governments	1,044,084
Accounts receivable (net of allowance for uncollectible)	628,884
Interest receivable	34,550
Notes receivable	182,386
Other receivables	391,300
Prepays	1,587,042

TOTAL CURRENT ASSETS **70,976,052**

NON-CURRENT ASSETS:

Capital assets not being depreciated (Note 4)

Land	80,993,069
Construction in progress	19,613,452

Capital assets being depreciated (Note 4)

Intangible assets (Note 4)	3,360,955
Equipment	18,059,325
Buildings and Structures	178,549,390
Improvements other than buildings	235,680,255
Less: Accumulated depreciation	(220,304,437)

Other noncurrent assets

Pension Asset	343,651
Joint Venture (Note 16)	200,000
Restricted noncurrent assets:	
Environmental Insurance	17,980,000

TOTAL NON-CURRENT ASSETS **334,475,660**

TOTAL ASSETS **\$ 405,451,712**

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow for pension (GASB 68) (Note 6)	768,660
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TOTAL DEFERRED OUTFLOWS OF RESOURCES **\$ 768,660**

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

PORT OF BELLINGHAM
STATEMENT OF NET POSITION
December 31, 2020

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 2,086,714
Accrued expenses	123,154
Accrued interest payable	120,249
Other current payables	2,822,882
Current portion of long-term obligations (Note 9)	4,094,676
Current portion of environmental remediation	5,768,425
TOTAL CURRENT LIABILITIES	15,016,100

NON-CURRENT LIABILITIES:

Long-term debt	
General obligations bonds	3,226,117
Revenue bonds	25,693,637
Environmental remediation	82,400,525
Notes payable	2,960,866
Capital leases	957,188
Pension liability	2,182,438
Compensated absences	294,458
TOTAL NON-CURRENT LIABILITIES	117,715,229

TOTAL LIABILITIES	\$ 132,731,329
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DEFERRED INFLOWS OF RESOURCES

Deferred lease arrangement receipts (Note 15)	2,585,979
Deferred Inflows for pensions (GASB 68) (Note 6)	1,138,189
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 3,724,168

NET POSITION

Net investment in capital assets	279,783,081
Restricted for debt service	3,024,150
Restricted for blended component unit	24,271
Restricted for revolving loan program	119,769
Restricted for insurance reserve	487,551
Unrestricted	(13,673,947)
TOTAL NET POSITION	\$ 269,764,875

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

PORT OF BELLINGHAM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2020

OPERATING REVENUES:	
Airport operations	\$ 3,363,086
Marina operations	8,883,309
Marine terminal operations	2,409,662
Property lease operations	8,144,108
Other	102,223
Total Operating Revenues	22,902,388
OPERATING EXPENSES:	
General operations	12,533,601
Maintenance	2,662,480
General and administrative	1,854,817
Depreciation	13,602,701
Total Operating Expenses	30,653,599
OPERATING INCOME (LOSS)	(7,751,211)
NON-OPERATING REVENUES (EXPENSES):	
Environmental grant revenues	1,065,770
Other grant revenues	6,196,271
Investment income	428,702
Taxes levied for:	
General purposes	6,610,449
Debt service principal/interest	843,800
Miscellaneous taxes	172,810
Other revenues	91,065
Environmental remediation adjustment	(11,813,333)
Environmental remediation expense	(744,822)
Environmental insurance claims revenue	12,236,711
Gains (Losses) on Disposal of Assets	(38,013)
Election Expense	(1,286)
Amortization of intangibles	(767,383)
Interest expense	(2,712,604)
Environmental grant expense	(1,995,274)
Other grant expense	(998,372)
Total Non-Operating Revenues (Expenses)	8,574,491
Income (loss) before capital contributions	823,280
Capital Contributions	2,269,643
Capital Contributions - Contractually Restricted (Note 13)	581,795
Increase (Decrease) in Net Position	3,674,718
Net position - beginning of period	266,090,157
Net position - end of period	\$ 269,764,875

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

PORT OF BELLINGHAM
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 22,488,762
Payments to suppliers	(17,423,553)
Payments to employees	(1,467,646)
Net cash provided by operating activities	3,597,563

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Receipts from property taxes	6,586,784
Receipts from other taxes and financing fees	244,086
Receipts from operating grants	6,648,113
Payments for operating grants	(2,993,646)
Net cash provided (used) by non-capital financing activities	10,485,337

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES

Principal paid on capital debt	(3,424,390)
Interest paid on capital debt	(1,475,215)
Cash received from property taxes for general obligation bonds	846,476
Purchases of capital assets	(6,262,997)
Capital contributions	2,215,471
Payments for environmental remediation	12,149,102
Net cash provided (used) by capital and related financing activities	4,048,447

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	12,976,109
Payments for purchases of investments	(9,513,085)
Interest and dividends	439,702
Net cash provided by investing activities	3,902,726

Net increase (decrease) in cash and cash equivalents	22,034,073
Balances - beginning of the year	36,752,216
Balances - end of the year	\$ 58,786,289

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

PORT OF BELLINGHAM
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

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

Net Operating Income (Loss)	\$ (7,751,211)
Depreciation	13,602,701
Change in assets and liabilities:	
(Incr)Decr in accounts receivable	(162,159)
(Incr)Decr in other current assets	(2,249,420)
(Incr)Decr in work for others	19,985
(Incr)Decr in customer deposits	(271,453)
Incr(Decr) in accounts payable	496,027
Incr(Decr) in other liabilities	(141,784)
Non Cash GASB 68 pension expense	54,876
Total Adjustments	<u>11,348,774</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,597,563

SCHEDULE OF NON-CASH ACTIVITIES

Change in Value of Intangible Assets	(767,383)
Unrealized Gains or Losses	(143,315)
Environmental Claim adjustment	(11,813,333)
Disposals of Capital Assets	270,060
Change in Deferred Pension	(144,084)
Change in Pension Asset	(94,551)
TOTAL NON-CASH ACTIVITIES	\$ (12,692,606)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Basis of Accounting and Presentation

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

The financial statements of the Port are prepared using the economic resources management focus and full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the 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.

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

Budgetary Information

1. Scope of Budget

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

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

2. Amending the Budget

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Significant Risks and Uncertainties

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

Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash. This amount is classified on the statement of net position as cash and cash equivalents. It is the Port's policy to consider all short-term investments with a maturity within 90 days or less at the date of purchase to be cash equivalents. Investments held in the Local Government Investment Pool totaling \$57,326,149 is reported at amortized cost and is included in Cash and Cash Equivalents.

2. Investments See Note 2.

3. Receivables

General Obligation Taxes Receivable and General Taxes Receivable consist of property taxes and related interest and penalties (See Note 3). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year. Accounts Receivable are recorded for amounts earned from contractual relationships. The allowance method is used to account for bad debt expense. The allowance for doubtful accounts was \$51,335 at December 31, 2020. Other Receivables consist of materials and services paid by the Port, which will be reimbursed by outside entities or insurance proceeds.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Amounts Due To and From Other Governments

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

5. Restricted Assets See Note 2.

In accordance with bond resolutions and certain related agreements, separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses including construction, debt service, and other special reserve requirements.

The restricted assets are composed of the following:

Cash and Cash Equivalents – Blended Component Unit, IDC	\$24,271
Cash and Cash Equivalents – Revolving Loan Fund	\$119,769
Investments – Insurance Reserve	\$487,551
Investments –Debt Service	\$3,024,150

6. Capital Assets See Note 4.

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

The costs for normal maintenance and repairs are not capitalized.

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

As of January 1, 2020, intangible assets totaled \$3,543,948. During 2020, the Port added \$584,390, and amortized \$767,383, leaving a balance of \$3,360,955 at the end of 2020. These capital assets lack physical substance but will benefit the Port more than one year. The Port amortizes these assets from 3 to 15 years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The balance of an 80-year service concession agreement in the amount of \$2,585,979 is shown on the Statement of Net Position as a Deferred Inflow of Resources. See Note 15.

Deferred outflows and inflows for pension liabilities are shown on the Statement of Net Position and represent the Port's contributions subsequent to the reporting period, as well as changes in actuarial assumptions reported by the Department of Retirement Systems. See Note 6.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Compensated Absences

In accordance with GASB Statement No. 16, Accounting for Compensated Absences, the Port accrues a liability for vacation/PTO pay. All represented and non-represented staff, with the exception of those covered by PERS 1, may accumulate up to 520 hours of PTO. PERS 1 employees may accumulate up to 240 hours, and those with more than 10 years of service are permitted to move 50% of their accrued vacation into a separate pre-retirement bank. PERS 2 and PERS 3 employees with more than 10 years of service are permitted to move 50% of their accrued PTO over 240 hours into a pre-retirement bank. The pre-retirement bank will not exceed 519 hours and upon retirement, the employee is permitted to use the pre-retirement bank prior to their retirement date. If the employee separates for reasons other than retirement, the pre-retirement bank will be paid at the employee's current rate of pay. The Port accrues unpaid vacation/PTO leave benefits as earned. Accrued vacation/PTO benefit liability was \$865,087 at December 31, 2019, and \$1,058,013 at December 31, 2020.

10. Environmental Remediation Liabilities

The Port accrues future Environmental Remediation Costs that meet the measurement criteria as outlined under GASB No. 49. These liabilities are shown on the Statement of Net Position. For some environmental cleanup sites the Port has purchased Environmental Cost Cap insurance coverage (See Note 14). Prepayments for remediation and estimated insurance reimbursement payments under these policies are shown as assets within the Statement of Net Position. The estimated cost of all environmental remediation is measured annually and adjustments made to the accrued liability.

11. Long Term Debt See Note 9.

12. Operating and Non-Operating Revenues

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

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

Customer Facility Charges (CFC) are collected through the rental car agencies and are recorded as Capital Contributions in the Statement of Revenues, Expenses and

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in Net Position and are restricted by an agreement between the Port and the rental car agencies.

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

13. 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 addition to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

15. Unearned Revenue

This account includes amounts recognized as receivables but not revenues because the revenue recognition criteria have not been met.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

Cash on hand at December 31, 2020 was \$3,150 in petty cash and change funds. The carrying amount of the Port's deposits was \$58,783,139 and the bank balance was \$59,068,646.

Custodial Credit Risk

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

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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

Investments

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

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

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

Investments are subject to the following risks.

Interest Rate Risk –Investments

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

The tables below identify the type of investments and concentrations of investments in any one user as of December 31, 2020 and 2019.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investment Type	Fair Value	Maturities (in years)			% of Total Portfolio
		Less than 1	1-3	More than 3	
2020					
Federal Agencies Securities:					
Federal Home Loan Bank	3,024,456	3,024,456			37.04%
Federal Farm Credit Bank	2,071,460		2,071,460		25.37%
Federal Home Loan Mortgage Corporation	2,023,150		2,023,150		24.78%
Federal National Mortgage Association	1,045,652		1,045,652		12.81%
Total Investments	8,164,718	3,024,456	5,140,262	-	100%
Percentage of Total Portfolio	100%	37.04%	62.96%	0.00%	
2019					
Federal Agencies Securities:					
Federal Home Loan Bank	4,020,183	1,998,506	2,021,677		34.76%
Federal Farm Credit Bank	2,524,917		2,524,917		21.83%
Federal Home Loan Mortgage Corporation	1,997,944		1,997,944		17.28%
Federal National Mortgage Association	3,022,203	1,999,532		1,022,671	26.13%
Total Investments	11,565,247	3,998,038	6,544,538	1,022,671	100%
Percentage of Total Portfolio	100%	34.57%	56.59%	8.83%	

Credit Risk - Investments

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

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

	AAA aaa
US Agencies	\$ 8,164,718

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Investments

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

Investment Type	Held by Counterparty
US Agencies	\$ 8,164,718

Investments in Local Government Investment Pool

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

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

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

Investments Measured at Fair Value

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

At December 31, 2020, the Port of Bellingham had the following investments measured at fair value:

		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)
Investments at fair value level	12/31/2020			
Federal Agency Obligations	\$ 8,164,718		\$ 8,164,718	
Total Investments measured at fair value	\$ 8,164,718	\$ -	\$ 8,164,718	\$ -
Total Investments in Statement of Net Position	\$ 8,164,718			

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

Investments authorized through bond debt agreements

Pursuant to revenue bond resolutions adopted by the Port Commission, various special purpose funds have been established to designate cash and investments for bond debt service. Bond covenants require a reserve account be created for the purpose of securing payment of the principal and interest. All revenue bonds outstanding are considered “parity” bonds with a reserve fund requirement equal to the highest annual debt service of each revenue bond issue or 125% of the highest average annual debt service of all revenue bond issues, whichever is lower. The Port has established a Revenue Bond Reserve fund to meet this debt requirement in the amount of \$3,024,150.

NOTE 3 – PROPERTY TAXES

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

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

NOTE 3 – PROPERTY TAXES (continued)

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

The Port's regular levy for 2020 was approximately \$.1862 per \$1000 on an assessed valuation of \$35,560,406,229 for a total regular levy of \$6,620,217.61.

In 2020, the Port levied an additional \$.0237 per \$1000 for the repayment of General Obligation Bonds for a total additional levy of \$843,800.

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

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

	Beginning Balance 01/01/2020	Increases	Decreases	Ending Balance 12/31/2020
Non-Depreciable Assets:				
Land	\$ 78,446,998	\$ 2,546,071	\$ -	\$ 80,993,069
Construction in progress	47,520,037	7,121,670	(35,028,255)	19,613,452
Total Non-Depreciable Assets	125,967,035	9,667,741	(35,028,255)	100,606,521
Depreciable Assets:				
Buildings and Structures	166,393,858	12,548,544	(393,012)	178,549,390
Intangible Assets	3,543,948	584,390	-	4,128,338
Improvements/Infrastructure	217,020,945	18,904,745	(245,435)	235,680,255
Machinery and Equipment	17,325,673	1,171,642	(437,989)	18,059,326
Total Depreciable Assets	404,284,424	33,209,321	(1,076,436)	436,417,309
Less Accumulated Depreciation for:				
Buildings and Structures	88,335,172	4,816,328	(299,099)	92,852,401
Intangible Assets	-	767,383	-	767,383
Improvements/Infrastructure	106,800,761	7,772,101	(245,188)	114,327,674
Machinery and Equipment	12,430,699	1,131,126	(437,463)	13,124,362
Total accumulated depreciation	207,566,632	14,486,938	(981,750)	221,071,820
Depreciable Assets Net	\$ 196,717,792	\$ 18,722,383	\$ (94,686)	\$ 215,345,489

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION (continued)**Construction Commitments:**

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

Project	Spent to Date	Commitment
<i>Airport:</i>		
Airport sidewalks, landscape	541,482	177,618
Env Study of Master Plan	125,154	124,846
RSA Env Design & land acquisition	393,650	516,350
<i>Marinas:</i>		
Install Portable Pumpouts G1&2	271,856	30,144
Move commercial gear storage	307,905	89,095
Security Access Controls	186,454	23,546
<i>Marine Terminals:</i>		
Upgrade pwr to main pier	125,600	74,400
Repair & upgrade main pier	1,376,655	277,210
ST Repl fire supp WH 1-2	413,601	16,399
Repair steel pilings & supports	197,786	1,902,214
<i>Properties:</i>		
Bellwether Repl HVAC	226,783	1,726,510
TI 2017-2020	182,969	77,012
Recalibrate HVAC BW Bldg	151,834	44,166
Bayview ballroom expansion	183,994	193,506
<i>Bellingham Waterfront District:</i>		
Waterfront Prep Site	413,029	76,971
Waterfront Public Safety	229,017	170,983
C St Ph 2	832,512	-
Franchise Utilities	1,749,208	608,641
District Utilities ECO	1,041,628	275,545
Demo Lignin Bldg	166,555	5,000
<i>Economic Development:</i>		
Demo and Relocate Blaine Web house #1	4,338,765	373,624
<i>Community Connections:</i>		
Design Fisherman's Pavilion	235,129	1,264,871
<i>Infrastructure:</i>		
I&J Bulkhead, fit up float	245,583	1,005,417
Blaine Breakwater Cath Protect	329,217	345,783
Blaine Bulkhead Design	1,416,672	1,043,328
RR Crossing Harris Ave	571,827	78,173
<i>Other Port Projects \$125,000 or less</i>	3,358,587	53,956,227
Total Construction	19,613,452	64,477,579

NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 6 – PENSION PLANS

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

Aggregate Pension Amounts - All Plans	
Pension liability	\$ (2,182,438)
Pension asset	\$ 343,651
Deferred outflows of resources	\$ 768,660
Deferred inflows of resources	\$ (1,138,189)
Pension expense	\$ (54,876)

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available 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) Plans 1, 2 and 3

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.

NOTE 6 – PENSION PLANS (continued)

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%

The Port's contributions to the plan were \$310,401 for the year ended December 31, 2020.

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

NOTE 6 – PENSION PLANS (continued)

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.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The 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:

NOTE 6 – PENSION PLANS (continued)

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2
January - August 2020:		
PERS Plan 2/3	7.92%	7.41%
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 contributions to the plan were \$512,515 for the year ended December 31, 2020.

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

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. As of February of 2018, the Airport Operations staff at the Bellingham International Airport were moved from PERS to LEOFF Plan 2.

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

NOTE 6 – PENSION PLANS (continued)

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% in 2020.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January - December 2020		
State and Local Governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%
Ports and Universities	8.59%	8.59%
Administrative Fee	0.18%	
Total	8.77%	8.59%

The Port's actual contributions to the plan were \$29,571 for the year ended December 31, 2020.

NOTE 6 – PENSION PLANS (continued)

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 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 of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout 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 simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- 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%.

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%	

NOTE 6 – PENSION PLANS (continued)**Sensitivity of NPL**

The table below represents 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	\$ 1,857,458	\$ 1,482,933	\$ 1,156,309
PERS 2/3	\$ 4,352,508	\$ 699,505	\$ (2,308,745)
LEOFF 2	\$ (6,803)	\$ (343,651)	\$ (619,468)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2020, the Port reported a total pension liability of \$2,182,438 and pension asset of \$343,651 for its proportionate share of the net pension liabilities, as follows:

	Liability (or Asset)
PERS 1	\$ 1,482,933
PERS 2/3	\$ 699,505
LEOFF 2	\$ (343,651)

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	0.044582%	0.042003%	-0.002579%
PERS 2/3	0.057544%	0.054694%	-0.002850%
LEOFF 2	0.018915%	0.016847%	-0.002068%

NOTE 6 – PENSION PLANS (continued)

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*.

In fiscal year 2020, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

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/(Credit)
PERS 1	\$ (33,799)
PERS 2/3	\$ 7,330
LEOFF 2	\$ (28,407)
TOTAL	\$ (54,876)

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	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (8,256)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 156,793	\$ -
TOTAL	\$ 156,793	\$ (8,256)

NOTE 6 – PENSION PLANS (continued)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 250,413	\$ (87,665)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (35,525)
Changes of assumptions	\$ 9,963	\$ (477,822)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ (271,458)
Contributions subsequent to the measurement date	\$ 256,931	\$ -
TOTAL	\$ 517,307	\$ (872,470)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,550	\$ (6,095)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (3,830)
Changes of assumptions	\$ 499	\$ (53,207)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 32,024	\$ (194,331)
Contributions subsequent to the measurement date	\$ 14,487	\$ -
TOTAL	\$ 94,560	\$ (257,463)

Combined ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 297,963	\$ (93,760)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (47,611)
Changes of assumptions	\$ 10,462	\$ (531,029)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 32,024	\$ (465,789)
Contributions subsequent to the measurement date	\$ 428,211	\$ -
TOTAL	\$ 768,660	\$ (1,138,189)

NOTE 6 – PENSION PLANS (continued)

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 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	\$ (37,467)
2022	\$ (1,178)
2023	\$ 11,432
2024	\$ 18,957
Total	\$ (8,256)

Year ended December 31:	PERS 2/3
2021	\$ (346,407)
2022	\$ (125,533)
2023	\$ (43,720)
2024	\$ 9,062
2025	\$ (59,452)
Thereafter	\$ (46,044)
Total	\$ (612,094)

Year ended December 31:	LEOFF 2
2021	\$ (45,884)
2022	\$ (23,868)
2023	\$ (15,382)
2024	\$ (8,970)
2025	\$ (22,778)
Thereafter	\$ (60,515)
Total	\$ (177,397)

NOTE 7 – RISK MANAGEMENT

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

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

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

There is one open major claim against the Port's insurance carrier, which arose from an accident in 2018. This claim is still under litigation.

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

The Port provides health and welfare benefits to full-time and part-time employees and their eligible dependents. A third party administrator, Healthcare Management Administrators (HMA), manages the plans. The healthcare plan is self-insured with a stop loss program in place, and the dental/vision plan is self-insured with a capped per participant benefit. In 2020, the healthcare plan had an average of 246 lives on the plan, including COBRA participants. Fixed costs, including the stop loss premium were \$488,136.

Claims paid, less the stop loss adjustments, were \$910,757. IRS fees totaled \$516. Total 2020 healthcare costs were \$1,459,409. The required 16 weeks of reserve is calculated to be \$449,049, and is included in the Port's restricted net position. The 2020 dental/vision plan had an average of 233 lives on the plan including COBRA participants. Fixed costs were \$7,123, and the claims paid were \$118,008. Total dental/vision plan costs were \$125,131 in 2020. The required 16 weeks of reserve is calculated to be \$38,502 and is included in the Port's restricted net position.

NOTE 8 – SHORT-TERM DEBT

There was no short-term debt activity in 2020.

NOTE 9 – LONG-TERM DEBT

Long Term Debt

The Port issues general obligation bonds to finance capital improvements to marinas, cargo shipping docks and the Bellingham International Airport terminal. The Port did not issue additional general obligation debt in 2020.

General obligation bonds currently outstanding are as follows:

Description and Date of Issue	Original Amount	Interest Rate	Maturity	Amount
4/21/2016	4,485,000	3.779%	2025	3,760,000
Total General Obligation Bonds				\$ 3,760,000

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

Year Ending December 31	Principal	Interest
2021	700,000	143,400
2022	720,000	122,400
2023	745,000	93,600
2024	780,000	63,800
2025	815,000	32,600
Total	\$ 3,760,000	\$ 455,800

Revenue bonds currently outstanding are as follows:

Description and Date of Issue	Original Amount	Interest Rate	Maturity	Amount
11/02/2010 A	16,200,000	2.00-5.25%	2022	2,670,000
07/09/2019	20,620,000	1.61-2.24%	2030	20,620,000
Total Revenue Bonds				\$ 23,290,000

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

Year Ending December 31	Principal	Interest
2021	1,880,000	1,139,075
2022	1,960,000	1,064,150
2023	2,050,000	972,500
2024	2,145,000	870,000
2025	2,250,000	762,750
2026-2030	13,005,000	2,012,250
Total	\$ 23,290,000	\$ 6,820,725

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

NOTE 9 – LONG-TERM DEBT (continued)**Capital Leases**

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

This lease agreement qualifies as a capital lease for accounting purposes, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The assets acquired through a capital lease are as follows, and the related accumulated depreciation on the assets is included in depreciation expense:

Asset		
Lift Trucks	\$	304,282
Self-Propelled Vehicles		840,468
Towed Vehicles		238,380
Total Assets Acquired	\$	1,383,130
Less, Accumulated Depreciation	\$	(338,976)
Total Assets Acquired	\$	1,044,154

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2020 were as follows:

Year Ending December 31		
2021		166,365
2022		166,366
2023		166,365
2024		166,366
2025		166,365
2026		166,366
2027		166,365
2028		83,183
Total Minimum Lease Payments	\$	1,247,741
Less: Interest	\$	(161,919)
Present Value of Minimum Lease Payments	\$	1,085,822

NOTE 9 – LONG-TERM DEBT (continued)

Changes in Long-Term Liabilities

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

	01/01/20	Additions	Reductions	12/31/2020	Due within One Year
Bonds Payable:					
General Obligation Bonds	\$ 4,440,000	\$ -	\$ (680,000)	3,760,000	700,000
Premiums	\$ 332,830		\$ (88,947)	243,883	77,766
Discounts	\$ -		\$ -	-	
G.O. Bonds	4,772,830	-	(768,947)	4,003,883	777,766
Revenue Bonds	25,395,000	-	(2,105,000)	23,290,000	1,880,000
Premiums	4,320,262		(10,766)	4,309,496	25,859
Discounts	(8,003)	-	6,298	(1,705)	(1,705)
Revenue Bonds	29,707,259	-	(2,109,468)	27,597,791	1,904,154
Total Bonds Payable	34,480,089	-	(2,878,415)	31,601,674	2,681,920
Other Non-current Liabilities:	3,996,673	-	(515,241)	3,481,432	520,567
Capital Leases	1,209,972	-	(124,150)	1,085,822	128,634
Compensated Absences	865,087	692,010	(499,084)	1,058,013	763,555
Pension Liability	2,273,284	-	(90,846)	2,182,438	-
Environmental Remediation	76,378,950	11,790,000		88,168,950	5,768,425
Total Long-term Liabilities	119,204,055	12,482,010	(4,107,736)	127,578,329	9,863,101

Other Non-current liabilities include low-interest loans from Whatcom County's Economic Development Investment program for various manufacturing facility construction projects. These loans range from 10 to 20 years.

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

NOTE 10 – UNEARNED DEBITS (CREDITS)

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

NOTE 11 – PORT OPERATIONS BY INDUSTRY

The Port operates an airport, marinas, shipping terminals, and industrial development districts, which are primarily financed by user charges. Current assets, current liabilities, and net position are accounted for on a Port-wide basis and are not identifiable to a particular industry segment. The key financial data for the year ended December 31, 2020 for these facilities are as follows:

NOTE 11 – PORT OPERATIONS BY INDUSTRY (continued)

Condensed Statement of Net Position (in thousands)	Airport	Marinas	Marine Terminals	Real Estate	Other	Total
Assets:						
Current Assets						\$ 67,374
Other & Restricted Assets						22,126
Capital Assets, net	\$ 104,543	\$ 45,677	\$ 39,896	\$ 17,532	\$ 88,690	296,338
Construction Work in Progress	1,778	1,383	2,319	1,471	12,662	19,613
Total Assets						405,451
Deferred Outflows of Resources						769
Liabilities:						
Current Liabilities						15,016
Other Non-current Liabilities						89,061
Revenue Debt						28,654
Total Liabilities						132,731
Deferred Inflows of Resources						3,724
Net Position:						
Net invested in capital assets						279,783
Restricted						3,656
Unrestricted						(13,674)
Total Net Position						269,765
Total Liabilities, Net Position, and Deferred Inflows						\$ 406,220
Condensed Statement of Revenues, Expenses and Changes in Net Position (in thousands)						
Operating Revenues	\$ 3,363	\$ 8,883	\$ 2,410	\$ 8,144	\$ 102	\$ 22,902
Operating Expenses	(4,278)	(3,014)	(1,577)	(4,689)	(3,135)	(16,693)
General & Admin. Expense	(44)	(24)	(17)	(94)	(178)	(357)
Depreciation Expense	(5,784)	(2,931)	(2,296)	(1,862)	(730)	(13,603)
Operating Income (Loss)	(6,743)	2,914	(1,480)	1,499	(3,941)	(7,751)
Tax Revenues					7,454	7,454
Net Non-Operating					1,121	1,121
Net Income (Loss)	(6,743)	2,914	(1,480)	1,499	4,634	824
Capital Contributions	1,131	245	13	-	880	2,269
Capital Contributions-Restricted	582	-	-	-	-	582
Net Position, January 2020						266,090
Net Position, December 2020						\$ 269,765

NOTE 12 – RESTRICTED COMPONENT OF NET POSITION

The Port's Statement of Net Position reports \$3,655,741 of restricted component of net position. \$511,822 of this is restricted by enabling legislation. The remaining restricted component is restricted by revenue bond covenants and federal agencies.

NOTE 13 – PASSENGER/CUSTOMER FACILITY CHARGES

Passenger Facility Charges

The Port, through agreement with the Federal Aviation Administration, and in conjunction with commercial airlines operating at Bellingham International Airport, has implemented a Passenger Facility Charge of \$4.50 per enplaned passenger. These fees are collected by the airline as part of the pricing of each ticket and are remitted quarterly to the Port directly from the airlines. Passenger Facility Charge collected and remitted to the Port can only be used by the Port for capital projects approved by the participating airlines and the FAA. Fees remitted during 2020 totaled \$451,028, and are shown on the Port's Statement of

NOTE 13 – PASSENGER/CUSTOMER FACILITY CHARGES (continued)

Revenues, Expenses and Changes in Net Position as Capital Contributions-Contractually Restricted.

Customer Facility Charges

Through the lease contracts with the car rental agencies at the airport beginning June 1, 2018, the Port also collects a Customer Facility Charge (CFC) in the amount of \$3.50 per day, per vehicle rented. Per the agreement, the CFCs may only be used for the car rental facilities. Fees remitted during 2020 totaled \$130,767, and are shown on the Port's Statement of Revenues, Expenses and Changes in Net Position as Capital Contributions-Contractually Restricted.

NOTE 14 – POLLUTION REMEDIATION OBLIGATIONS

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

As part of the GP acquisition, the Port has become legally liable for specific remedial action required for the reuse of the acquired assets. These actions are expected to be approved by Federal and State regulatory agencies and the expected costs have been expensed and recorded as a long-term liability on the Statement of Net Position. These expenses, along with the estimated expenses for other port-owned sites requiring environmental remediation were estimated using the expected cash flow technique, and total \$158,860,000 as of 12/31/2020. This is a \$12.82 million increase from the previous year. This estimate is analyzed by independent engineers and is adjusted annually and shown in current dollars. The pollution remediation obligation is an estimate subject to change resulting from price increases or decreases, technology, or changes in applicable laws and regulations. GASB 49, effective in 2008, allows for capitalizing amounts related to environmental cleanup when preparing the property for sale providing the carrying amount of the property doesn't exceed its estimated fair value upon completion of the remediation. In preparation for this change in accounting standard, the Port obtained a benchmark value for the GP acquisition sites 'clean' fair market value. The 'clean' value exceeded the current value on the books by \$46.6 million. Therefore, the environmental remediation liability was reduced by this amount.

The Port has acquired a Pollution Legal Liability Insurance Policy from American International Specialty Lines Insurance Company. This policy, which is in effect until 12/31/2034, has an aggregate policy limit of \$102,000,000. The policy obligates the insurer to pay half of the remediation costs on specific sites up to a total amount of \$51,684,816. After total remediation costs exceed \$51,684,816, the policy provides for payment of 100% of the environmental remedial costs on covered sites up to a policy limit of \$77,000,000. The policy also provides for an additional coverage of up to \$25,000,000

NOTE 14 – POLLUTION REMEDIATION OBLIGATIONS (continued)

in costs for third party liabilities, regulatory changes, or unknown contaminants on these specific sites. The Port had prepaid for the estimated current value of the remedial actions defined in the policy as of January 20, 2005; however, by the end of 2016, all of these prepaid funds were expended. The Port, in reassessing its remediation liabilities has also estimated what portion of the remediation costs will be reimbursed by insurance. This analysis, and the fact that the insurer admits coverage, has resulted in the Port booking an Environmental Insurance Receivable of \$17,980,000, representing the net present value of all expected reimbursements from the insurance policy less the amounts paid by the Port under the terms of the policy. These amounts are both probable and estimable and therefore realizable as an asset.

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

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

The Port has accepted several grants from the Department of Ecology for a total funding amount that is just over \$51.2 million through the current biennia, of which just under \$47 million has been received to date. The Port anticipates Ecology will approve future funding up to 50% of the estimated cost of cleanup as funding becomes available in future biennium periods. These sites are included in the pollution legal liability insurance policy purchased by the Port in 2005.

The Port did not complete any significant cleanup construction projects in 2020. Activity related to these sites was completion of a Cleanup Action Plan for one site and the completion of a preliminary engineering evaluation at another. The Port also continued implementing an in-situ bioremediation program at one site. Since September 2007, the Port has been developing a detailed cleanup design under a Consent Decree and Cleanup Action Plan with the Department of Ecology for the Whatcom Waterway site, which includes the Aeration Stabilization Basin. In early 2015, the estimated cost, including contingency, was \$102,918,775. In April 2015, the Port advertised a request for bids to perform the construction portion of the Whatcom Waterway Phase I Cleanup. Construction began in June 2015 and was completed in June 2016. At the end of 2020, the remaining estimated cost for future phases of the Whatcom Waterway cleanup site with contingency was \$71,948,674.

NOTE 15 – SERVICE CONCESSION AGREEMENTS

In 2010, the Port of Bellingham entered into a 50-year ground lease with an additional 30-year option in order for the lessee to construct and operate two general office and retail buildings. In 2011 and 2017, similar agreements were executed for a third and fourth building. Upon execution, the lessee prepaid the 80-year agreements. The Deferred Inflows of Resources represents the unearned balance of these agreements.

NOTE 16 – JOINT VENTURES

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

The Port of Bellingham is financially obligated to contribute \$200,000 to the Port of Whitman County as a capital contribution, and \$15,749 as compensation for the Port of Whitman County's commitments. The capital contribution is listed on the Port of Bellingham's Statement of Net Position as a Joint Venture. In addition, Petrichor is obligated to pay \$472,487.85 to the Port of Whitman County over the course of three years. If Petrichor is unable to make the payment, that financial obligation will be due from the individual members. At this time, it is expected that Petrichor will be able to meet its obligation, and therefore no liability is listed on the Port's financial statements.

NOTE 17 – 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 months 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 as well as the airline industry had negative financial impacts.

The Port leases space to many businesses that have been affected by the closures. The Port put a policy in place to allow for deferral of rents for 3 months, with an additional 12 months to pay the deferred rents. Only a fraction of tenants applied for this relief, therefore the Port's revenues from these activities were only minimally impacted.

The U.S./Canada border closure had a significant impact on the airport's operations. With a significant decrease in passengers, airport revenues were severely impacted. However, with the receipt of grants through the CARES Act, the impact was minimized in 2020. Until

NOTE 17 – COVID-19 Pandemic (continued)

the international border is re-opened to the public, the airport expects to continue to be negatively affected. The Port will continue to pursue additional federal relief funds.

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 18 – OTHER DISCLOSURES

Special Items

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

During 2020, Harcourt made limited progress in the development schedule and the Port now believes they will not meet the project schedule as defined in the MDA. The MDA has a detailed process for resolving defaults and non-compliance. Prior to initiating the formal process, the Port has engaged Harcourt in discussion for possibly resolutions that could include a sizeable reduction in the property available to Harcourt for development. If these discussions do not result in a satisfactory resolution then the Port will initiate the formal process.

The Port has realized tremendous success with public access on the undeveloped property not owned by Harcourt. A bicycle pump track was installed, and the use of this feature far exceeds expectations. Work has begun on a container village to house various retail businesses and a Wednesday farmers market will appear onsite for the summer of 2021. The Port continues to create ways for the public to access this property.

REQUIRED SUPPLEMENTARY INFORMATION

Port of Bellingham
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System Plan 1
As of June 30
Last 10 Fiscal Years*

		<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	%	0.042003%	0.044582%	0.048569%	0.052360%	0.053036%	0.056592%
Employer's proportionate share of the net pension liability	\$	1,482,933	1,714,336	2,169,108	2,484,523	2,848,283	2,960,288
Covered payroll	\$	6,384,040	6,271,374	6,394,964	6,501,153	6,283,392	6,300,760
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	23.23%	27.34%	33.92%	38.22%	45.33%	46.98%
Plan fiduciary net position as a percentage of the total pension liability	%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION

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

		<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	%	0.054694%	0.057544%	0.061581%	0.065669%	0.066231%	0.069443%
Employer's proportionate share of the net pension liability	\$	699,505	558,948	1,051,441	2,281,684	3,334,679	2,481,238
Covered payroll	\$	6,384,040	6,271,374	6,366,111	6,429,646	6,213,443	6,160,253
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	10.96%	8.91%	16.52%	35.49%	53.67%	40.28%
Plan fiduciary net position as a percentage of the total pension liability	%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION

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

		<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's proportion of the net pension liability (asset)	%	0.016847%	-0.018915%	-0.006788%
Employer's proportionate share of the net pension liability (asset)	\$	(343,654)	(438,202)	(137,811)
Covered payroll**	\$	633,958	664,034	251,101
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	-54.21%	-65.99%	-54.88%
Plan fiduciary net position as a percentage of the total pension liability	%	115.83%	119.43%	118.50%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented; Port of Bellingham began participating in LEOFF 2 in 2018.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Statutorily or contractually required contributions</u> \$	310,401	312,702	313,986	325,894	308,617	278,880
<u>Contributions in relation to the statutorily or contractually required contributions***</u> \$	<u>(310,401)</u>	<u>(312,702)</u>	<u>(313,986)</u>	<u>(325,894)</u>	<u>(308,617)</u>	<u>(278,880)</u>
<u>Contribution deficiency (excess)</u> \$	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Covered payroll**</u> \$	6,471,142	6,323,256	6,204,547	6,559,615	6,378,187	6,267,999
<u>Contributions as a percentage of covered payroll</u> %	4.80%	4.95%	5.06%	4.97%	4.84%	4.45%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Statutorily or contractually required contributions</u> \$	512,515	488,136	464,968	445,755	392,981	360,162
<u>Contributions in relation to the statutorily or contractually required contributions***</u> \$	<u>(512,515)</u>	<u>(488,136)</u>	<u>(464,968)</u>	<u>(445,755)</u>	<u>(392,981)</u>	<u>(360,162)</u>
<u>Contribution deficiency (excess)</u> \$	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Covered payroll**</u> \$	6,471,142	6,323,256	6,204,547	6,494,309	6,307,906	6,198,827
<u>Contributions as a percentage of covered payroll</u> %	7.92%	7.72%	7.49%	6.86%	6.23%	5.81%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Statutorily or contractually required contributions</u> \$	29,571	35,048	30,561
<u>Contributions in relation to the statutorily or contractually required contributions***</u> \$	<u>(29,571)</u>	<u>(35,048)</u>	<u>(30,561)</u>
<u>Contribution deficiency (excess)</u> \$	<u>0</u>	<u>0</u>	<u>0</u>
<u>Covered payroll**</u> \$	574,200	674,070	582,117
<u>Contributions as a percentage of covered payroll</u> %	5.15%	5.20%	5.25%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented; Port of Bellingham began participating in LEOFF 2 in 2018.

SECTION 3

STATISTICAL



PORT OF BELLINGHAM
Washington State

STATISTICAL SECTION NARRATIVE AND SCHEDULES

This section of the Port's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures present about the Port's overall financial health.

CONTENTS

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the Port's financial performance and well-being has changed over time. The schedules include fiscal year 2011 and forward, and include:

Schedule 1 – Revenue, Expenses, and Changes in Net Position, Last Ten Years

Schedule 2 – Net Position by Component, Last Ten Years

REVENUE CAPACITY

These schedules contain information to help the reader assess the factors affecting the Port's ability to generate its property taxes and how the property tax rates have changed over time. Schedules included are:

Schedule 3 – Property Tax Levies and Collections, Last Ten Years

Schedule 4 – Assessed Value of Property, Last Ten Years

Schedule 5 – Property Tax Rates, Last Ten Years

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the Port's current levels of outstanding debt and the Port's ability to issue additional debt in the future. Details regarding the Port's outstanding debt can also be found in the notes to the financial statements. Schedules included are:

Schedule 6 – Computation of Legal Debt Margin, Current Year

Schedule 7 – Computation of Direct & Overlapping Bonded Debt, Current Year

Schedule 8 – Revenue Bond Coverage, Last Ten Years

DEMOGRAPHIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment in which the Port's financial activities take place. Schedules included are:

Schedule 9 – Demographic/Economic Statistics, Last Ten Years

Schedule 10 – Ratios of Outstanding Debt, Last Ten Years

Schedule 11 – Principal Employers of Whatcom County, Current Year and 10 Years Prior

OPERATING INFORMATION

These schedules contain data about the Port's operations to help the reader understand how the information in the Port's financial report relates to the services it provides and the activities it performs.

Schedule 12 – Number of Port Employees by Division, Current Year

Schedule 13 – Bellingham International Airport Enplaned/Deplaned Passengers & Freight,
Last Ten Years

Schedule 14 – Bellingham International Airport Landings & Takeoffs, Last Ten Years

Schedule 15 – Existing Whatcom County Moorage Facilities, as of April 2021

Schedule 16 – Largest Property Leases, Current Year and 9 Years Prior

Schedule 17 – Capital Assets Information, Current Year

**Revenues, Expenses, and Changes in Net Position
Last Ten Years**

	2011	2012	2013	2014	2015
Operating Revenues					
Aviation	\$ 7,069,396	\$ 7,795,977	\$ 8,416,405	\$ 7,786,229	\$ 6,532,421
Marinas	6,221,981	5,917,287	6,821,448	7,037,728	7,328,815
Marine Terminals	1,869,724	2,272,204	2,236,289	2,275,401	2,247,820
Real Estate	6,183,626	6,041,343	6,699,712	7,084,016	7,210,802
Other	269,194	390,639	372,340	334,232	364,871
Total	21,613,921	22,417,450	24,546,194	24,517,606	23,684,729
Operating Expenses					
Direct	13,073,735	13,007,609	13,475,345	14,339,229	13,844,115
Administrative	2,444,245	2,462,325	2,390,429	2,298,952	2,098,988
Depreciation	8,828,036	8,870,310	9,249,278	10,020,327	10,487,728
Total	24,346,016	24,340,244	25,115,052	26,658,508	26,430,831
Operating Income (Loss)	(2,732,095)	(1,922,794)	(568,858)	(2,140,902)	(2,746,102)
Non-Operating Revenues⁽¹⁾					
Ad valorem tax revenues	7,043,662	7,037,696	6,693,776	6,823,011	6,984,715
Interest Income	738,465	250,687	46,319	272,265	146,258
Gain on disposition of assets	-	25,213	(409,343)	(1,057)	-
Environmental Insurance	768,012	910,000	-	-	-
Other non-operating revenues	1,990,643	2,668,397	4,818,055	2,428,277	19,991,103
Total	10,540,782	10,891,993	11,148,807	9,522,496	27,122,076
Non-Operating Expenses					
Interest Expense	(1,874,523)	(675,206)	(352,129)	(10,634)	(899,515)
Environmental Remediation	(5,432,619)	(8,658,566)	(4,433,441)	(5,942,542)	(18,867,882)
Other non-operating expenses	(3,404,148)	(5,398,665)	(7,689,161)	(2,788,985)	(397,925)
Total	(10,711,290)	(14,732,437)	(12,474,731)	(8,742,161)	(20,165,322)
Capital Contributions	4,481,116	6,008,100	4,121,020	2,974,980	9,289,273
Increase (Decrease in net position)	1,578,513	244,862	2,226,238	1,614,413	13,499,925
Total Net Position					
Beginning of Year	\$214,122,857	\$215,701,370	\$216,198,824	\$218,425,062	\$220,039,475
Change in Accounting Principles		252,592			(5,822,813)
End of Year	\$215,701,370	\$216,198,824	\$218,425,062	\$220,039,475	\$227,716,587

(1) Other non-operating revenues include grant income, extraordinary items, and other miscellaneous tax receipts.

**Revenues, Expenses, and Changes in Net Position
Last Ten Years**

	2016	2017	2018	2019	2020
Operating Revenues					
Aviation	\$ 6,263,702	\$ 6,499,164	\$ 7,196,686	\$ 6,729,943	\$ 3,363,086
Marinas	7,530,848	7,798,850	8,198,208	8,579,721	8,883,309
Marine Terminals	2,141,421	2,013,899	2,304,968	2,667,666	2,409,662
Real Estate	7,017,044	7,091,123	7,827,889	8,138,866	8,144,108
Other	331,763	359,406	326,892	351,151	102,223
Total	23,284,778	23,762,442	25,854,643	26,467,347	22,902,388
Operating Expenses					
Direct	14,455,137	14,538,825	14,960,589	16,121,673	15,196,081
Administrative	2,285,811	2,175,359	1,798,571	1,899,125	1,854,817
Depreciation	12,823,245	12,347,194	13,019,004	13,083,323	13,602,701
Total	29,564,193	29,061,378	29,778,164	31,104,121	30,653,599
Operating Income (Loss)	(6,279,415)	(5,298,936)	(3,923,521)	(4,636,774)	(7,751,211)
Non-Operating Revenues⁽¹⁾					
Ad valorem tax revenues	7,098,188	7,044,355	7,213,543	7,310,137	7,454,249
Interest Income	229,118	463,926	785,570	1,191,805	428,702
Gain (loss) on disposition of assets	(791,031)	(18,653)	688,928	1,372	(38,013)
Environmental Insurance	6,129,968	(883,550)	3,180,149	120,632	12,236,711
Other non-operating revenues	26,552,481	3,446,122	2,311,564	13,268,044	7,525,916
Total	39,218,724	10,052,200	14,179,754	21,891,990	27,607,565
Non-Operating Expenses					
Interest Expense	(894,949)	(1,245,416)	(1,344,153)	(694,796)	(2,712,604)
Environmental Remediation	(21,159,547)	(8,497,119)	(9,096,701)	(2,086,548)	(14,553,429)
Other non-operating expenses	(324,148)	(616,296)	(393,231)	(875,381)	(1,767,041)
Total	(22,378,644)	(10,358,831)	(10,834,085)	(3,656,725)	(19,033,074)
Capital Contributions	9,013,152	5,467,738	3,823,649	2,093,294	2,851,438
Increase (Decrease in net position)	19,573,817	(137,829)	3,245,797	15,691,785	3,674,718
Total Net Position					
Beginning of Year	\$227,716,587	\$247,290,404	\$247,152,575	\$250,398,372	\$266,090,157
Change in Accounting Principles					
End of Year	\$247,290,404	\$247,152,575	\$250,398,372	\$266,090,157	\$269,764,875

(1) Other non-operating revenues include grant income, extraordinary items, and other miscellaneous tax receipts.

**Net Position by Component
Last Ten Years**

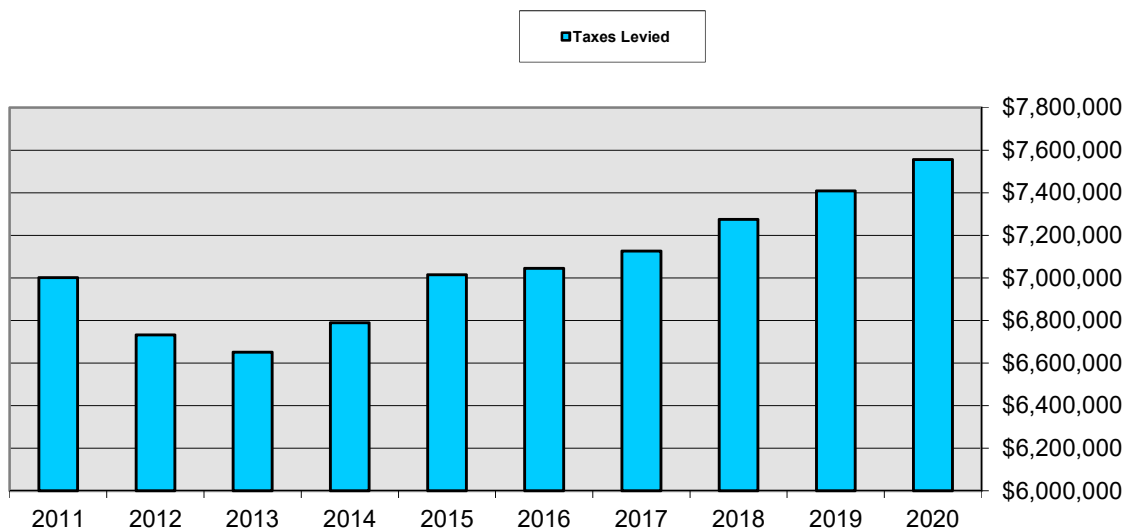
	2011	2012	2013	2014	2015
Net investment in capital					
assets	\$ 234,011,374	\$ 242,899,984	\$ 249,055,318	\$ 253,142,385	\$ 256,672,025
Restricted	35,291,771	20,385,898	7,923,961	5,657,689	5,644,979
Unrestricted	<u>(53,601,775)</u>	<u>(47,087,058)</u>	<u>(38,554,217)</u>	<u>(38,760,599)</u>	<u>(34,600,417)</u>
Total net position	215,701,370	216,198,824	218,425,062	220,039,475	227,716,587

**Net Position by Component
Last Ten Years**

	2016	2017	2018	2019	2020
Net investment in capital assets	\$ 267,636,184	\$ 278,993,397	\$ 281,687,760	\$ 284,332,618	\$ 279,783,081
Restricted	5,733,325	5,498,758	5,636,916	4,090,690	3,655,741
Unrestricted	<u>(26,079,105)</u>	<u>(37,339,580)</u>	<u>(36,926,304)</u>	<u>(22,333,151)</u>	<u>(13,673,947)</u>
Total net position	247,290,404	247,152,575	250,398,372	266,090,157	269,764,875

**Property Tax Levies and Collections
Last Ten Years**

Year	Taxes Levied for the Fiscal Year ^(a)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Periods	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2020	\$7,555,678	7,355,039	97.34%	N/A	7,355,039	97.34%
2019	\$7,408,855	7,229,415	97.58%	145,345	7,229,415	97.58%
2018	\$7,274,003	7,111,458	97.77%	144,055	7,255,513	99.75%
2017	\$7,126,622	7,029,332	98.63%	91,272	7,120,604	99.92%
2016	\$7,045,149	6,929,869	98.36%	114,436	7,044,305	99.99%
2015	\$7,014,700	6,888,112	98.20%	126,459	7,014,571	100.00%
2014	\$6,789,483	6,719,737	98.97%	69,597	6,789,334	100.00%
2013	\$6,650,714	6,601,906	99.27%	48,767	6,650,673	100.00%
2012	\$6,732,616	6,657,622	98.89%	74,958	6,732,580	100.00%
2011	\$7,001,600	6,875,215	98.19%	126,345	7,001,560	100.00%

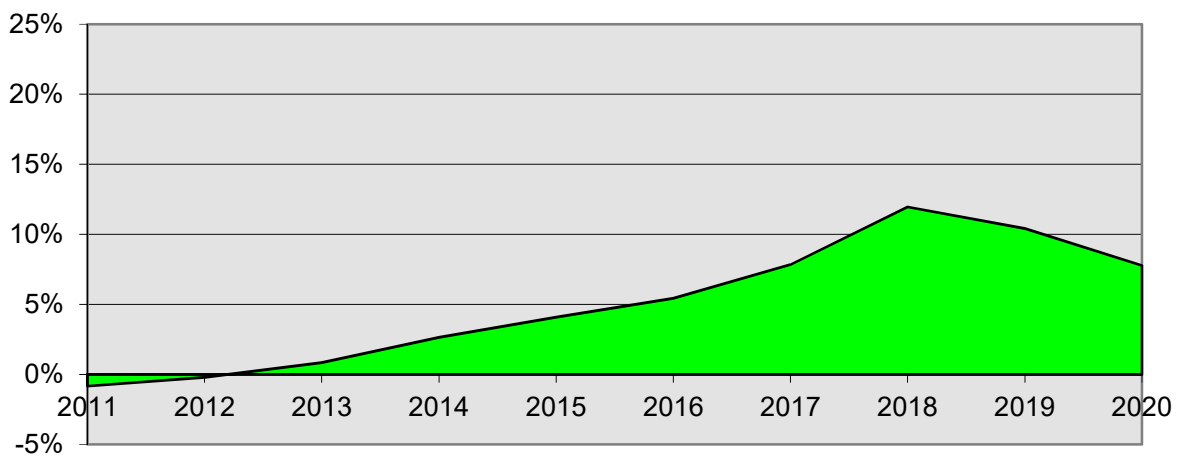


(a) Includes cancellations and supplements, and may differ from the totals reported by Whatcom County by an immaterial amount.

Source: Whatcom County Assessor's Office Remittance Statement

***Assessed Value of Property
Last Ten Years**

Fiscal	Tax	Real Property	Personal Property	Public Utilities	Total	% increase	Total Direct Tax Rate
2011	2012	\$22,308,236,281	\$662,811,967	\$560,527,534	\$23,531,575,782	-0.8%	0.299
2012	2013	\$22,244,515,577	\$675,219,121	\$564,676,305	\$23,484,411,003	-0.2%	0.289
2013	2014	\$22,331,901,450	\$683,030,216	\$664,524,522	\$23,679,456,188	0.8%	0.283
2014	2015	\$22,863,130,493	\$702,320,859	\$738,668,611	\$24,304,119,963	2.6%	0.282
2015	2016	\$23,750,717,549	\$739,041,515	\$809,569,941	\$25,299,329,005	4.1%	0.278
2016	2017	\$25,123,357,108	\$768,790,092	\$782,541,344	\$26,674,688,544	5.4%	0.263
2017	2018	\$27,193,890,456	\$757,293,474	\$812,482,900	\$28,763,666,830	7.8%	0.246
2018	2019	\$30,600,572,123	\$763,951,505	\$839,003,603	\$32,203,527,231	12.0%	0.223
2019	2020	\$33,940,414,730	\$799,888,654	\$820,102,845	\$35,560,406,229	10.4%	0.202
2020	2021	\$36,653,053,145	\$827,827,298	\$844,169,633	\$38,325,050,076	7.8%	0.195



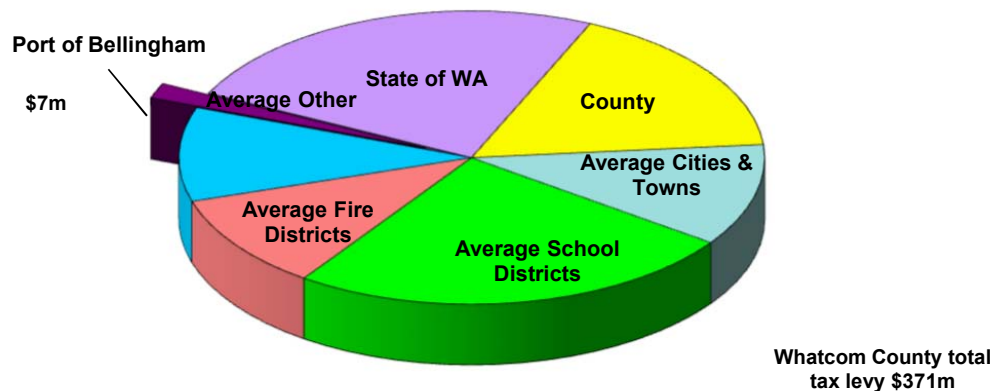
Source: Whatcom County Assessor's Office Tax Booklet online

* Whatcom County does not estimate actual value. Revaluations occur on a market resale basis.
The county is revalued in each four year period by area.

**Property Tax Rates
Per \$1,000 of Assessed Value
Direct & Overlapping Governments
Last Ten Years**

Year	Port of Bellingham	State of WA	County	Average Cities & Towns	Average School Districts	Average Fire Districts	Average Other	Average Consolidated Total
2011	0.297	2.456	2.577	2.148	3.578	1.164	1.861	10.503
2012	0.289	2.508	2.632	2.210	3.802	1.146	1.887	10.807
2013	0.286	2.670	2.696	2.005	4.168	1.121	1.398	11.217
2014	0.289	2.616	2.743	2.028	4.124	1.105	1.446	11.546
2015	0.288	2.483	2.728	2.038	4.161	1.080	1.449	11.402
2016	0.276	2.307	2.672	1.685	4.341	1.011	2.056	11.264
2017	0.265	2.234	2.562	1.647	4.320	1.133	1.358	11.416
2018	0.250	3.200	2.505	1.594	4.145	1.145	1.450	12.097
2019	0.228	2.764	2.279	1.451	2.498	1.251	1.321	10.066
2020	0.210	3.069	2.123	1.411	3.126	1.318	1.302	9.671

2020 Property Tax Rate per \$1000 Assessed Value



Source: Whatcom County Assessor's Office
Property is assessed at 100% of its true and fair value.

**Computation of Legal Debt Margin
As of December 31, 2020**

INDEBTEDNESS FOR GENERAL PURPOSES

2020 Assessed Value of Taxable Property in the Taxing District \$38,325,050,076

Legal Limit at 3/4 of 1% of Property Value \$287,437,876

GENERAL PURPOSE INDEBTEDNESS INCURRED

Current G.O. Bond Liabilities:

2016 G.O. Bond 3,760,000

Total General Purpose Indebtedness **\$3,760,000**

Restricted Cash and Investments:

G.O. Bond Cash 8,214

Total **\$8,214**

Excess Liabilities Over Assets **\$3,751,786**

Margin of Indebtedness Available \$283,686,090

Margin of Indebtedness Available Without a Vote of the People
(1/4 of 1% of Assessed Value of Property Less Excess Liabilities Over Assets)

Total Margin Available \$92,060,839

Computation of Direct & Overlapping Bonded Debt
General Obligation Bonds
As of December 31, 2020

Jurisdiction	Gross Debt Outstanding	Percentage Applicable to Port of Bellingham	Amount Applicable to Port of Bellingham
Cities and Towns	38,025,159	100.00%	\$38,025,159
Port of Bellingham	3,760,000	100.00%	\$3,760,000
Whatcom County	1,700,000	100.00%	\$1,700,000
Totals	\$43,485,159		\$43,485,159

Source: Whatcom County Treasurer Schedule 9 ID No 251 - General Obligation Bonds

**Revenue Bond Coverage
Last Ten Years**

	Gross Operating Revenues	Direct Operating Expenses	Net Non Operating Revenues (1)	Net Revenue Available for Debt Service	Debt Service Requirements		Total	Coverage Ratio (2)
Year					Revenue Bonds			
					Principal	Interest		
2011	\$21,613,921	\$15,517,980	\$4,657,879	\$10,753,820	\$3,015,000	\$2,941,827	\$5,956,827	1.81
2012	\$22,417,450	\$15,469,934	\$5,126,026	\$12,073,542	\$3,320,000	\$2,763,269	\$6,083,269	1.98
2013	\$24,546,194	\$15,865,774	\$4,887,211	\$13,567,631	\$2,630,000	\$2,666,364	\$5,296,364	2.56
2014	\$24,517,606	\$16,638,181	\$5,728,325	\$13,607,750	\$2,715,000	\$2,580,686	\$5,295,686	2.57
2015	\$23,684,729	\$15,943,103	\$4,911,655	\$12,653,281	\$3,760,000	\$2,490,909	\$6,250,909	2.02
2016	\$23,284,778	\$16,740,948	\$4,253,907	\$10,797,737	\$3,915,000	\$2,337,279	\$6,252,279	1.73
2017	\$23,762,442	\$16,714,184	\$4,477,495	\$11,525,753	\$4,080,000	\$2,182,958	\$6,262,958	1.84
2018	\$25,854,643	\$16,759,160	\$5,932,582	\$15,028,065	\$2,870,000	\$1,998,620	\$4,868,620	3.09
2019	\$26,467,347	\$18,020,798	\$5,925,649	\$14,372,198	\$2,965,000	\$1,497,270	\$4,462,270	3.22
2020	\$22,902,388	\$17,050,898	\$8,981,639	\$14,833,129	\$2,105,000	\$1,221,470	\$3,326,470	4.46

(1) Net non-operating revenues are calculated exclusive of tax revenues for general obligation debt service, depreciation, environmental remediation, and amortization expense

(2) Coverage ratio was calculated incorrectly in the 2017 CAFR. This table is corrected for all years shown.

**Demographic/Economic Statistics
Whatcom County, Washington
Last Ten Years**

Fiscal Year Ended	Population⁽¹⁾	Per capita personal income⁽²⁾	Non Farm Employment⁽³⁾	Unemployment Rate⁽³⁾	School Enrollment⁽⁴⁾
2011	202,100	38,211	81,100	9.0%	27,256
2012	203,500	40,396	82,600	8.1%	27,098
2013	205,800	40,260	84,200	7.5%	27,329
2014	207,600	41,456	85,900	6.6%	26,516
2015	209,790	42,511	88,400	6.0%	26,512
2016	212,540	44,273	90,800	6.0%	27,047
2017	216,300	46,068	93,200	4.9%	27,606
2018	220,350	48,792	93,800	5.0%	28,105
2019	225,300	50,915	96,300	5.2%	29,045
2020	228,000	NA	89,100	4.5%	27,297

Sources:

- (1) Washington State Office of Financial Management, April 1 estimates
- (2) Bureau of Economic Analysis
- (3) Washington State Employment Security Dept., WA-QB series, not seasonally adjusted
- (4) Superintendent of Public Instruction (P-12, end calendar year)

N/A: Not available at time of publication.

**Ratios of Outstanding Debt
Last Ten Fiscal Years**

Year	Revenue Bonds (net)⁽¹⁾	General Obligation Bonds (net)⁽¹⁾	Notes Payable & other	Total Government Debt	Percentage of personal income	Per Capita
2011	\$53,890,705	\$12,643,902	\$2,674,128	\$69,208,735	0.90%	342.45
2012	\$50,558,412	\$11,672,166	\$2,514,033	\$64,744,611	0.79%	318.16
2013	\$48,673,664	\$11,035,077	\$2,428,635	\$62,137,376	0.75%	301.93
2014	\$45,913,948	\$10,097,009	\$2,323,216	\$58,334,173	0.68%	280.99
2015	\$42,125,624	\$9,103,512	\$2,115,897	\$53,345,033	0.60%	254.28
2016	\$38,205,595	\$8,169,114	\$3,466,033	\$49,840,742	0.53%	234.50
2017	\$34,134,339	\$7,070,205	\$5,022,887	\$46,227,431	0.46%	213.72
2018	\$31,300,135	\$5,936,777	\$5,845,566	\$43,082,478	0.40%	195.52
2019	\$29,707,259	\$4,772,830	\$5,206,645	\$39,686,734	N/A	173.12
2020	\$27,597,791	\$4,003,883	\$5,625,267	\$37,226,941	N/A	163.28

Source: Port of Bellingham Records

Notes: (1) Net bonds are bond totals less unamortized premiums and discounts

See Schedule 9 for per capita personal income and population data. Local data not yet available for 2019 or 2020 personal income.

N/A: Not available at time of printing

Principal Employers of Whatcom County
Current Year and 2010 (9 Years Prior)

	2020			2010		
	Employees	Rank	Percentage of total county employment	Employees	Rank	
Peacehealth (St Joseph Hospital)	3,116	1	1.36%	2,714	1	1.35%
Lummi Nation	2,083	2	0.91%	0	0	0.00%
Western Washington University	2,060	3	0.90%	1,664	2	0.83%
Bellingham School District	1,606	4	0.70%	1,265	3	0.63%
BP Cherry Point Refinery	975	5	0.43%	796	7	0.40%
The City of Bellingham	917	6	0.40%	910	5	0.45%
Matrix Service, Inc.	870	7	0.38%	0	0	0.00%
Ferndale School District	847	8	0.37%	680	9	0.34%
Whatcom County	826	9	0.36%	920	4	0.46%
Haggen	750	10	0.33%	866	6	0.43%
Fred Meyer	603	11	0.26%	0	0	0.00%
Smith Gardens	550	12	0.24%	0	0	0.00%
Blaine School District	525	13	0.23%	0	0	0.00%
Lynden School District	500	14	0.22%	0	0	0.00%
Family Care Network	470	15	0.21%	0	0	0.00%
Total	16,698		7.28%	9,815		4.88%

Source: Western Washington University Center for Economic and Business Research, 2020
Number of employees are as reported by the individual businesses as permanent and full time.
N/A: Not available at time of publication.

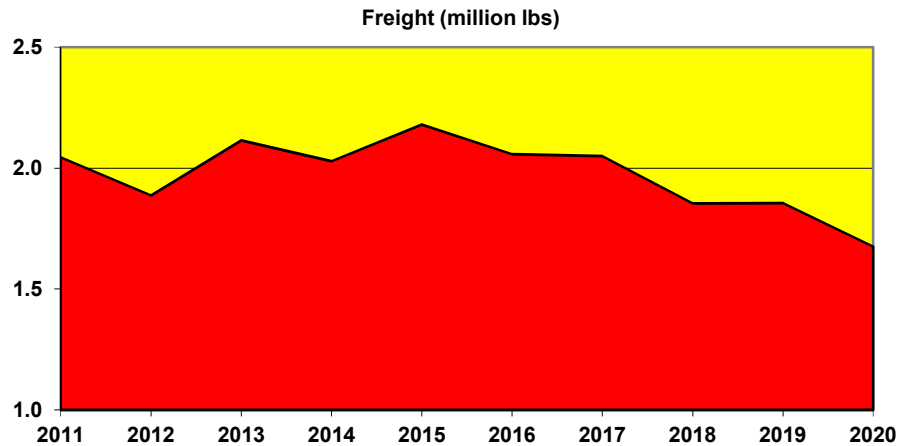
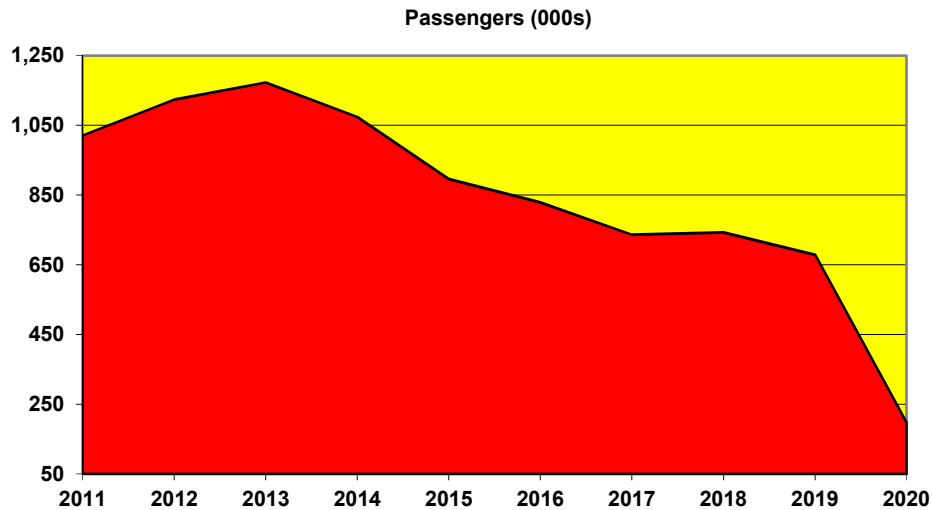
**Number of Employees by Division
Current Year 2020**

Division	Number of Employees	Percentage of Employees
Aviation	15	15.00%
Marinas*	11	11.00%
Marine Terminals*	6	6.00%
Real Estate	5	5.00%
Planning	2	2.00%
Facilities*	28	28.00%
Administration	11	11.00%
Executive	5	5.00%
Environmental	5	5.00%
Economic Development	4	4.00%
Public Priorities	8	8.00%
Totals	100	100.00%

*Includes temporary, seasonal employees

**Bellingham International Airport
Enplaned/Deplaned Passengers and Freight**

Year	<u>Passengers</u>		<u>Freight (pounds)</u>			Total
	<i>Enplaned</i>	<i>Deplaned</i>	<i>Enplaned</i>	<i>Enplaned</i>	<i>Deplaned</i>	
2011	519,360	501,895	1,021,255	1,258,066	786,405	2,044,471
2012	571,292	552,481	1,123,773	1,233,896	653,286	1,887,182
2013	592,753	579,775	1,172,528	1,242,718	872,425	2,115,143
2014	543,937	529,815	1,073,752	1,124,674	903,588	2,028,262
2015	453,502	442,605	896,107	1,337,610	842,853	2,180,463
2016	417,930	411,333	829,263	1,276,332	781,024	2,057,356
2017	373,877	362,076	735,953	1,286,899	762,432	2,049,331
2018	375,463	367,681	743,144	1,257,912	595,660	1,853,572
2019	343,628	334,557	678,185	1,250,639	604,089	1,854,728
2020	99,673	97,151	196,824	1,079,957	594,990	1,674,947



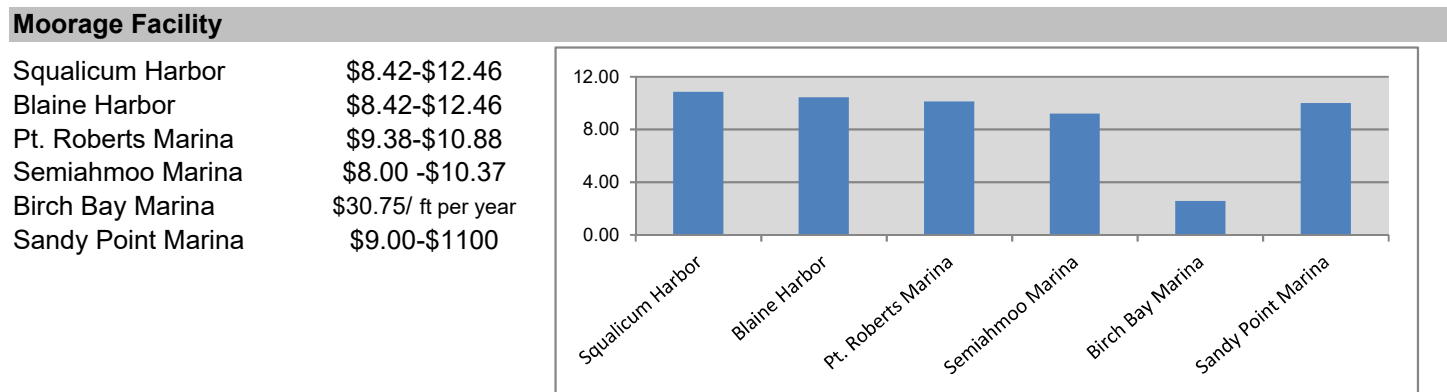
**Bellingham International Airport
Landings and Takeoffs**

Year	Air Carrier	Air Taxi	<u>Itinerant</u> General	<u>Itinerant</u> Military	<u>Local</u> General	<u>Local</u> Military	Total
2011	8,441	11,451	28,427	846	19,630	465	69,260
2012	9,323	11,757	27,162	862	19,030	277	68,411
2013	9,869	11,080	28,001	737	15,838	567	66,092
2014	8,881	11,093	27,043	667	13,867	490	62,041
2015	7,250	11,413	28,895	823	16,235	1,279	65,895
2016	7,514	17,293	32,317	682	24,428	2,352	84,586
2017	6,577	16,524	31,570	456	12,930	1,208	69,265
2018	6,537	14,764	34,099	437	18,150	414	74,401
2019	5,858	11,426	32,505	548	16,119	332	66,788
2020	2,385	9,999	24,068	431	14,890	418	52,191

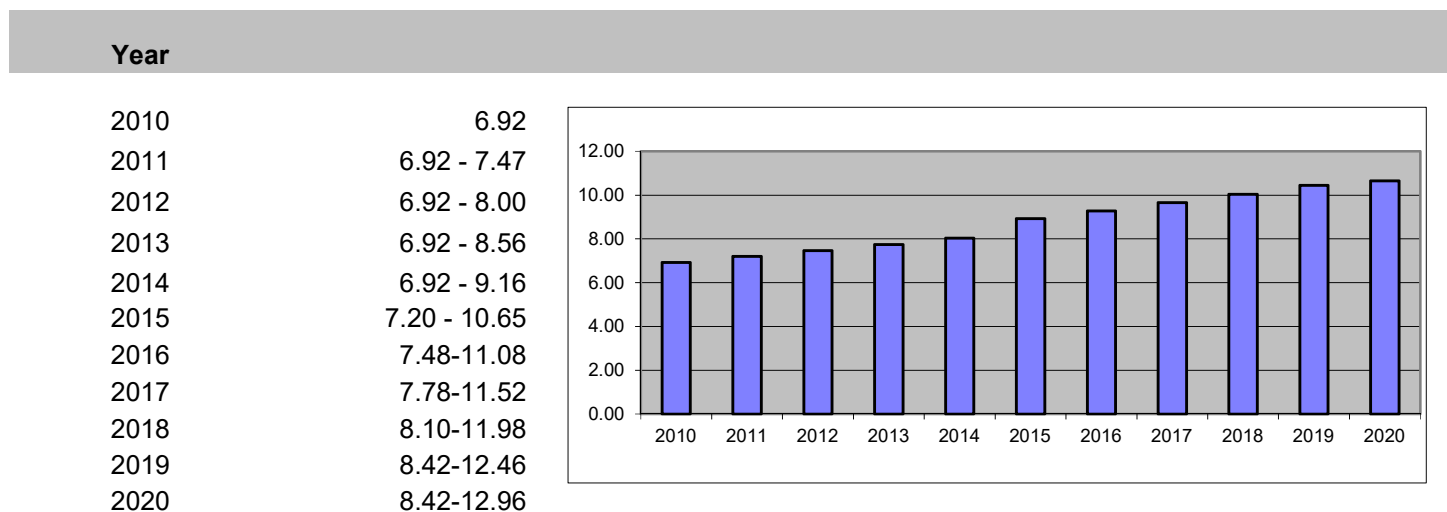
***Existing Whatcom County Moorage Facilities
as of March 2021**

Moorage Facility	No. on Waiting List	Wet Moorage Berths	Wet Moorage Occupancy	Dry Storage Berths	Dry Storage Occupancy	Number Visitor Berths
Squalicum Harbor	134	1,386	97%	0	N/A	1,556 linear feet
Blaine Harbor	42	630	78%	0	N/A	720 linear feet
Pt. Roberts Marina	0	924	20%	0	N/A	220 linear feet
Semiahmoo Marina	8	280	99%	0	N/A	0
Birch Bay Marina (1)	0	*239(normally 265)	100%	0	N/A	110 linear feet
Sandy Point Marina (1)	0	72	100%	0	N/A	2 slips @ 20' ea.
Total	184	3,292		0		

***Current Moorage Rates and Tariffs
as of March 2021 (\$/lin.ft/mo.)**



**Historical Moorage Rates and Tariffs
at Port Marinas**



(1) Private residential community. Moorage facilities only made available through purchase of residence.

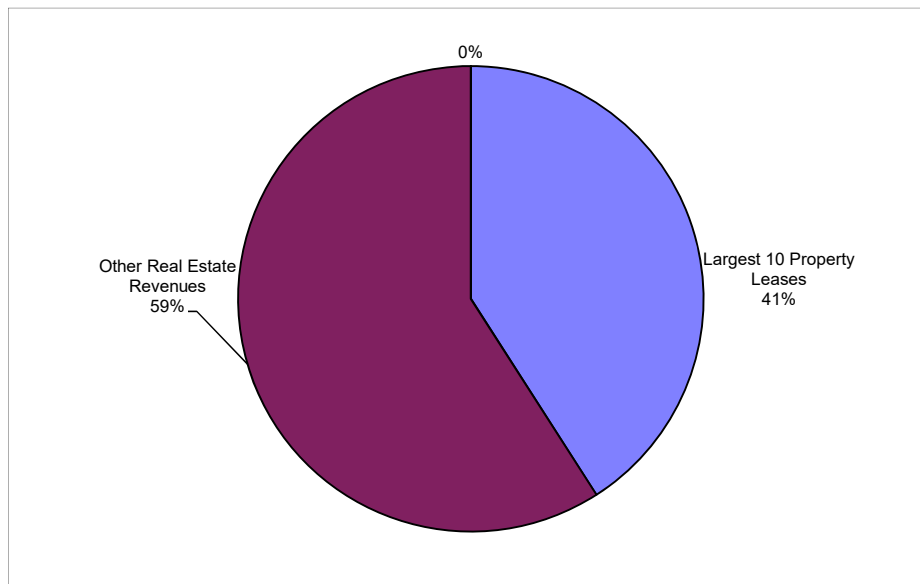
(2) All rates are per lineal foot.

* This information is provided to meet 'Continuing Disclosure' as required under SEC Rule 15c2-12 in accordance with Port of Bellingham Revenue Bond Issues.

2020 Largest Property Leases,⁽¹⁾

And 9 Years Prior

Tenant Name	Type of Activity	2020 Lease Payment	Lease Expires	Renewal Option Yr	Tenant Since
1 Alaska Marine Highway System	Alaska Ferry	\$659,238	2024	2024	1989
2 LFS, Inc.	Marine Supplier	\$672,046	2023	2028	1997
3 Woodstone Corporation	Commercial Cooking Equipment Mf	\$460,430	2046	2081	1999
4 Bellingham Cold Storage	Cold Storage Warehousing	\$455,881	2023	2033	1962
5 US Customs and Border Protection	Homeland Security	\$387,958	2022	2032	2005
6 Silfab Solar Wa, Inc	Storage of solar panels	\$320,994	2021	n/a	2018
7 Seaview Boatyards	Shipyard - North & Fairhaven	\$315,165	2022	2047	2002
8 Landings at Colony Wharf	Boatyard	\$305,120	2024	2044	2014
9 Teal Jones Lumber Services	Lumber Mill	\$274,678	2020	2030	2004
10 TYR Port Logistics	Marine Services	\$250,906	2022	2042	2012
Largest 10 Property Leases		\$4,102,416			
Total Real Estate Revenues⁽²⁾		\$ 10,024,200			
Largest 10 Leases as a Percentage of Total Real Estate Revenues		41%			



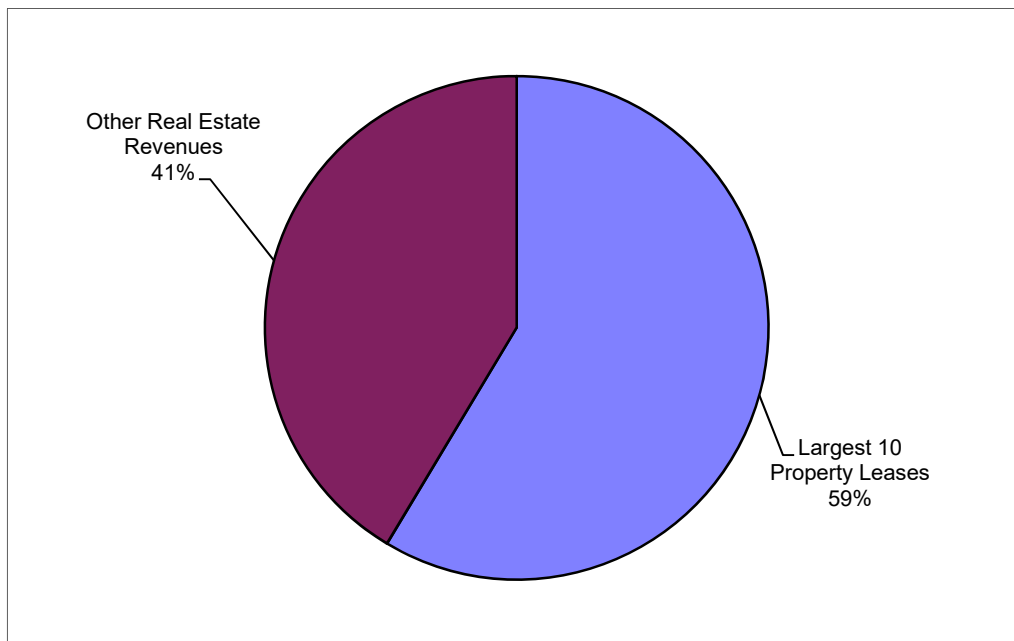
Source: Port of Bellingham Real Estate Division

(1) This information is provided to meet 'Continuing Disclosure' as required under SEC Rule 15c2-12 in accordance with Port of Bellingham Revenue Bond Issues.

(2) Includes Real Estate Revenues, plus all space and land revenues for all other divisions which are not included in the Real Estate Division.

2020 Largest Property Leases,⁽¹⁾**And 9 Years Prior**

Tenant Name	Type of Activity	2012 Lease Payment
1 Stork Craft Mfg USA	Product Warehouse	752,724
2 Alaska Marine Highway System	Alaska Ferry	536,509
3 Puglia Engineering, Inc.	Shipyard	508,139
4 Seaview Boatyards	Shipyard - North & Fairhaven	459,482
5 Woodstone Corporation	Commercial Cooking Equipment Mfg	430,339
6 US Customs and Border Protection	Homeland Security	298,195
7 Greenberry Industrial	Maritime Construction	248,472
8 Bellingham Cold Storage	Cold Storage Warehousing	228,842
9 LFS, Inc.	Marine Supplier	220,116
10 Bellwether Harbor Investments	Hotel and Office Building	199,392
Largest 10 Property Leases		\$ 3,882,210
Total Real Estate Revenues⁽²⁾		\$ 6,623,315
Largest 10 Leases as a Percentage of Total Real Estate Revenues		59%



Source: Port of Bellingham Real Estate Division

(1) This information is provided to meet 'Continuing Disclosure' as required under SEC Rule 15c2-12 in accordance with Port of Bellingham Revenue Bond Issues.

**Capital Assets Information
as of December 31, 2020**

Bellingham International Airport

<i>Location:</i>	3 miles NW of Bellingham
<i>Airport Code:</i>	BLI
<i>Runways:</i>	6,701 ft.
<i>Terminal:</i>	105,000 sq. ft.
<i>Parking:</i>	2,717 spaces
<i>International:</i>	International airport of entry

Real Estate

<i>Area:</i>	327 acres
<i>Leaseable office, commercial, and industrial building space:</i>	1,200,000 sq. ft.
<i>Tenants:</i>	251 ⁽¹⁾

Cruise Terminal

<i>Terminal Building</i>	22,950 sq. ft.
<i>Warehouse</i>	27,750 sq. ft.
<i>Berths</i>	3 (with 300 to 450 feet)

Shipping Terminal

<i>Warehouses</i>	2 (with 81,800 sq. ft. of office, warehouse, and covered loading dock space)
<i>Upland storage capability</i>	10 acres
<i>Deep water pier</i>	1,750 ft.

Marinas

See schedule 15

Source: Port of Bellingham Records

Notes: (1) Figure is approximate. Number of tenants fluctuates monthly.