



# 2023 Annual Comprehensive Financial Report



For the fiscal year ended  
December 31, 2023

# ***Annual Comprehensive Financial Report***

**For The Fiscal Year Ended December 31, 2023**

**Prepared by the Finance Division**



**Port of Bellingham  
Annual Comprehensive Financial Report  
For the Fiscal Year Ended December 31, 2023**

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# ***SECTION 1***

## ***INTRODUCTORY***



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**PORT OF BELLINGHAM**  
*Washington State*



June 25, 2024

Commissioners, Port of Bellingham  
Citizens of Whatcom County

The Annual Comprehensive Financial Report of the Port of Bellingham for the fiscal year ended December 31, 2023, 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), Marine Drive Industrial Park, the Airport Industrial Park, and the Bellingham Waterfront.

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

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### 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 an estimated population of 231,191 in 2023 ([US Census Bureau 2024](#)). From 2010 to 2020 Whatcom County has grown by 12.78%, which is below the state average of 14.61%, and makes Whatcom the 11th fastest growing county in the state (OFM 2022).

Unemployment rates have recovered substantially throughout Washington State since spring 2020. In fact, not only did they recover but also in 2023, Whatcom County saw some historic lows, including a low of 3.5% in May 2023. While some sectors continue to face significant labor shortages, unemployment rose in Whatcom County from June 2023 through the remainder of the year, ending at 5.1% in December and up to 6.5% as of February 2024 ([Employment Security Department 2024](#)).

Non-farm jobs have increased and have exceeded pre-pandemic levels, with Whatcom at 97,700 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 2020, the average wage increased to \$53,325, below the state average of \$73,504 but above the national wage of \$50,834. 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 account for 79,700 of 97,700 (81.5%) non-agricultural jobs in November 2022 ([ESD Labor Area Summaries 2024](#)). Manufacturing provided 9,900 jobs in November 2022 compared to 10,700 jobs in 2019. The three largest employers in the county are Peace Health St. Joseph Medical Center, Western Washington University, and the Lummi Nation ([WWU 2022](#)). The BP refinery and Haggen are two of the largest private companies, 700 and 715 employees. The BP refinery also creates another 557 jobs via its contracts.

Whatcom is influenced by the Canadian border. 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 was closed to non-commercial activity from March 21, 2020 to August 9, 2021. This 19-month closure has hit border cities and communities in Whatcom County hard. However, with the reopening many sectors that rely upon Canadians for consumption-based visits such as package parcels, milk, gas, and tourism are in recovery. The Canadian dollar slightly weakened compared to the U.S. dollar and is currently around \$0.73 US. Canadian manufacturers continue to show interest in expanding into the county to access US markets.

Whatcom County has a well-educated workforce with 93.3% of people over 25 having graduated from high school (or the equivalent) and 37% have a Bachelor's Degree or higher (Census Bureau 2024, 2018-2022 surveys). Western Washington University had a student population of 14,747 in 2023-24 ([WWU Quick Facts 2024](#)). In addition, 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 \$28 million for 2023, an increase from 2021 of over \$1 million.
- Operating income before depreciation was nearly \$500 thousand for 2023 which is approximately \$4 lower higher than the 2022 equivalent income.
- The port has budgeted to spend about \$19.1 million, net of grants, in new capital projects in 2024.
- The 2024 budget includes the design of the rehabilitation of the runway, and the purchase of a new Airport Rescue Fire Fighting truck at the airport. In addition, major life extension projects of the Squalicum Marina inner harbor are planned, demolition of a dilapidated building, stormwater management improvements, continued development of the waterfront area, 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 2023, BLI served nearly 642,000 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 nearly \$7 million in 2023 is a slight increase from 2022 and accounted for just under 25% of total Port operating revenues for 2023.

- **Marinas**

As of December 2023, Squalicum Harbor was operating at an average of 98% 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 92% occupancy at the end of 2023. 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 \$10.1 million accounted for over 36% of total 2023 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 recent years. Currently, the shipping terminal's primary revenue source is from industrial lease tenants, as well as an increase in break-bulk cargo. 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 nearly \$6.5 million account for approximately 13% of total 2023 Port operating revenues.

- **Real Estate**

The Port continues to obtain approximately 98 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 approximately 250 tenants. The Port's tenants lease space in Blaine and Squalicum Harbor areas, Bellingham International Airport, Fairhaven area, the Waterfront District, Marine Drive Industrial Park, Sumas, and the Bellingham Shipping Terminal. Commercial real estate revenues of over \$6.4 million accounted for over 23% of total 2023 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, 2023, the Port's cash and investment portfolio totaled \$74 million at market value. Approximately twenty percent (20%) of the invested cash was invested in U.S. Government Securities. The remainder was invested in short-term savings and the State's 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 Restated and Amended Master Development Agreement with the Port, Harcourt Bellingham LLC (“Harcourt”) will continue to develop the properties already under its ownership, specifically the Granary Building and the three residential condominium buildings. In addition, Mercy Housing Northwest completed their project in early 2024 that provides approximately 80 units of affordable housing, and a seven-classroom early learning center; and the Boardmill Group continues to make progress on the design and permitting to convert the Boardmill Building and surrounding 3 acre site into a hotel, residential units, a parking garage, and open parks.

Additional redevelopment of the waterfront is expected to include promenades, public waterfront access, 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, container village, food trucks, installation of temporary restrooms and associated utilities. The Port anticipates expanding this container village in 2024 and beyond.

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 significant cleanup work in 2022.

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

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### 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 1992–2022. 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 Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2022

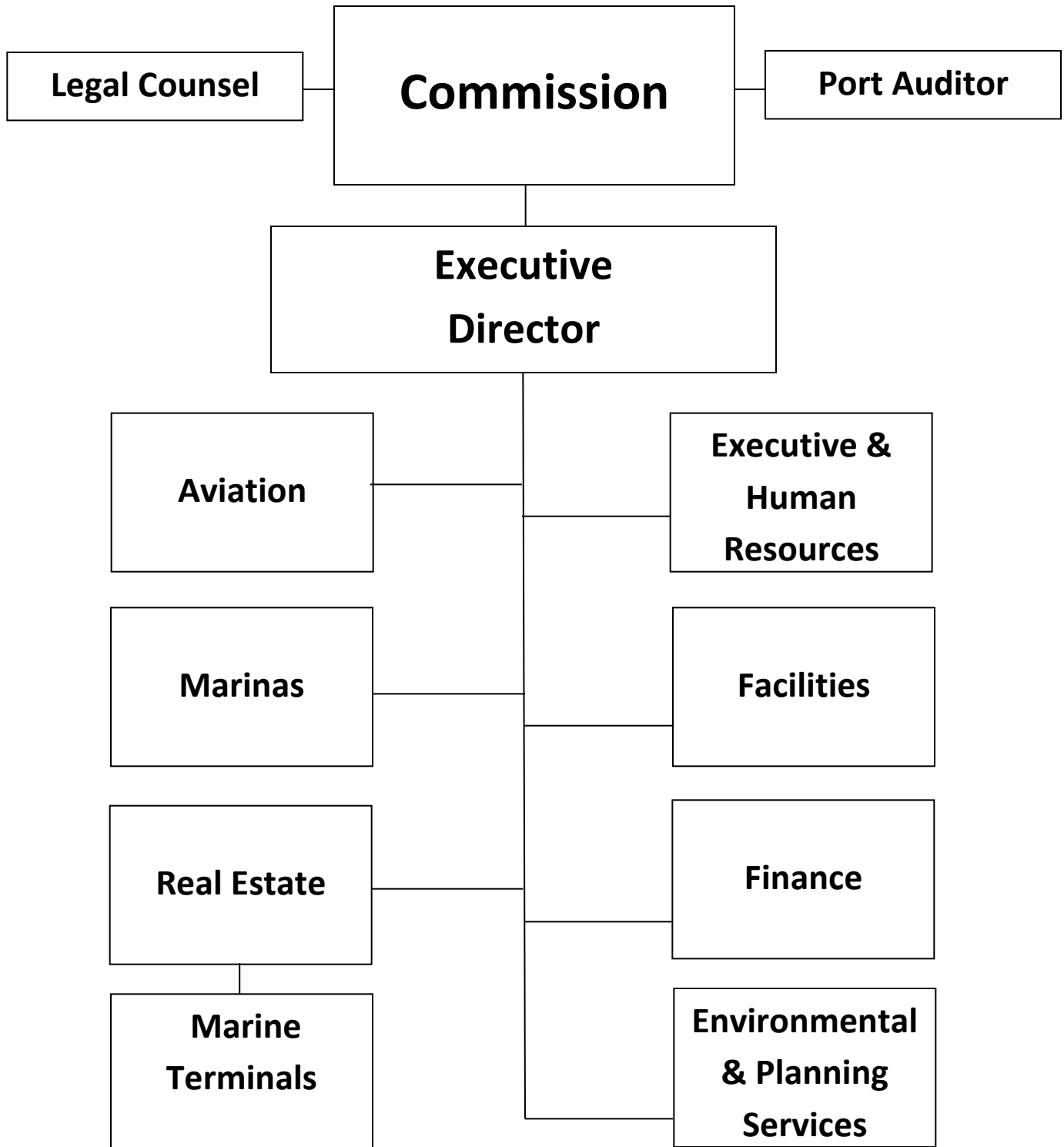
*Christopher P. Morill*

Executive Director/CEO

**Port of Bellingham**  
**List of Principal Officials**  
**As of December 31, 2023**

| <b>TITLE</b>                         | <b>NAME</b>           |
|--------------------------------------|-----------------------|
| Commissioner                         | Bobby Briscoe         |
| Commissioner                         | Ken Bell              |
| Commissioner                         | Michael Shepard       |
| Legal Counsel                        | CSD, Attorneys at Law |
| Executive Director                   | Rob Fix               |
| Port Auditor/CFO, Finance            | Tamara Sobjack        |
| Director, Aviation                   | Kip Turner            |
| Director, Economic Development       | Vacant                |
| Director, Environmental and Planning | Brian Gouran          |
| Director, Human Resources            | Reilly Wynn           |
| Director, Maritime                   | Tiffany DeSimone      |
| Director, Real Estate                | Elliott Smith         |

# ORGANIZATIONAL STRUCTURE



## ***SECTION 2***

## ***FINANCIAL***



**PORT OF BELLINGHAM**  
*Washington State*



**Office of the Washington State Auditor  
Pat McCarthy**

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE  
FINANCIAL STATEMENTS**

Board of Commissioners  
Port of Bellingham  
Bellingham, Washington

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the accompanying financial statements of the Port of Bellingham as of and for the year then ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Port of Bellingham, as of December 31, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be

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

### **Other Information**

The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or provide any assurance thereon.

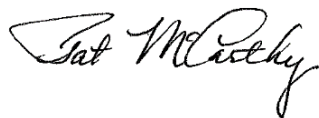
In connection with the audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we will also issue our report dated June 25, 2024, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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, reading "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

June 25, 2024

## **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, 2023. 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 includes statistical and economic data, and required supplementary information.

### **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.

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 Chief Financial Officer 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, 2023 by nearly \$299 million. Total assets of the Port at year-end were \$515 million, while total liabilities were \$135 million.

The Port's long-term debt outstanding was \$25.5 million, which is a decrease from 2022 due to the scheduled debt payments. The Port's net investment in capital assets was \$304.6 million. Unrestricted net position was negative \$13.3 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           | 2023                  | 2022                  |
|--------------------------------------|-----------------------|-----------------------|
| Current Assets                       | \$ 72,031,455         | \$ 73,999,428         |
| Capital Assets:                      |                       |                       |
| Capital assets not being depreciated | 125,182,906           | 118,812,477           |
| Capital assets being depreciated     | 205,658,197           | 203,429,942           |
| Other Assets                         | 111,637,571           | 109,848,219           |
| Total Assets                         | <u>\$ 514,510,129</u> | <u>\$ 506,090,066</u> |
| Deferred Outflows of Resources       | \$ 2,513,844          | \$ 2,489,274          |
| Current Liabilities                  | \$ 34,837,281         | \$ 14,446,007         |
| Non-current Liabilities              | 100,119,131           | 128,756,010           |
| Total Liabilities                    | <u>\$ 134,956,412</u> | <u>\$ 143,202,017</u> |
| Deferred Inflows of Resources        | \$ 83,141,655         | \$ 88,193,229         |
| Net Position:                        |                       |                       |
| Net investment in capital assets     | \$ 304,649,158        | \$ 292,228,993        |
| Restricted                           | 7,552,414             | 6,389,274             |
| Unrestricted                         | (13,275,666)          | (21,434,173)          |
| Total Net Position                   | <u>\$ 298,925,906</u> | <u>\$ 277,184,094</u> |

### **Changes in Net Position**

In 2023, Port operating revenues increased from 2022 totaling over \$28 million, an increase of nearly 4%. The Marine Terminals division had the largest increase, 14% over 2022 due to increased cargo activity.

The airport served approximately the same number of passengers in 2023 as it did in 2022, with revenues slightly higher year over year. The Marinas had a moderate increase due to scheduled rate increases. The Real Estate division showed a slight increase in revenues from the previous year.

Total operating expenses (before depreciation) totaled \$27.5 million, 22% above the prior year due to several factors including an increase in activity post-pandemic, and inflation. Depreciation expenses totaled \$14.7 million, which is just over 2022.

Post-pandemic recovery, high occupancy rates at the marinas and commercial leases, and increased cargo activity all contributed to an increase in net position by over \$21 million from 2022, to \$299 million. Overall, the financial position of the Port improved in 2023.

**Statements of Revenues, Expenses and Changes in Net Position**

|                                                                         | <b>2023</b>           | <b>2022</b>           |
|-------------------------------------------------------------------------|-----------------------|-----------------------|
| <b>Operating Revenues:</b>                                              |                       |                       |
| Airport operations                                                      | \$ 6,984,666          | \$ 6,926,931          |
| Marina operations                                                       | 10,113,773            | 9,711,597             |
| Marine terminal operations                                              | 3,964,753             | 3,477,066             |
| Property lease operations                                               | 6,470,701             | 6,443,314             |
| Other                                                                   | 469,608               | 397,120               |
| <b>Total Operating Revenues</b>                                         | <b>\$ 28,003,501</b>  | <b>\$ 26,956,028</b>  |
| <b>Non-operating Revenues:</b>                                          |                       |                       |
| Ad valorem tax revenues                                                 | \$ 7,971,300          | \$ 7,777,403          |
| Investment income                                                       | 8,253,971             | 5,599,290             |
| Environmental insurance claim revenue and adjustment                    | 4,541,055             | (8,525,527)           |
| Environmental grant revenues                                            | 3,517,144             | 2,925,827             |
| Other non-operating income                                              | 11,506,476            | 7,130,344             |
| <b>Total non-Operating Revenues</b>                                     | <b>\$ 35,789,946</b>  | <b>\$ 14,907,337</b>  |
| <b>Total Revenues</b>                                                   | <b>\$ 63,793,447</b>  | <b>\$ 41,863,365</b>  |
| <b>Expenses:</b>                                                        |                       |                       |
| General operating expenses                                              | \$ 20,291,831         | \$ 16,306,885         |
| Maintenance expenses                                                    | 3,940,832             | 3,353,249             |
| General and administrative expenses                                     | 2,501,726             | 2,804,826             |
| Depreciation/Amortization expense                                       | 15,550,627            | 14,882,357            |
| Non-operating expenses                                                  | 9,361,036             | 5,744,446             |
| <b>Total Expenses</b>                                                   | <b>\$ 51,646,052</b>  | <b>\$ 43,091,763</b>  |
| <b>Increase (Decrease) in Net Position before Capital Contributions</b> | <b>\$ 12,147,395</b>  | <b>\$ (1,228,398)</b> |
| <b>Capital Contributions</b>                                            | <b>\$ 9,594,417</b>   | <b>\$ 9,446,530</b>   |
| <b>Change in Net Position</b>                                           | <b>\$ 21,741,812</b>  | <b>\$ 8,218,132</b>   |
| <b>Net Position - Beginning of Period</b>                               | <b>\$ 277,184,094</b> | <b>\$ 268,965,962</b> |
| <b>Net Position - End of Period</b>                                     | <b>\$ 298,925,906</b> | <b>\$ 277,184,094</b> |

## Capital Assets and Debt Administration

### Capital Assets

As of December 31, 2023, the Port had nearly \$331 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, 2022, totaled \$323 million. Capital assets, net of depreciation, increased in 2023 due to significant construction projects. See Notes 4 and 10. Capital projects which individually totaled spending in excess of \$500,000 during 2023 were:

|                                               |             |
|-----------------------------------------------|-------------|
| • Snow Removal Equipment Facility             | \$3,734,531 |
| • Repair steel support at Cruise Terminal     | \$2,566,055 |
| • Upgrade Power to Shipping Terminal          | \$1,915,487 |
| • 1000 F Street Building Fire Suppression     | \$1,541,084 |
| • Phase III Repairs at Shipping Terminal      | \$1,278,532 |
| • Taxiway F                                   | \$1,059,257 |
| • Broadband – Nooksack Area                   | \$949,520   |
| • MCI Pier Fender Piles                       | \$738,083   |
| • Runway Safety Area                          | \$719,166   |
| • Design and Permit Stormwater at FMIP        | \$582,052   |
| • Rail Road Crossing at Alaska Ferry Location | \$542,307   |
| • Harbor Mall Reroof                          | \$509,097   |

Over \$20.8 million was spent during 2023 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.

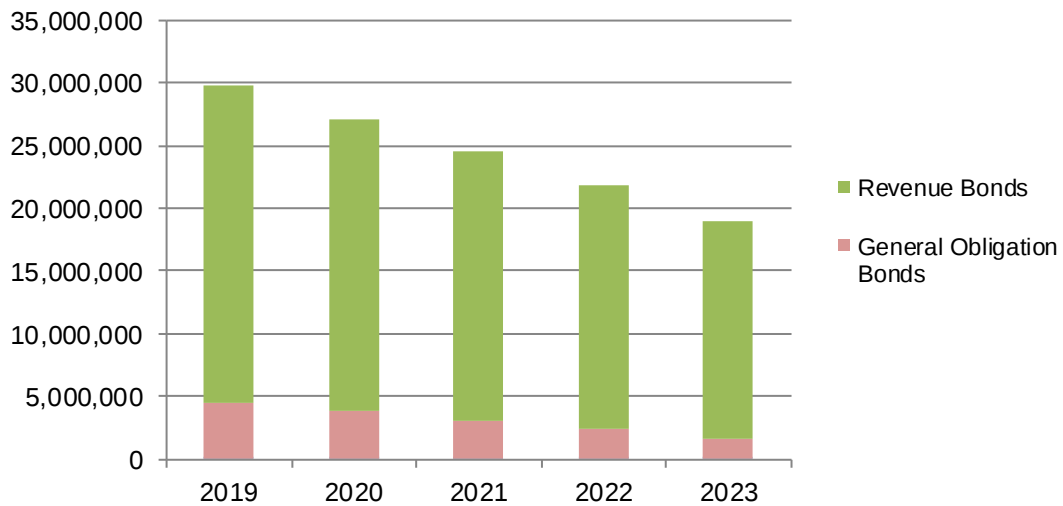
## **Debt Administration**

At December 31, 2023, long-term debt obligations totaled \$125.8 million of which \$25.7 million is due within one year. The total bonded debt is comprised of \$1.6 million balance in general obligation debt, and \$23 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. See Note 8.

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, 2023 at \$143.7 million. Per GASB 49, effective 2008, the Port expects to capitalize \$46.6 million of the environmental remediation efforts, leaving \$97 million as a liability. The Port has purchased insurance which is expected to fund over \$16.6 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 3<sup>rd</sup> parties. See Note 13.

### Outstanding Bonded Debt

| Fiscal Year Ended | General<br>Obligation<br>Bonds | Revenue Bonds | Total Bonded<br>Debt |
|-------------------|--------------------------------|---------------|----------------------|
| 2019              | \$ 4,440,000                   | \$ 25,395,000 | \$ 29,835,000        |
| 2020              | \$ 3,760,000                   | \$ 23,290,000 | \$ 27,050,000        |
| 2021              | \$ 3,060,000                   | \$ 21,410,000 | \$ 24,470,000        |
| 2022              | \$ 2,340,000                   | \$ 19,450,000 | \$ 21,790,000        |
| 2023              | \$ 1,595,000                   | \$ 17,400,000 | \$ 18,995,000        |



## **2024 Budget**

The Port's 2024 budget anticipates Operating Revenues to increase from \$27 million in 2023 to over \$33.6 million in 2024, with the largest increase in the Marine Terminals Division due to increased barge activity using the facility. Operating expenses are budgeted at \$34 million, an increase of approximately \$11 million.

In 2024, \$19.1 million, net of anticipated grants, is forecasted for capital projects. This total includes capital improvements and purchases of over \$1.2 million at the airport, nearly \$5 million in real estate projects, \$400 thousand at the shipping terminal, and \$4.3 million at the Waterfront district, as well as various 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 2024 are levied at .1320 per 1,000 valuation rate, resulting in a total levy of just over \$8 million. \$844 thousand of this amount is levied for the General Obligation Fund. The levy rate for 2023 was .1515 for a levy amount of \$7.9 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](http://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, 2023**

**ASSETS**

**CURRENT ASSETS:**

|                                                          |               |
|----------------------------------------------------------|---------------|
| Cash and cash equivalents (Note 1)                       | \$ 59,315,677 |
| Investments (Note 2)                                     | 999,101       |
| Restricted current assets:                               |               |
| Cash and cash equivalents (Note 1)                       | 319,175       |
| Taxes receivable                                         | 144,806       |
| Due from other governments                               | 1,117,954     |
| Accounts receivable (net of allowance for uncollectible) | 2,260,684     |
| Current portion of lease receivable                      | 4,613,913     |
| Interest receivable                                      | 756,827       |
| Notes receivable                                         | 401,541       |
| Other receivables                                        | 425,531       |
| Prepays                                                  | 1,676,246     |

|                             |                   |
|-----------------------------|-------------------|
| <b>TOTAL CURRENT ASSETS</b> | <b>72,031,455</b> |
|-----------------------------|-------------------|

**NON-CURRENT ASSETS:**

|                                                      |               |
|------------------------------------------------------|---------------|
| <b>Investments (Note 2)</b>                          | 10,035,139    |
| <b>Capital assets not being depreciated (Note 4)</b> |               |
| Land                                                 | 82,539,727    |
| Construction in progress                             | 42,643,179    |
| <b>Capital assets being depreciated (Note 4)</b>     |               |
| Intangible assets (Note 4)                           | 1,262,438     |
| Equipment                                            | 19,744,880    |
| Buildings and Structures                             | 191,029,846   |
| Improvements other than buildings                    | 242,979,922   |
| Less: Accumulated depreciation                       | (249,358,889) |
| <b>Other noncurrent assets</b>                       |               |
| Net Pension Asset                                    | 3,185,855     |
| Lease Receivable (Note 16)                           | 77,871,972    |
| Joint Venture (Note 15)                              | 262,948       |
| Restricted noncurrent assets:                        |               |
| Investments (Note 2)                                 | 3,671,657     |
| Environmental Insurance                              | 16,610,000    |

|                                 |                    |
|---------------------------------|--------------------|
| <b>TOTAL NON-CURRENT ASSETS</b> | <b>442,478,674</b> |
|---------------------------------|--------------------|

|                     |                       |
|---------------------|-----------------------|
| <b>TOTAL ASSETS</b> | <b>\$ 514,510,129</b> |
|---------------------|-----------------------|

**DEFERRED OUTFLOWS OF RESOURCES**

|                                                 |           |
|-------------------------------------------------|-----------|
| Deferred Outflow for pension (GASB 68) (Note 6) | 2,513,844 |
|-------------------------------------------------|-----------|

|                                             |                     |
|---------------------------------------------|---------------------|
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> | <b>\$ 2,513,844</b> |
|---------------------------------------------|---------------------|

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

**PORT OF BELLINGHAM**  
**STATEMENT OF NET POSITION**  
**December 31, 2023**

**LIABILITIES**

**CURRENT LIABILITIES:**

|                                                   |                   |
|---------------------------------------------------|-------------------|
| Accounts payable                                  | \$ 3,459,529      |
| Accrued expenses                                  | 1,426,464         |
| Accrued interest payable                          | 88,867            |
| Other current payables                            | 4,171,040         |
| Current portion of long-term obligations (Note 8) | 5,177,370         |
| Current portion of environmental remediation      | 20,514,011        |
| <b>TOTAL CURRENT LIABILITIES</b>                  | <b>34,837,281</b> |

**NON-CURRENT LIABILITIES:**

|                                      |                    |
|--------------------------------------|--------------------|
| Long-term debt                       |                    |
| General obligations bonds            | 831,498            |
| Revenue bonds                        | 18,914,710         |
| Environmental remediation            | 76,534,939         |
| Notes payable                        | 2,002,541          |
| Capital purchase agreement           | 542,730            |
| Net pension liability                | 1,141,412          |
| Compensated absences                 | 151,301            |
| <b>TOTAL NON-CURRENT LIABILITIES</b> | <b>100,119,131</b> |

|                          |                       |
|--------------------------|-----------------------|
| <b>TOTAL LIABILITIES</b> | <b>\$ 134,956,412</b> |
|--------------------------|-----------------------|

**DEFERRED INFLOWS OF RESOURCES**

|                                                                |            |
|----------------------------------------------------------------|------------|
| Deferred Inflow for a service concession arrangement (Note 14) | 2,478,504  |
| Deferred Inflows for leases (GASB 87) (Note 16)                | 78,527,407 |
| Deferred Inflows for pensions (GASB 68) (Note 6)               | 2,135,744  |

|                                            |                      |
|--------------------------------------------|----------------------|
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> | <b>\$ 83,141,655</b> |
|--------------------------------------------|----------------------|

**NET POSITION**

|                                       |              |
|---------------------------------------|--------------|
| Net investment in capital assets      | 304,649,158  |
| Restricted for debt service           | 3,015,000    |
| Restricted for blended component unit | 44,011       |
| Restricted for revolving loan program | 275,164      |
| Restricted for insurance reserve      | 656,657      |
| Restricted for net pension asset      | 3,561,582    |
| Unrestricted                          | (13,275,666) |

|                           |                       |
|---------------------------|-----------------------|
| <b>TOTAL NET POSITION</b> | <b>\$ 298,925,906</b> |
|---------------------------|-----------------------|

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, 2023**

**OPERATING REVENUES:**

|                                 |                   |
|---------------------------------|-------------------|
| Airport operations              | \$ 6,984,666      |
| Marina operations               | 10,113,773        |
| Marine terminal operations      | 3,964,753         |
| Property lease operations       | 6,470,701         |
| Other                           | 469,608           |
| <b>Total Operating Revenues</b> | <b>28,003,501</b> |

**OPERATING EXPENSES:**

|                                 |                   |
|---------------------------------|-------------------|
| General operations              | 20,291,831        |
| Maintenance                     | 3,940,832         |
| General and administrative      | 2,501,726         |
| Amortization of intangibles     | 806,433           |
| Depreciation                    | 14,744,194        |
| <b>Total Operating Expenses</b> | <b>42,285,016</b> |

**OPERATING INCOME (LOSS)** (14,281,515)

**NON-OPERATING REVENUES (EXPENSES):**

|                                                |                   |
|------------------------------------------------|-------------------|
| Environmental grant revenues                   | 3,517,144         |
| Other grant revenues                           | 1,699,945         |
| Investment income                              | 8,253,971         |
| Taxes levied for:                              |                   |
| General purposes                               | 7,115,068         |
| Debt service principal/interest                | 856,232           |
| Miscellaneous taxes                            | 80,479            |
| Other revenues                                 | 9,726,052         |
| Environmental remediation adjustment           | 3,966,667         |
| Environmental remediation expense              | (294,483)         |
| Environmental insurance claims revenue         | 574,388           |
| Gains (Losses) on Disposal of Assets           | (1,393,351)       |
| Election Expense                               | (135,405)         |
| Interest expense                               | (781,485)         |
| Environmental grant expense                    | (5,793,384)       |
| Other grant expense                            | (962,928)         |
| <b>Total Non-Operating Revenues (Expenses)</b> | <b>26,428,910</b> |

**Income (loss) before capital contributions** 12,147,395

**Capital Contributions** 7,932,206

**Capital Contributions - Contractually Restricted (Note 13)** 1,662,211

**Increase (Decrease) in Net Position** 21,741,812

**Net position - beginning of period** 277,184,094

**Net position - end of period** **\$ 298,925,906**

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, 2023

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**CASH FLOWS FROM OPERATING ACTIVITIES**

|                                                  |                |
|--------------------------------------------------|----------------|
| Receipts from customers                          | \$ 26,697,364  |
| Payments to suppliers                            | (17,250,860)   |
| Payments to employees                            | (8,901,244)    |
|                                                  | <hr/>          |
| <b>Net cash provided by operating activities</b> | <b>545,260</b> |

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

|                                                                     |                  |
|---------------------------------------------------------------------|------------------|
| Receipts from property taxes                                        | 6,965,736        |
| Receipts from other taxes and financing fees                        | 68,660           |
| Receipts from non-operating grants                                  | 6,125,657        |
| Payments for non-operating grants                                   | (6,756,311)      |
|                                                                     | <hr/>            |
| <b>Net cash provided (used) by non-capital financing activities</b> | <b>6,403,742</b> |

**CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES**

|                                                                             |                    |
|-----------------------------------------------------------------------------|--------------------|
| Principal paid on capital debt                                              | (2,827,303)        |
| Interest paid on capital debt                                               | (1,127,627)        |
| Cash received from property taxes for general obligation bonds              | 856,122            |
| Purchases of capital assets                                                 | (24,693,673)       |
| Capital contributions                                                       | 10,867,891         |
| Other receipts (payments)                                                   | 10,590,469         |
|                                                                             | <hr/>              |
| <b>Net cash provided (used) by capital and related financing activities</b> | <b>(6,334,121)</b> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|                                                   |               |
|---------------------------------------------------|---------------|
| Proceeds from sales and maturities of investments | 1,968,958     |
| Payments for purchases of investments             | (4,485,810)   |
| Interest and dividends                            | 2,608,501     |
|                                                   | <hr/>         |
| <b>Net cash provided by investing activities</b>  | <b>91,649</b> |

|                                                             |                      |
|-------------------------------------------------------------|----------------------|
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>706,530</b>       |
| <b>Balances - beginning of the year</b>                     | <b>58,928,322</b>    |
| <b>Balances - end of the year</b>                           | <b>\$ 59,634,852</b> |

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, 2023**

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

|                                                  |           |                |
|--------------------------------------------------|-----------|----------------|
| Net Operating Income (Loss)                      | \$        | (14,281,515)   |
| Depreciation                                     |           | 14,744,194     |
| Change in assets and liabilities:                |           |                |
| (Incr)Decr in accounts receivable                |           | (1,150,946)    |
| (Incr)Decr in other current assets               |           | 3,903,792      |
| (Incr)Decr in work for others                    |           | (133,516)      |
| (Incr)Decr in customer deposits                  |           | (21,676)       |
| Incr(Decr) in accounts payable                   |           | 496,611        |
| Incr(Decr) in other liabilities                  |           | (1,691,254)    |
| Non Cash GASB 68 pension expense                 |           | (1,320,431)    |
| Total Adjustments                                |           | 14,826,775     |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b> | <b>\$</b> | <b>545,260</b> |

**SCHEDULE OF NON-CASH ACTIVITIES**

|                                                        |                     |
|--------------------------------------------------------|---------------------|
| Change in Value of Intangible Assets, for amortization | (806,433)           |
| Unrealized Gains or Losses                             | (143,315)           |
| Environmental Claim adjustment                         | 3,966,667           |
| Disposals of Capital Assets                            | (2,872,044)         |
| Change in Deferred Inflows for Pensions                | (691,190)           |
| Change in Deferred Inflows for Leases                  | 4,349,096           |
| Change in Pension Asset                                | 507,135             |
| <b>TOTAL NON-CASH ACTIVITIES</b>                       | <b>\$ 4,309,916</b> |

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 Presentation**

The financial statements of the Port are prepared using the economic resources management focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 surpluses. 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 \$56,712,187 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, 2023. 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. It is the Port's policy to consider restricted net position to have been depleted before the unrestricted net position is applied.

The restricted assets are composed of the following:

|                                                         |             |
|---------------------------------------------------------|-------------|
| Cash and Cash Equivalents – Blended Component Unit, IDC | \$44,011    |
| Cash and Cash Equivalents – Revolving Loan Fund         | \$275,164   |
| Investments – Insurance Reserve                         | \$656,657   |
| Investments – Debt Service                              | \$3,015,000 |
| Net Pension Asset                                       | \$3,561,582 |

### **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, 2023, intangible assets totaled \$1,954,321. During 2023, the Port added \$114,550, and amortized \$812,560, leaving a balance of \$1,256,311 at the end of 2023. 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. Leases - (See Note 16, Leases)**

Lessee: The Port is a lessee for noncancelable leases. These are comprised of leases of office equipment, and are trivial to the financial statements.

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

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

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

The Port reports deferred outflows and deferred inflows separately on the Statement of Net Position.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****10. Compensated Absences**

The Port accrues a liability for Paid Time Off (PTO) pay. All represented and non-represented staff may accumulate up to 520 hours of PTO. 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 PTO leave benefits as earned. Accrued PTO benefit liability was \$1,428,204 at December 31, 2023.

**11. Environmental Remediation Liabilities**

The Port accrues future Environmental Remediation Costs that meet the required measurement criteria. 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.

**12. Long Term Debt** See Note 8.**13. 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 Changes in Net Position and are restricted by an agreement between the Port and the rental car agencies.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Port receives federal and state grants for both capital reimbursement as well as operating grants for specific purposes. Non-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.

**14. Pensions**

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and 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.

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

**15. Other Current Payables**

These accounts consist of accrued wages, employee benefits, taxes, customer deposits, and retainage that has not been released.

**NOTE 2 – DEPOSITS AND INVESTMENTS****Deposits**

Cash on hand at December 31, 2023 was \$3,870 in petty cash and change funds. The carrying amount of the Port's deposits was \$59,630,982 and the bank balance was \$59,552,219.

**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, 2023 and 2022.

**NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

| Investment Type                        | Fair Value | Maturities (in years) |           |             | % of Total Portfolio |
|----------------------------------------|------------|-----------------------|-----------|-------------|----------------------|
|                                        |            | Less than 1           | 1-3       | More than 3 |                      |
| 2023                                   |            |                       |           |             |                      |
| Federal Agencies Securities:           |            |                       |           |             |                      |
| Federal Home Loan Bank                 | 5,761,782  | 999,101               | 3,769,597 | 993,084     | 39.18%               |
| Farmer Mac                             | 995,881    |                       | 995,881   |             | 6.77%                |
| Federal Home Loan Mortgage Corporation | 5,951,466  |                       | 4,956,502 | 994,964     | 40.47%               |
| Federal Farm Credit Bank               | 1,996,768  |                       |           | 1,996,768   | 13.58%               |
| Total Investments                      | 14,705,897 | 999,101               | 9,721,980 | 3,984,816   | 100%                 |
| Percentage of Total Portfolio          | 100%       | 6.79%                 | 66.11%    | 27.10%      |                      |
| 2022                                   |            |                       |           |             |                      |
| Federal Agencies Securities:           |            |                       |           |             |                      |
| Federal Home Loan Bank                 | 3,641,614  |                       | 1,842,412 | 1,799,202   | 30.27%               |
| Farmer Mac                             | 997,135    |                       | 997,135   |             | 8.29%                |
| Federal Home Loan Mortgage Corporation | 3,978,092  |                       | 3,978,092 |             | 33.07%               |
| Federal National Mortgage Association  | 3,412,552  | 3,412,552             |           |             | 28.37%               |
| Total Investments                      | 12,029,393 | 3,412,552             | 6,817,639 | 1,799,202   | 100%                 |
| Percentage of Total Portfolio          | 100%       | 28.37%                | 56.67%    | 14.96%      |                      |

**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, 2023, the Port's investments had the following credit quality distribution for securities with credit exposure:

|             |                    |
|-------------|--------------------|
|             | <b>AAA<br/>aaa</b> |
| US Agencies | \$ 14,705,897      |

**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

## **NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

receipt of the security. These securities are delivered to the Port’s US Bank safekeeping account.

| <b>Investment Type</b> | <b>Held by<br/>Counterparty</b> |
|------------------------|---------------------------------|
| US Agencies            | \$ 14,705,897                   |

### **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.

At December 31, 2023, the Port of Bellingham had the following investments measured at fair value:

**NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

|                                                           |                      | Fair Value Measurements Using                                                 |                                                           |                                                    |
|-----------------------------------------------------------|----------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                                           |                      | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments at fair value level</b>                    | <b>12/31/2023</b>    |                                                                               |                                                           |                                                    |
| Federal Agency Obligations                                | \$ 14,705,897        |                                                                               | \$ 14,705,897                                             |                                                    |
| Total Investments measured at<br>fair value               | \$ 14,705,897        | \$ -                                                                          | \$ 14,705,897                                             | \$ -                                               |
| <b>Total Investments in Statement of<br/>Net Position</b> | <b>\$ 14,705,897</b> |                                                                               |                                                           |                                                    |

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 \$3,015,000.

**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, 1/6<sup>th</sup> 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).

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.

**NOTE 3 – PROPERTY TAXES (continued)**

The Port's regular levy for 2023 was approximately \$.1342 per \$1000 on an assessed valuation of \$52,505,494,182 for a total regular levy of \$6,942,683.

In 2023, the Port levied an additional \$.016 per \$1000 for the repayment of General Obligation Bonds for a total additional levy of \$838,600.

**NOTE 4 – CAPITAL ASSETS AND DEPRECIATION**

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

|                                           | <b>Beginning<br/>Balance<br/>01/01/2023</b> | <b>Increases</b>    | <b>Decreases</b>     | <b>Ending Balance<br/>12/31/2023</b> |
|-------------------------------------------|---------------------------------------------|---------------------|----------------------|--------------------------------------|
| <b>Non-Depreciable Assets:</b>            |                                             |                     |                      |                                      |
| Land                                      | \$ 80,812,433                               | \$ 1,733,794        | \$ (6,500)           | \$ 82,539,727                        |
| Construction in progress                  | 38,000,044                                  | 20,861,600          | (16,218,465)         | 42,643,179                           |
| Total Non-Depreciable Assets              | <b>118,812,477</b>                          | <b>22,595,394</b>   | <b>(16,224,965)</b>  | <b>125,182,906</b>                   |
| <b>Depreciable Assets:</b>                |                                             |                     |                      |                                      |
| Buildings and Structures                  | 183,928,117                                 | 9,932,128           | (2,830,399)          | 191,029,846                          |
| Intangible Assets                         | 1,954,321                                   | 114,550             | -                    | 2,068,871                            |
| Improvements/Infrastructure               | 237,541,494                                 | 7,465,059           | (2,026,631)          | 242,979,922                          |
| Machinery and Equipment                   | 18,307,378                                  | 1,663,026           | (225,524)            | 19,744,880                           |
| Total Depreciable Assets                  | <b>441,731,310</b>                          | <b>19,174,763</b>   | <b>(5,082,554)</b>   | <b>455,823,519</b>                   |
| <b>Less Accumulated Depreciation for:</b> |                                             |                     |                      |                                      |
| Buildings and Structures                  | 98,855,139                                  | 5,495,346           | (1,515,624)          | 102,834,861                          |
| Intangible Assets                         | -                                           | 806,433             | -                    | 806,433                              |
| Improvements/Infrastructure               | 126,008,115                                 | 8,150,934           | (1,946,601)          | 132,212,448                          |
| Machinery and Equipment                   | 13,438,115                                  | 1,097,919           | (224,454)            | 14,311,580                           |
| Total accumulated depreciation            | <b>238,301,369</b>                          | <b>15,550,632</b>   | <b>(3,686,679)</b>   | <b>250,165,322</b>                   |
| <b>Depreciable Assets Net</b>             | <b>\$ 203,429,941</b>                       | <b>\$ 3,624,131</b> | <b>\$(1,395,875)</b> | <b>\$ 205,658,197</b>                |

**NOTE 4 – CAPITAL ASSETS AND DEPRECIATION (continued)**

**Construction Commitments:**

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

| <b>Project</b>                                      | <b>Spent to Date</b> | <b>Commitment</b> | <b>Budget</b>      |
|-----------------------------------------------------|----------------------|-------------------|--------------------|
| <b><i>Airport:</i></b>                              |                      |                   |                    |
| Design Taxiway                                      | 831,976              | -                 | 831,976            |
| RSA Env Design & Land Acquisition                   | 615,038              | 294,962           | 910,000            |
| RSA Compliance Construction                         | 3,278,187            | (38,302)          | 3,239,885          |
| Taxiway F                                           | 4,592,784            | 712,064           | 5,304,848          |
| Taxiway Kilo Design & Construction                  | 5,517,778            | (2,334)           | 5,515,444          |
| Snow Removal Equipment Facility                     | 5,090,385            | 687,527           | 5,777,912          |
| <b><i>Marinas:</i></b>                              |                      |                   |                    |
| Inner Harbor Upgrades                               | 420,278              | 479,722           | 900,000            |
| <b><i>Real Estate:</i></b>                          |                      |                   |                    |
| Bellwether Replace HVAC                             | 1,947,144            | 6,149             | 1,953,293          |
| MCI Pier Fender Piles                               | 821,348              | 1,715,652         | 2,537,000          |
| Design & Planning FMIP Stormwater                   | 1,151,115            | 2,858,885         | 4,010,000          |
| <b><i>Marine Terminals:</i></b>                     |                      |                   |                    |
| BCT Under Pier Fire Sprinklers                      | 77,546               | 794,677           | 872,223            |
| BCT Pier Piling project                             | 303,851              | 1,446,901         | 1,750,752          |
| BST Upgrade Power to Main Pier, etc.                | 2,092,878            | 564,790           | 2,657,668          |
| Repair Steel Pilings & Supports                     | 3,525,927            | 474               | 3,526,401          |
| Pier Dredging                                       | 21,076               | 8,461,524         | 8,482,600          |
| BST Main Pier Repairs Phase 3                       | 1,813,240            | 16,805,234        | 18,618,474         |
| <b><i>Environmental:</i></b>                        |                      |                   |                    |
| Little Squalicum Beach                              | 1,314,997            | 185,003           | 1,500,000          |
| <b><i>Bellingham Waterfront District:</i></b>       |                      |                   |                    |
| Waterfront Site Prep                                | 464,049              | 422,560           | 886,609            |
| Whatcom Waterway Incremental                        | -                    | 1,175,000         | 1,175,000          |
| District Utilities ECO                              | 1,601,748            | 15,425            | 1,617,173          |
| 1000 F. St Fire Suppression                         | 1,618,235            | 6,765             | 1,625,000          |
| Franchise Utilities                                 | 258,674              | 1,624,326         | 1,883,000          |
| <b><i>Economic Development</i></b>                  |                      |                   |                    |
| Broadband - Mosquito Lk Rd                          | 1,285,670            | 752,526           | 2,038,196          |
| Broadband - North Lynden                            | 145,005              | 2,854,995         | 3,000,000          |
| Broadband - North Ferndale                          | -                    | 5,000,000         | 5,000,000          |
| <b><i>Community Connections:</i></b>                |                      |                   |                    |
| Fairhaven Hand Launch Vessel Dock                   | 188,164              | 1,703,673         | 1,891,837          |
| <b><i>Infrastructure:</i></b>                       |                      |                   |                    |
| I&J Bulkhead, Fit Up Float                          | 249,093              | 1,001,907         | 1,251,000          |
| RR Crossing Alaska Ferry                            | 929,378              | 770,622           | 1,700,000          |
| Blaine Bulkhead Design                              | -                    | 2,575,000         | 2,575,000          |
| <i>Other Budgeted Projects, less than \$800,000</i> | 2,487,615            | 43,930,719        | 46,418,334         |
| <b>Total Construction</b>                           | <b>42,643,179</b>    | <b>96,806,446</b> | <b>139,449,625</b> |

### **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 2023:

| <b>Aggregate Pension Amounts - All Plans</b> |                |
|----------------------------------------------|----------------|
| Pension liabilities                          | \$ (1,141,412) |
| Pension assets                               | \$ 3,185,855   |
| Deferred outflows of resources               | \$ 2,513,844   |
| Deferred inflows of resources                | \$ (2,135,744) |
| Pension expense/expenditures                 | \$ (365,950)   |

#### **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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

#### **Public Employees’ Retirement System (PERS)**

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan

**NOTE 6 – PENSION PLANS (continued)**

3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

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

**Contributions**

The **PERS Plan 1** member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

| <b>PERS Plan 1</b>                |                 |                 |
|-----------------------------------|-----------------|-----------------|
| <b>Actual Contribution Rates:</b> | <b>Employer</b> | <b>Employee</b> |
| January - June 2023               |                 |                 |
| PERS Plan 1                       | 6.36%           | 6.00%           |
| PERS Plan 1 UAAL                  | 3.85%           |                 |
| Administrative Fee                | 0.18%           |                 |
| <b>Total</b>                      | <b>10.39%</b>   | <b>6.00%</b>    |
| July - August 2023                |                 |                 |
| PERS Plan 1                       | 6.36%           | 6.00%           |
| PERS Plan 1 UAAL                  | 2.85%           |                 |
| Administrative Fee                | 0.18%           |                 |
| <b>Total</b>                      | <b>9.39%</b>    | <b>6.00%</b>    |
| September - December 2023         |                 |                 |
| PERS Plan 1                       | 6.36%           | 6.00%           |
| PERS Plan 1 UAAL                  | 2.97%           |                 |
| Administrative Fee                | 0.20%           |                 |
| <b>Total</b>                      | <b>9.53%</b>    | <b>6.00%</b>    |

**NOTE 6 – PENSION PLANS (continued)**

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

**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 rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

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

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

**NOTE 6 – PENSION PLANS (continued)**

| <b>PERS Plan 2/3</b>              |                     |                   |                   |
|-----------------------------------|---------------------|-------------------|-------------------|
| <b>Actual Contribution Rates:</b> | <b>Employer 2/3</b> | <b>Employee 2</b> | <b>Employee 3</b> |
| January - June 2023               |                     |                   |                   |
| PERS Plan 2/3                     | 6.36%               | 6.36%             | Varies            |
| PERS Plan 1 UAAL                  | 3.85%               |                   |                   |
| Administrative Fee                | 0.18%               |                   |                   |
| <b>Total</b>                      | <b>10.39%</b>       | <b>6.36%</b>      |                   |
| July - August 2023                |                     |                   |                   |
| PERS Plan 2/3                     | 6.36%               | 6.36%             | Varies            |
| PERS Plan 1 UAAL                  | 2.85%               |                   |                   |
| Administrative Fee                | 0.18%               |                   |                   |
| <b>Total</b>                      | <b>9.39%</b>        | <b>6.36%</b>      |                   |
| September - December 2023         |                     |                   |                   |
| PERS Plan 2/3                     | 6.36%               | 6.36%             | Varies            |
| PERS Plan 1 UAAL                  | 2.97%               |                   |                   |
| Administrative Fee                | 0.20%               |                   |                   |
| <b>Total</b>                      | <b>9.53%</b>        | <b>6.36%</b>      |                   |

The Port's actual PERS plan contributions were \$311,733 to PERS Plan 1 and \$583,449 to PERS Plan 2/3 for the year ended December 31, 2023.

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

LEOFF was established in 1970, and its retirement benefit provisions are contained in Chapter 41.26 RCW. LEOFF membership includes all of the state's full-time, fully compensated, local law enforcement commissioned officers, fire fighters, including the Port's ARFF staff, and, as of July 24, 2005, emergency medical technicians.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as 2% 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 - 52, the reduction is 3% 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 a COLA (based on the CPI), capped at 3% annually. 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 rates are adopted by the LEOFF Plan 2 Retirement Board and are subject to change by the Legislature.

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 3.41% in 2023.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

| <b>LEOFF Plan 2</b>               |                 |                 |
|-----------------------------------|-----------------|-----------------|
| <b>Actual Contribution Rates:</b> | <b>Employer</b> | <b>Employee</b> |
| January - August 2023             |                 |                 |
| State and Local Governments       | 5.12%           | 8.53%           |
| Administrative Fee                | 0.18%           |                 |
| <b>Total</b>                      | <b>5.30%</b>    | <b>8.53%</b>    |
| Ports and Universities            | 8.53%           | 8.53%           |
| Administrative Fee                | 0.18%           |                 |
| <b>Total</b>                      | <b>8.71%</b>    | <b>8.53%</b>    |
| <b>Actual Contribution Rates:</b> | <b>Employer</b> | <b>Employee</b> |
| September - December 2023         |                 |                 |
| State and Local Governments       | 5.12%           | 8.53%           |
| Administrative Fee                | 0.20%           |                 |
| <b>Total</b>                      | <b>5.32%</b>    | <b>8.53%</b>    |
| Ports and Universities            | 8.53%           | 8.53%           |
| Administrative Fee                | 0.20%           |                 |
| <b>Total</b>                      | <b>8.73%</b>    | <b>8.53%</b>    |

The Port's actual contributions to the plan were \$59,300 for the year ended December 31, 2023.

**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 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
- **Investment rate of return:** 7.00%

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

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan ½ assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

**Discount Rate**

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

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

**NOTE 6 – PENSION PLANS (continued)****Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMAs 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, 2023, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

| <b>Asset Class</b> | <b>Target Allocation</b> | <b>% Long-Term Expected Real Rate of Return Arithmetic</b> |
|--------------------|--------------------------|------------------------------------------------------------|
| Fixed Income       | 20%                      | 1.50%                                                      |
| Tangible Assets    | 7%                       | 4.70%                                                      |
| Real Estate        | 18%                      | 5.40%                                                      |
| Global Equity      | 32%                      | 5.90%                                                      |
| Private Equity     | 23%                      | 8.90%                                                      |
|                    | <b>100%</b>              |                                                            |

**NOTE 6 – PENSION PLANS (continued)**

**Sensitivity of Net Pension Liability/(Asset)**

The table below represents the Port's proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate.

|          | <b>1% Decrease<br/>(6.0%)</b> | <b>Current Discount<br/>Rate<br/>(7.0%)</b> | <b>1% Increase<br/>(8.0%)</b> |
|----------|-------------------------------|---------------------------------------------|-------------------------------|
| PERS 1   | \$ 1,594,638                  | \$ 1,141,412                                | \$ 745,851                    |
| PERS 2/3 | \$ 2,870,071                  | \$ (2,638,855)                              | \$ (7,164,786)                |
| LEOFF 2  | \$ 90,568                     | \$ (547,000)                                | \$ (1,068,796)                |

**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 Related to Pensions**

At June 30, 2023, the Port its proportionate share of the net pension liabilities and assets as follows:

|          | <b>Liability (or Asset)</b> |
|----------|-----------------------------|
| PERS 1   | \$ 1,141,412                |
| PERS 2/3 | \$ (2,638,855)              |
| LEOFF 2  | \$ (547,000)                |

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

|          | <b>Proportionate<br/>Share 6/30/22</b> | <b>Proportionate<br/>Share 6/30/23</b> | <b>Change in<br/>Proportion</b> |
|----------|----------------------------------------|----------------------------------------|---------------------------------|
| PERS 1   | 0.045379%                              | 0.050002%                              | 0.004623%                       |
| PERS 2/3 | 0.059345%                              | 0.064383%                              | 0.005038%                       |
| LEOFF 2  | 0.017579%                              | 0.022805%                              | 0.005226%                       |

**NOTE 6 – PENSION PLANS (continued)**

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

In fiscal year 2023, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

**Pension Expense**

For the year ended December 31, 2023, the Port recognized pension expense as follows:

|              | <b>Pension Expense/(Credit)</b> |
|--------------|---------------------------------|
| PERS 1       | \$ 124,409                      |
| PERS 2/3     | \$ (412,164)                    |
| LEOFF 2      | \$ (78,195)                     |
| <b>TOTAL</b> | <b>\$ (365,950)</b>             |

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2023, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>PERS 1</b>                                                                                        | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience                                                   | \$ -                                  | \$ -                                 |
| Net difference between projected and actual investment earnings on pension plan investments          | \$ -                                  | \$ (128,756)                         |
| Changes of assumptions                                                                               | \$ -                                  | \$ -                                 |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$ -                                  | \$ -                                 |
| Contributions subsequent to the measurement date                                                     | \$ 131,125                            | \$ -                                 |
| <b>TOTAL</b>                                                                                         | <b>\$ 131,125</b>                     | <b>\$ (128,756)</b>                  |

**NOTE 6 – PENSION PLANS (continued)**

| <b>PERS 2/3</b>                                                                                      | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience                                                   | \$ 537,532                                | \$ (29,484)                              |
| Net difference between projected and actual investment earnings on pension plan investments          | \$ -                                      | \$ (994,480)                             |
| Changes of assumptions                                                                               | \$ 1,107,883                              | \$ (241,475)                             |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$ 22,127                                 | \$ (270,107)                             |
| Contributions subsequent to the measurement date                                                     | \$ 285,094                                | \$ -                                     |
| <b>TOTAL</b>                                                                                         | <b>\$ 1,952,636</b>                       | <b>\$ (1,535,546)</b>                    |

| <b>LEOFF 2</b>                                                                                       | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience                                                   | \$ 223,434                                | \$ (4,500)                               |
| Net difference between projected and actual investment earnings on pension plan investments          | \$ -                                      | \$ (115,744)                             |
| Changes of assumptions                                                                               | \$ 139,729                                | \$ (44,932)                              |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$ 39,750                                 | \$ (306,271)                             |
| Contributions subsequent to the measurement date                                                     | \$ 27,171                                 | \$ -                                     |
| <b>TOTAL</b>                                                                                         | <b>\$ 430,084</b>                         | <b>\$ (471,447)</b>                      |

| <b>Combined ALL PLANS</b>                                                                            | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience                                                   | \$ 760,966                                | \$ (33,984)                              |
| Net difference between projected and actual investment earnings on pension plan investments          | \$ -                                      | \$ (1,238,980)                           |
| Changes of assumptions                                                                               | \$ 1,247,612                              | \$ (286,407)                             |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$ 61,877                                 | \$ (576,378)                             |
| Contributions subsequent to the measurement date                                                     | \$ 443,390                                | \$ -                                     |
| <b>TOTAL</b>                                                                                         | <b>\$ 2,513,845</b>                       | <b>\$ (2,135,749)</b>                    |

**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, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended<br/>December 31:</b> | <b>PERS 1</b>       |
|------------------------------------|---------------------|
| 2024                               | \$ (87,600)         |
| 2025                               | \$ (110,168)        |
| 2026                               | \$ 67,928           |
| 2027                               | \$ 1,084            |
|                                    |                     |
| <b>Total</b>                       | <b>\$ (128,756)</b> |

| <b>Year ended<br/>December 31:</b> | <b>PERS 2/3</b>   |
|------------------------------------|-------------------|
| 2024                               | \$ (547,592)      |
| 2025                               | \$ (631,737)      |
| 2026                               | \$ 786,775        |
| 2027                               | \$ 271,092        |
| 2028                               | \$ 263,508        |
| Thereafter                         | \$ (10,050)       |
| <b>Total</b>                       | <b>\$ 131,996</b> |

| <b>Year ended<br/>December 31:</b> | <b>LEOFF 2</b>     |
|------------------------------------|--------------------|
| 2024                               | \$ (84,872)        |
| 2025                               | \$ (103,563)       |
| 2026                               | \$ 61,139          |
| 2027                               | \$ (2,831)         |
| 2028                               | \$ 3,740           |
| Thereafter                         | \$ 57,852          |
| <b>Total</b>                       | <b>\$ (68,535)</b> |

**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 \$1 million limit and various 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. Cyber coverage is maintained to a limit of \$2 million with a \$25,000 retention.

There is one open major claim against the Port's insurance carrier, which arose from an incident in 2021. 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 2023, the medical plan had an average of 287 lives on the plan, including COBRA participants. Fixed costs, including the stop loss premium were \$502,181. Claims paid, less the stop loss adjustments, were \$1,498,317. IRS fees totaled \$603. Total 2023 medical care costs were \$2,001,101.

The 2023 dental/vision plan had an average of 273 lives on the plan including COBRA participants. Fixed costs were \$7,907, and the claims paid were \$129,417. Total dental/vision plan costs were \$137,324 in 2023.

The required 16 weeks of reserve is calculated to be \$656,657, and is included in the Port's restricted net position.

**NOTE 8 – 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 2023.

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     | 1,595,000    |
| Total General Obligation Bonds |                 |               |          | \$ 1,595,000 |

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

| Year Ending<br>December 31 | Principal    | Interest  |
|----------------------------|--------------|-----------|
| 2024                       | 780,000      | 63,800    |
| 2025                       | 815,000      | 32,600    |
| Total                      | \$ 1,595,000 | \$ 96,400 |

Revenue bonds currently outstanding are as follows:

| Description and Date of Issue | Original Amount | Interest Rate | Maturity | Amount        |
|-------------------------------|-----------------|---------------|----------|---------------|
| 07/09/2019                    | 20,620,000      | 1.61-2.24%    | 2030     | 17,400,000    |
| Total Revenue Bonds           |                 |               |          | \$ 17,400,000 |

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

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

| Year Ending December 31 | Principal     | Interest     |
|-------------------------|---------------|--------------|
| 2024                    | 2,145,000     | 870,000      |
| 2025                    | 2,250,000     | 762,750      |
| 2026                    | 2,360,000     | 650,250      |
| 2027                    | 2,475,000     | 532,250      |
| 2028                    | 2,595,000     | 408,500      |
| 2029-2030               | 5,575,000     | 421,250      |
| Total                   | \$ 17,400,000 | \$ 3,645,000 |

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.

Other

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.

The assets acquired through this agreement 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 | \$ | (753,915) |
| Total Assets Acquired          | \$ | 629,215   |

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

The future payments as of December 31, 2023 were as follows:

| Year Ending December 31           |    |          |
|-----------------------------------|----|----------|
| 2024                              |    | 166,366  |
| 2025                              |    | 166,365  |
| 2026                              |    | 166,366  |
| 2027                              |    | 166,365  |
| 2028                              |    | 83,183   |
| Total Minimum Payments            | \$ | 748,645  |
| Less: Interest                    | \$ | (62,832) |
| Present Value of Minimum Payments | \$ | 685,813  |

Other non-current liabilities include low-interest loans from Whatcom County's Economic Development Investment and Washington State Department of Commerce programs for various manufacturing facilities and broadband construction projects. These loans range from 10 to 20 years. The future payments as of December 31, 2023 were as follows:

| Year Ending December 31 | Principal    |    | Interest |  |
|-------------------------|--------------|----|----------|--|
| 2024                    | 538,167      |    | 28,514   |  |
| 2025                    | 209,276      |    | 22,675   |  |
| 2026                    | 211,645      |    | 20,306   |  |
| 2027                    | 214,045      |    | 17,907   |  |
| 2028                    | 216,471      |    | 15,481   |  |
| 2029-2036               | 1,151,105    |    | 52,378   |  |
| Total                   | \$ 2,540,709 | \$ | 157,261  |  |

**NOTE 8 – LONG-TERM DEBT (continued)****Changes in Long-Term Liabilities**

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

|                             | 01/01/23      | Additions | Reductions     | 12/31/2023    | Due within One Year |
|-----------------------------|---------------|-----------|----------------|---------------|---------------------|
| Bonds Payable:              |               |           |                |               |                     |
| G.O. Bonds                  | 2,439,312     | -         | (794,712)      | 1,644,600     | 813,102             |
| Revenue Bonds               | 23,656,060    | -         | (2,335,237)    | 21,320,823    | 2,406,113           |
| Total Bonds Payable         | \$ 26,095,372 | \$ -      | \$ (3,129,949) | \$ 22,965,423 | \$ 3,219,215        |
| Notes Payable               | 2,434,916     | 584,391   | (478,598)      | 2,540,709     | 538,168             |
| Purchase Agreements         | 823,908       |           | (138,095)      | 685,813       | 143,083             |
| Compensated Absences        | 1,264,272     | 980,486   | (816,554)      | 1,428,204     | 1,276,904           |
| Net Pension Liability       | 1,263,518     | -         | (122,106)      | 1,141,412     | -                   |
| Environmental Remediation   | 101,038,950   |           | (3,990,000)    | 97,048,950    | 20,514,011          |
| Total Long-term Liabilities | 132,920,936   | 1,564,877 | (8,675,302)    | 125,810,511   | 25,691,381          |

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 9 – UNEARNED REVENUES**

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 10 – 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, 2023 for these facilities are as follows:

**NOTE 10 – PORT OPERATIONS BY INDUSTRY (continued)**

| Condensed Statement of Net Position                                                                 | Airport   | Marinas   | Marine Terminals | Real Estate | Other     | Total<br>(in thousands) |
|-----------------------------------------------------------------------------------------------------|-----------|-----------|------------------|-------------|-----------|-------------------------|
| <b>Assets:</b>                                                                                      |           |           |                  |             |           |                         |
| Current Assets                                                                                      |           |           |                  |             |           | \$ 72,031               |
| Other & Restricted Assets                                                                           |           |           |                  |             |           | 111,638                 |
| Capital Assets, net                                                                                 | \$ 90,205 | \$ 39,331 | \$ 38,895        | \$ 33,296   | \$ 86,471 | 288,198                 |
| Construction Work in Progress                                                                       | 22,330    | 1,090     | 4,088            | 4,315       | 10,820    | 42,643                  |
| <b>Total Assets</b>                                                                                 |           |           |                  |             |           | 514,510                 |
| <b>Deferred Outflows of Resources</b>                                                               |           |           |                  |             |           | 2,514                   |
| <b>Liabilities:</b>                                                                                 |           |           |                  |             |           |                         |
| Current Liabilities                                                                                 |           |           |                  |             |           | 34,837                  |
| Other Non-current Liabilities                                                                       |           |           |                  |             |           | 81,204                  |
| Revenue Debt                                                                                        |           |           |                  |             |           | 18,915                  |
| Total Liabilities                                                                                   |           |           |                  |             |           | 134,956                 |
| <b>Deferred Inflows of Resources</b>                                                                |           |           |                  |             |           | 83,142                  |
| <b>Net Position:</b>                                                                                |           |           |                  |             |           |                         |
| Net invested in capital assets                                                                      |           |           |                  |             |           | 304,649                 |
| Restricted                                                                                          |           |           |                  |             |           | 7,552                   |
| Unrestricted                                                                                        |           |           |                  |             |           | (13,275)                |
| Total Net Position                                                                                  |           |           |                  |             |           | 298,926                 |
| <b>Total Liabilities, Net Position, and Deferred Inflows</b>                                        |           |           |                  |             |           | <u>\$ 517,024</u>       |
| <b>Condensed Statement of Revenues,<br/>Expenses and Changes in Net Position<br/>(in thousands)</b> |           |           |                  |             |           |                         |
| Operating Revenues                                                                                  | \$ 6,985  | \$ 10,114 | \$ 3,965         | \$ 6,473    | \$ 470    | \$ 28,007               |
| Operating Expenses                                                                                  | (6,547)   | (4,608)   | (3,684)          | (6,422)     | (4,631)   | (25,892)                |
| General & Admin. Expense                                                                            | (266)     | (33)      | (33)             | (143)       | (367)     | (842)                   |
| Depreciation Expense                                                                                | (5,511)   | (2,801)   | (2,797)          | (2,699)     | (1,745)   | (15,553)                |
| Operating Income (Loss)                                                                             | (5,339)   | 2,672     | (2,549)          | (2,791)     | (6,273)   | (14,280)                |
| Tax Revenues                                                                                        |           |           |                  |             | 7,971     | 7,971                   |
| Net Non-Operating                                                                                   |           |           |                  |             | 18,456    | 18,456                  |
| <b>Net Income (Loss)</b>                                                                            | (5,339)   | 2,672     | (2,549)          | (2,791)     | 20,154    | 12,147                  |
| Capital Contributions                                                                               | 5,936     | -         | 1,121            | -           | 875       | 7,932                   |
| Capital Contributions-Restricted                                                                    | 1,663     | -         | -                | -           | -         | 1,663                   |
| <b>Net Position, January 2023</b>                                                                   |           |           |                  |             |           | 277,184                 |
| <b>Net Position, December 2023</b>                                                                  |           |           |                  |             |           | <u>\$ 298,926</u>       |

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

The Port's Statement of Net Position reports \$7,552,414 of restricted component of net position. \$656,657 of this is restricted by enabling legislation. The remaining restricted component is restricted by revenue bond covenants and federal and state agencies.

**NOTE 12 – 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 2023 totaled \$1,307,503, and are shown on the Port's Statement of 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 2023 totaled \$354,708, and are shown on the Port's Statement of Revenues, Expenses and Changes in Net Position as Capital Contributions-Contractually Restricted.

**NOTE 13 – ENVIRONMENTAL REMEDIATION**

In 2005, the Port acquired the real property assets of Georgia Pacific West Corporation ("GP") 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 \$186,300,000 as of 12/31/2023. This is a \$8.7 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

**NOTE 13 – ENVIRONMENTAL REMEDIATION (continued)**

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 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 \$16,610,000, 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 \$62 million through the current biennia, of which just over \$55 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. Activities related to cleanup sites was ongoing engineering, design and permitting and the continued implementation of an in-situ bioremediation program. 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

**NOTE 13 – ENVIRONMENTAL REMEDIATION (continued)**

Waterway Phase I Cleanup. Construction began in June 2015 and was completed in June 2016. At the end of 2023, the remaining estimated cost for future phases of the Whatcom Waterway cleanup site with contingency was \$68,687,966.

The Port has, as part of its environmental cleanup efforts, a number of monitoring wells on various contaminated sites, ranging from .75” – 8” in diameter. These wells will be decommissioned when the individual sites are cleaned up and no longer require monitoring. The Port estimates the cost to decommission these monitoring wells will be approximately \$498 thousand over the course of many years. The cost of decommissioning is included in the environmental liability that is listed on the Port’s Statement of Net Position.

**NOTE 14 – 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 agreement allowed the lessee to secure financing for the construction of the buildings. At the end of the agreement, unless a separate renewal is negotiated, the Port has the option of requiring the lessee to remove the buildings or to transfer ownership to the Port.

The Deferred Inflows of Resources represents the \$2,478,504 unearned balance of these agreements.

**NOTE 15 – 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 at <https://www.portwhitman.com/>.

The Port of Bellingham initially contributed \$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. Through 2023, the Port’s share of Petrichor’s net income was \$187,948. The Port also took a withdrawal of \$125,000 in 2023, leaving a balance of \$262,948 which is listed on the Port of Bellingham’s Statement of Net Position as a Joint Venture.

**NOTE 15 – JOINT VENTURES (continued)**

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 16 – LEASES - LESSOR**

The Port is a lessor for various noncancellable leases of land and office and retail facilities.

For leases with a maximum possible term of 12 months or less at commencement, revenue is recognized based on the provisions of the lease contract. For all other leases, the Port recognizes a lease receivable, and a deferred inflow of resources. The total amount received, principal and interest, for 2023 was \$13,877,379, across all divisions of the Port that leases property.

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

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

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

The Port determined the discount rate as follows for leases with a commencement date prior to January 1, 2023:

**NOTE 16 – LEASES - LESSOR (continued)**

| <b>Total Lease Payments Over the Lease Term Plus Options to Extend</b> | <b>Discount Rate used</b> |
|------------------------------------------------------------------------|---------------------------|
| Loans Under 7 Years:                                                   |                           |
| \$50,000 or more                                                       | Prime + 2.25%             |
| \$25,001 - \$49,999                                                    | Prime + 3.25%             |
| \$25,000 or less                                                       | Prime + 4.25%             |
|                                                                        |                           |
| Loans Over 7 Years:                                                    |                           |
| \$50,000 or more                                                       | Prime + 2.75%             |
| \$25,001 - \$49,999                                                    | Prime + 3.75%             |
| \$25,000 or less                                                       | Prime + 4.75%             |

For leases with a commencement date of January 1, 2023 or later, the Port determined the discount rate as follows:

| <b>Total Lease Payments Over the Lease Term Plus Options to Extend</b> | <b>Discount Rate used</b> |
|------------------------------------------------------------------------|---------------------------|
| \$350,001 or more                                                      | Prime + 3%                |
| \$250,001 - \$350,000                                                  | Prime + 4%                |
| \$50,001 - \$250,000                                                   | Prime + 4.5%              |
| \$50,000 or less                                                       | Prime + 6.5%              |

- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The Port monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**NOTE 16 – LEASES - LESSOR (continued)**

As of December 31, 2023, future lease receivable principal and interest payments are as follows:

| <b>Year Ended<br/>December 31</b> | <b>Principal</b>     | <b>Interest</b>      | <b>Total</b>          |
|-----------------------------------|----------------------|----------------------|-----------------------|
| 2024                              | \$ 4,523,771         | \$ 4,734,793         | \$ 9,258,564          |
| 2025                              | \$ 4,367,294         | \$ 4,458,530         | \$ 8,825,824          |
| 2026                              | \$ 4,200,831         | \$ 4,207,566         | \$ 8,408,397          |
| 2027                              | \$ 3,954,709         | \$ 3,962,015         | \$ 7,916,724          |
| 2028                              | \$ 3,523,766         | \$ 3,748,071         | \$ 7,271,837          |
| 2029-2033                         | \$ 15,813,525        | \$ 15,829,944        | \$ 31,643,469         |
| 2034-2038                         | \$ 10,600,510        | \$ 11,868,803        | \$ 22,469,313         |
| 2039-2043                         | \$ 8,544,493         | \$ 9,145,506         | \$ 17,689,999         |
| 2044-2048                         | \$ 4,625,797         | \$ 7,160,609         | \$ 11,786,406         |
| 2049-2053                         | \$ 3,432,307         | \$ 6,070,267         | \$ 9,502,574          |
| 2054-2058                         | \$ 3,892,410         | \$ 5,009,943         | \$ 8,902,353          |
| 2059-2063                         | \$ 3,280,636         | \$ 3,838,485         | \$ 7,119,121          |
| 2064-2068                         | \$ 1,909,534         | \$ 3,173,086         | \$ 5,082,620          |
| 2069-2073                         | \$ 2,154,115         | \$ 2,566,650         | \$ 4,720,765          |
| 2074-2078                         | \$ 1,964,865         | \$ 1,948,723         | \$ 3,913,588          |
| 2079-2083                         | \$ 1,331,563         | \$ 1,469,506         | \$ 2,801,069          |
| 2084-2088                         | \$ 1,641,121         | \$ 1,053,788         | \$ 2,694,909          |
| 2089-2093                         | \$ 1,686,937         | \$ 520,560           | \$ 2,207,497          |
| 2094-2098                         | \$ 828,659           | \$ 158,204           | \$ 986,863            |
| 2099-2103                         | \$ 209,042           | \$ 15,606            | \$ 224,648            |
| <b>Total</b>                      | <b>\$ 82,485,885</b> | <b>\$ 90,940,655</b> | <b>\$ 173,426,540</b> |

**NOTE 17 – OTHER DISCLOSURES**

In 2015, the Port Commission approved a Master Development Agreement (MDA) with Harcourt Bellingham LLC 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 believed they would 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 engaged Harcourt in discussions for possible resolutions that included a sizeable reduction in the property available to Harcourt for development. The end result of the negotiations was a Restated and Amended Master Development Agreement, entered

**NOTE 17 – OTHER DISCLOSURES (continued)**

into in 2021, providing Harcourt with exclusive development rights for just over 9 acres. Following successful development of the nine acres, Harcourt would have the option of picking up another approximate three acres. Harcourt missed a deadline of obtaining an occupancy permit by mid October 2023. Based upon that missed deadline and other non-compliance issues, the Port notified Harcourt that it was in default under the Restated MDA. The Port's position is that Harcourt no longer had the right to develop the 9 acres or any other properties in the downtown waterfront district and the Port was excused from considering any future project development approval process steps. Harcourt will continue to develop the properties already under its ownership, specifically the granary Building and the three residential condominium buildings. Harcourt disputes the loss of the development rights and as of this writing the Port and Harcourt have made legal filings asserting their respective positions.

In early 2022 the Port issued an RFP for one of the former Georgia Pacific Buildings known as the Boardmill Building. After reviewing the responses the Port selected a proposal from The Boardmill Group, LLC to convert the building into a hotel and construct residential units and a parking garage on an approximate three acre parcel. Since that selection was made the Port has been negotiating a purchase and sale agreement with the Boardmill Group and the group is in the permitting process with the City of Bellingham.

In 2022, the Port sold a portion of the Lignin Site to Mercy Housing Northwest. This project, scheduled for completion in early 2024 will provide approximately 80 units of affordable housing, and a seven-classroom early learning center. In 2022 the Port also entered into an Option to Purchase with the Whatcom Community Foundation to develop the remaining portion of the Lignin site. The Foundation is currently in the early permitting phase for that development but it is anticipated that workforce housing, offices and a potential commissary kitchen are planned in the next building.

The Port has realized tremendous success with public access on the undeveloped property. A bicycle pump track was installed, and the use of this feature far exceeds expectations. Since the initial track was built it has been expanded twice. In 2021, Kulshan Brewery opened an extensive outdoor venue that included several containers and a stage. Also in 2021, Selkie Scoop opened an ice cream shop in a container. In 2022, phase two commenced, when three more businesses were located in containers: Sunnyland Bike for bike rental and repair; Rain or Shine Riviera Club, which is a Filling Station restaurant featuring hamburgers; and Our Kitchen, operated by the Dish Foundation, serving a variety of soft drinks and freshly baked goods. In 2023 the Port added more containers and more businesses are expected to open for the 2024 season, including Zeeks Pizza, Bin 13 Wine Bar and another rotating container. Planning for the next phase is underway, with 4-6 containers being added in the next off-season.

# **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\*

|                                                                                                | 2023         | 2022         | 2021      | 2020      | 2019      | 2018      | 2017      | 2016      | 2015      |
|------------------------------------------------------------------------------------------------|--------------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Employer's proportion of the net pension liability (asset)                                     | 0.050002%    | 0.045379%    | 0.044197% | 0.042003% | 0.044582% | 0.048569% | 0.052360% | 0.053036% | 0.056592% |
| Employer's proportionate share of the net pension liability (asset)                            | \$ 1,141,412 | \$ 1,263,518 | 539,749   | 1,482,933 | 1,714,336 | 2,169,108 | 2,484,523 | 2,848,283 | 2,960,288 |
| Covered payroll                                                                                | \$ 8,548,022 | \$ 7,496,225 | 6,520,887 | 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 | 13.35%       | 16.86%       | 8.28%     | 23.23%    | 27.34%    | 33.92%    | 38.22%    | 45.33%    | 46.98%    |
| Plan fiduciary net position as a percentage of the total pension liability                     | 80.16%       | 76.56%       | 88.74%    | 68.64%    | 67.12%    | 63.22%    | 61.24%    | 57.03%    | 59.10%    |

**Notes to Schedule:**

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

## 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\*

|                                                                                                | 2023           | 2022           | 2021           | 2020      | 2019      | 2018      | 2017      | 2016      | 2015      |
|------------------------------------------------------------------------------------------------|----------------|----------------|----------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Employer's proportion of the net pension liability (asset)                                     | 0.064383%      | 0.059345%      | 0.056776%      | 0.054694% | 0.057544% | 0.061581% | 0.065669% | 0.066231% | 0.069443% |
| Employer's proportionate share of the net pension liability (asset)                            | \$ (2,638,855) | \$ (2,200,976) | \$ (5,655,803) | 699,505   | 558,948   | 1,051,441 | 2,281,684 | 3,334,679 | 2,481,238 |
| Covered payroll                                                                                | \$ 8,548,022   | \$ 7,496,225   | 6,520,887      | 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 | -30.87%        | -29.36%        | -86.73%        | 10.96%    | 8.91%     | 16.52%    | 35.49%    | 53.67%    | 40.28%    |
| Plan fiduciary net position as a percentage of the total pension liability                     | 107.02%        | 106.73%        | 120.29%        | 97.22%    | 97.77%    | 95.77%    | 90.97%    | 85.82%    | 89.20%    |

**Notes to Schedule:**

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

## 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\*

|                                                                                                | 2023         | 2022         | 2021      | 2020      | 2019       | 2018       |
|------------------------------------------------------------------------------------------------|--------------|--------------|-----------|-----------|------------|------------|
| Employer's proportion of the net pension liability (asset)                                     | 0.022805%    | 0.017579%    | 0.015564% | 0.016847% | -0.018915% | -0.006788% |
| Employer's proportionate share of the net pension liability (asset)                            | \$ (547,000) | \$ (477,744) | (904,022) | (343,654) | (438,202)  | (137,811)  |
| Covered payroll                                                                                | \$ 965,777   | \$ 710,823   | 581,240   | 633,958   | 664,034    | 251,101    |
| Employer's proportionate share of the net pension liability as a percentage of covered payroll | -56.64%      | -67.21%      | -155.53%  | -54.21%   | -65.99%    | -54.88%    |
| Plan fiduciary net position as a percentage of the total pension liability                     | 113.17%      | 116.09%      | 142.00%   | 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.

## 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>2023</u>      | <u>2022</u>      | <u>2021</u>      | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      |
|--------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Statutorily or contractually required contributions                                  | \$ 311,733       | \$ 292,369       | \$ 291,873       | \$ 310,401       | \$ 312,702       | \$ 313,986       | \$ 325,894       | \$ 308,617       | \$ 278,880       |
| Contributions in relation to the statutorily or contractually required contributions | <u>(311,733)</u> | <u>(292,369)</u> | <u>(291,873)</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> |
| Contribution deficiency (excess)                                                     | <u>0</u>         | <u>0</u>         | <u>0</u>         | <u>0</u>         | <u>0</u>         | <u>0</u>         | <u>0</u>         | <u>0</u>         | <u>0</u>         |
| Covered payroll                                                                      | \$ 9,173,713     | \$ 7,787,270     | \$ 6,842,673     | \$ 6,471,142     | \$ 6,323,256     | \$ 6,204,547     | \$ 6,559,615     | \$ 6,378,187     | \$ 6,267,999     |
| Contributions as a percentage of covered payroll                                     | 3.40%            | 3.75%            | 4.27%            | 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\*

|                                                                                      | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         |
|--------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily or contractually required contributions                                  | \$ 583,449   | \$ 495,271   | \$ 486,312   | \$ 512,515   | \$ 488,136   | \$ 464,968   | \$ 445,755   | \$ 392,981   | \$ 360,162   |
| Contributions in relation to the statutorily or contractually required contributions | (583,449)    | (495,271)    | (486,312)    | (512,515)    | (488,136)    | (464,968)    | (445,755)    | (392,981)    | (360,162)    |
| Contribution deficiency (excess)                                                     | <u>0</u>     | <u>0</u>     | <u>0</u>     | <u>0</u>     | <u>0</u>     | <u>0</u>     | <u>0</u>     | <u>0</u>     | <u>0</u>     |
| Covered payroll                                                                      | \$ 8,548,022 | \$ 7,787,270 | \$ 6,842,673 | \$ 6,471,142 | \$ 6,323,256 | \$ 6,204,547 | \$ 6,494,309 | \$ 6,307,906 | \$ 6,198,827 |
| Contributions as a percentage of covered payroll                                     | 6.83%        | 6.36%        | 7.11%        | 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>2023</u>     | <u>2022</u>     | <u>2021</u>     | <u>2020</u>     | <u>2019</u>     | <u>2018</u>     |
|--------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Statutorily or contractually required contributions                                  | \$ 59,300       | \$ 35,247       | \$ 33,913       | \$ 29,571       | \$ 35,048       | \$ 30,561       |
| Contributions in relation to the statutorily or contractually required contributions | <u>(59,300)</u> | <u>(35,247)</u> | <u>(33,913)</u> | <u>(29,571)</u> | <u>(35,048)</u> | <u>(30,561)</u> |
| Contribution deficiency (excess)                                                     | <u><u>0</u></u> | <u><u>0</u></u> | <u><u>0</u></u> | <u><u>0</u></u> | <u><u>0</u></u> | <u><u>0</u></u> |
| Covered payroll                                                                      | \$ 1,158,209    | \$ 688,418      | \$ 660,612      | \$ 574,200      | \$ 674,070      | \$ 582,117      |
| Contributions as a percentage of covered payroll                                     | 5.12%           | 5.12%           | 5.13%           | 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.

## ***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 2014 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 9 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 March 2024

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**

|                                             | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 |
|---------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Operating Revenues</b>                   |                      |                      |                      |                      |                      |
| Aviation                                    | \$ 7,786,229         | \$ 6,532,421         | \$ 6,263,702         | \$ 6,499,164         | \$ 7,196,686         |
| Marinas                                     | 7,037,728            | 7,328,815            | 7,530,848            | 7,798,850            | 8,198,208            |
| Marine Terminals                            | 2,275,401            | 2,247,820            | 2,141,421            | 2,013,899            | 2,304,968            |
| Real Estate                                 | 7,084,016            | 7,210,802            | 7,017,044            | 7,091,123            | 7,827,889            |
| Other                                       | 334,232              | 364,871              | 331,763              | 359,406              | 326,892              |
| Total                                       | <b>24,517,606</b>    | <b>23,684,729</b>    | <b>23,284,778</b>    | <b>23,762,442</b>    | <b>25,854,643</b>    |
| <b>Operating Expenses</b>                   |                      |                      |                      |                      |                      |
| Direct                                      | 14,339,229           | 13,844,115           | 14,455,137           | 14,538,825           | 14,960,589           |
| Administrative                              | 2,298,952            | 2,098,988            | 2,285,811            | 2,175,359            | 1,798,571            |
| Depreciation                                | 10,020,327           | 10,487,728           | 12,823,245           | 12,347,194           | 13,019,004           |
| Total                                       | <b>26,658,508</b>    | <b>26,430,831</b>    | <b>29,564,193</b>    | <b>29,061,378</b>    | <b>29,778,164</b>    |
| <b>Operating Income (Loss)</b>              | <b>(2,140,902)</b>   | <b>(2,746,102)</b>   | <b>(6,279,415)</b>   | <b>(5,298,936)</b>   | <b>(3,923,521)</b>   |
| <b>Non-Operating Revenues<sup>(1)</sup></b> |                      |                      |                      |                      |                      |
| Ad valorem tax revenues                     | 6,823,011            | 6,984,715            | 7,098,188            | 7,044,355            | 7,213,543            |
| Interest Income                             | 272,265              | 146,258              | 229,118              | 463,926              | 785,570              |
| Gain on disposition of assets               | (1,057)              | -                    | (791,031)            | (18,653)             | 688,928              |
| Environmental Insurance                     |                      |                      | 6,129,968            | (883,550)            | 3,180,149            |
| Other non-operating revenues                | 2,428,277            | 19,991,103           | 26,552,481           | 3,446,122            | 2,311,564            |
| Total                                       | <b>9,522,496</b>     | <b>27,122,076</b>    | <b>39,218,724</b>    | <b>10,052,200</b>    | <b>14,179,754</b>    |
| <b>Non-Operating Expenses</b>               |                      |                      |                      |                      |                      |
| Interest Expense                            | (10,634)             | (899,515)            | (894,949)            | (1,245,416)          | (1,344,153)          |
| Environmental Remediation                   | (5,942,542)          | (18,867,882)         | (21,159,547)         | (8,497,119)          | (9,096,701)          |
| Other non-operating expenses                | (2,788,985)          | (397,925)            | (324,148)            | (616,296)            | (393,231)            |
| Total                                       | <b>(8,742,161)</b>   | <b>(20,165,322)</b>  | <b>(22,378,644)</b>  | <b>(10,358,831)</b>  | <b>(10,834,085)</b>  |
| <b>Capital Contributions</b>                | <b>2,974,980</b>     | <b>9,289,273</b>     | <b>9,013,152</b>     | <b>5,467,738</b>     | <b>3,823,649</b>     |
| <b>Increase (Decrease in net position)</b>  | <b>1,614,413</b>     | <b>13,499,925</b>    | <b>19,573,817</b>    | <b>(137,829)</b>     | <b>3,245,797</b>     |
| <b>Total Net Position</b>                   |                      |                      |                      |                      |                      |
| Beginning of Year                           | \$218,425,062        | \$220,039,475        | \$227,716,587        | \$247,290,404        | \$247,152,575        |
| Change in Accounting Principles             |                      | (5,822,813)          |                      |                      |                      |
| <b>End of Year</b>                          | <b>\$220,039,475</b> | <b>\$227,716,587</b> | <b>\$247,290,404</b> | <b>\$247,152,575</b> | <b>\$250,398,372</b> |

(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**

|                                             | 2019                 | 2020                 | 2021                 | 2022                 | 2023                 |
|---------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Operating Revenues</b>                   |                      |                      |                      |                      |                      |
| Aviation                                    | \$ 6,729,943         | \$ 3,363,086         | \$ 4,161,441         | \$ 6,926,931         | \$ 6,984,666         |
| Marinas                                     | 8,579,721            | 8,883,309            | 9,313,152            | 9,711,597            | 10,113,773           |
| Marine Terminals                            | 2,667,666            | 2,409,662            | 2,775,940            | 3,477,066            | 3,964,753            |
| Real Estate                                 | 8,138,866            | 8,144,108            | 8,400,011            | 6,443,314            | 6,470,701            |
| Other                                       | 351,151              | 102,223              | 302,283              | 397,120              | 469,608              |
| Total                                       | <b>26,467,347</b>    | <b>22,902,388</b>    | <b>24,952,827</b>    | <b>26,956,028</b>    | <b>28,003,501</b>    |
| <b>Operating Expenses</b>                   |                      |                      |                      |                      |                      |
| Direct                                      | 16,121,673           | 15,196,081           | 17,029,987           | 19,660,134           | 25,039,096           |
| Administrative                              | 1,899,125            | 1,854,817            | 565,034              | 2,804,826            | 2,501,726            |
| Depreciation                                | 13,083,323           | 13,602,701           | 13,794,155           | 14,882,357           | 14,744,194           |
| Total                                       | <b>31,104,121</b>    | <b>30,653,599</b>    | <b>31,389,176</b>    | <b>37,347,317</b>    | <b>42,285,016</b>    |
| <b>Operating Income (Loss)</b>              | <b>(4,636,774)</b>   | <b>(7,751,211)</b>   | <b>(6,436,349)</b>   | <b>(10,391,289)</b>  | <b>(14,281,515)</b>  |
| <b>Non-Operating Revenues<sup>(1)</sup></b> |                      |                      |                      |                      |                      |
| Ad valorem tax revenues                     | 7,310,137            | 7,454,249            | 7,565,592            | 7,777,403            | 7,971,300            |
| Interest Income                             | 1,191,805            | 428,702              | 28,709               | 5,599,290            | 8,253,971            |
| Gain (loss) on disposition of assets        | 1,372                | (38,013)             | (1,175,718)          | 2,780,443            | (1,393,351)          |
| Environmental Insurance                     | 120,632              | 12,236,711           | 346,653              | 417,806              | 574,388              |
| Other non-operating revenues                | 13,268,044           | 7,525,916            | 5,068,291            | 7,275,728            | 15,023,620           |
| Total                                       | <b>21,891,990</b>    | <b>27,607,565</b>    | <b>11,833,527</b>    | <b>23,850,670</b>    | <b>30,429,928</b>    |
| <b>Non-Operating Expenses</b>               |                      |                      |                      |                      |                      |
| Interest Expense                            | (694,796)            | (2,712,604)          | (1,264,242)          | (1,115,936)          | (781,485)            |
| Environmental Remediation                   | (2,086,548)          | (14,553,429)         | (6,656,975)          | (13,365,742)         | (2,121,200)          |
| Other non-operating expenses                | (875,381)            | (1,767,041)          | (1,819,211)          | (206,101)            | (1,098,333)          |
| Total                                       | <b>(3,656,725)</b>   | <b>(19,033,074)</b>  | <b>(9,740,428)</b>   | <b>(14,687,779)</b>  | <b>(4,001,018)</b>   |
| <b>Capital Contributions</b>                | <b>2,093,294</b>     | <b>2,851,438</b>     | <b>3,544,337</b>     | <b>9,446,530</b>     | <b>9,594,417</b>     |
| <b>Increase (Decrease in net position)</b>  | <b>15,691,785</b>    | <b>3,674,718</b>     | <b>(798,913)</b>     | <b>8,218,132</b>     | <b>21,741,812</b>    |
| <b>Total Net Position</b>                   |                      |                      |                      |                      |                      |
| Beginning of Year                           | <u>\$250,398,372</u> | <u>\$266,090,157</u> | <u>\$269,764,875</u> | <u>\$268,965,962</u> | <u>\$277,184,094</u> |
| Change in Accounting Principles             |                      |                      |                      |                      |                      |
| <b>End of Year</b>                          | <b>\$266,090,157</b> | <b>\$269,764,875</b> | <b>\$268,965,962</b> | <b>\$277,184,094</b> | <b>\$298,925,906</b> |

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

**Net Position by Component  
Last Ten Years**

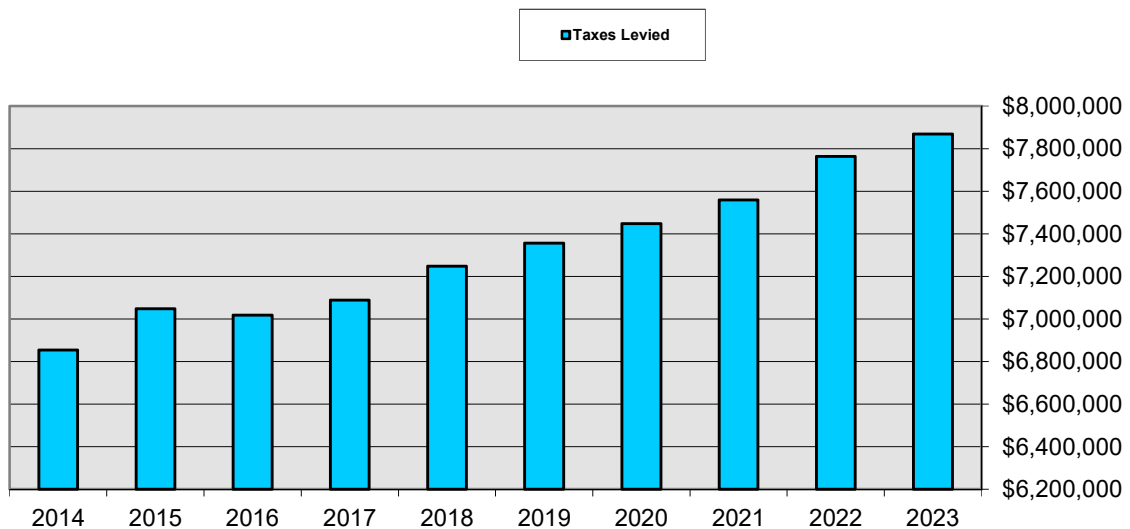
|                           | 2014                | 2015                | 2016                | 2017                | 2018                |
|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Net investment in capital |                     |                     |                     |                     |                     |
| assets                    | \$ 253,142,385      | \$ 256,672,025      | \$ 267,636,184      | \$ 278,993,397      | \$ 281,687,760      |
| Restricted                | 5,657,689           | 5,644,979           | 5,733,325           | 5,498,758           | 5,636,916           |
| Unrestricted              | <u>(38,760,599)</u> | <u>(34,600,417)</u> | <u>(26,079,105)</u> | <u>(37,339,580)</u> | <u>(36,926,304)</u> |
| Total net position        | <b>220,039,475</b>  | <b>227,716,587</b>  | <b>247,290,404</b>  | <b>247,152,575</b>  | <b>250,398,372</b>  |

**Net Position by Component  
Last Ten Years**

|                                  | 2019                | 2020                | 2021                | 2022                | 2023                |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Net investment in capital assets | \$ 284,332,618      | \$ 279,783,081      | \$ 285,826,943      | \$ 292,228,993      | \$ 304,649,158      |
| Restricted                       | 4,090,690           | 3,655,741           | 4,612,942           | 6,389,274           | 7,552,414           |
| Unrestricted                     | <u>(22,333,151)</u> | <u>(13,673,947)</u> | <u>(21,473,923)</u> | <u>(21,434,173)</u> | <u>(13,275,666)</u> |
| Total net position               | <b>266,090,157</b>  | <b>269,764,875</b>  | <b>268,965,962</b>  | <b>277,184,094</b>  | <b>298,925,906</b>  |

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

| Year | Taxes Levied<br>for the<br>Fiscal Year <sup>(a)</sup> | Collected within the<br>Fiscal Year of the Levy |                       | Collections in<br>Subsequent<br>Periods | Total Collections to Date |                       |
|------|-------------------------------------------------------|-------------------------------------------------|-----------------------|-----------------------------------------|---------------------------|-----------------------|
|      |                                                       | Amount                                          | Percentage<br>of Levy |                                         | Amount                    | Percentage<br>of Levy |
| 2023 | \$7,868,484                                           | 7,773,793                                       | 98.80%                | N/A                                     | 7,773,793                 | 98.80%                |
| 2022 | \$7,763,833                                           | 7,689,086                                       | 99.04%                | 40,923                                  | 7,730,009                 | 99.56%                |
| 2021 | \$7,559,363                                           | 7,396,448                                       | 97.84%                | 147,402                                 | 7,543,850                 | 99.79%                |
| 2020 | \$7,447,339                                           | 7,355,039                                       | 98.76%                | 92,108                                  | 7,447,147                 | 100.00%               |
| 2019 | \$7,356,291                                           | 7,229,415                                       | 98.28%                | 126,704                                 | 7,356,119                 | 100.00%               |
| 2018 | \$7,247,004                                           | 7,111,458                                       | 98.13%                | 135,482                                 | 7,246,940                 | 100.00%               |
| 2017 | \$7,088,810                                           | 7,029,332                                       | 99.16%                | 59,421                                  | 7,088,753                 | 100.00%               |
| 2016 | \$7,017,663                                           | 6,929,869                                       | 98.75%                | 87,759                                  | 7,017,628                 | 100.00%               |
| 2015 | \$7,047,799                                           | 6,888,112                                       | 97.73%                | 159,647                                 | 7,047,759                 | 100.00%               |
| 2014 | \$6,853,282                                           | 6,719,737                                       | 98.05%                | 133,450                                 | 6,853,187                 | 100.00%               |

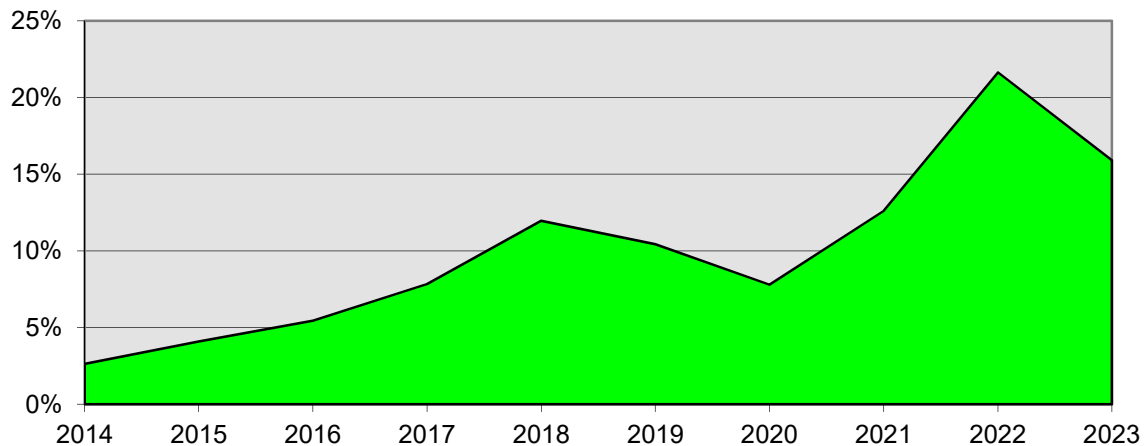


(a) Includes cancellations and supplements, and may differ from the totals reported by Whatcom County by an immaterial amount.

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 |
|--------|------|------------------|-------------------|------------------|------------------|------------|-----------------------|
| 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                 |
| 2021   | 2022 | \$41,427,605,329 | \$827,623,721     | \$902,246,919    | \$43,157,475,969 | 12.6%      | 0.173                 |
| 2022   | 2023 | \$50,720,172,783 | \$877,365,607     | \$896,950,973    | \$52,494,489,363 | 21.6%      | 0.149                 |
| 2023   | 2024 | \$59,044,719,510 | \$977,400,188     | \$818,717,474    | \$60,840,837,172 | 15.9%      | 0.128                 |



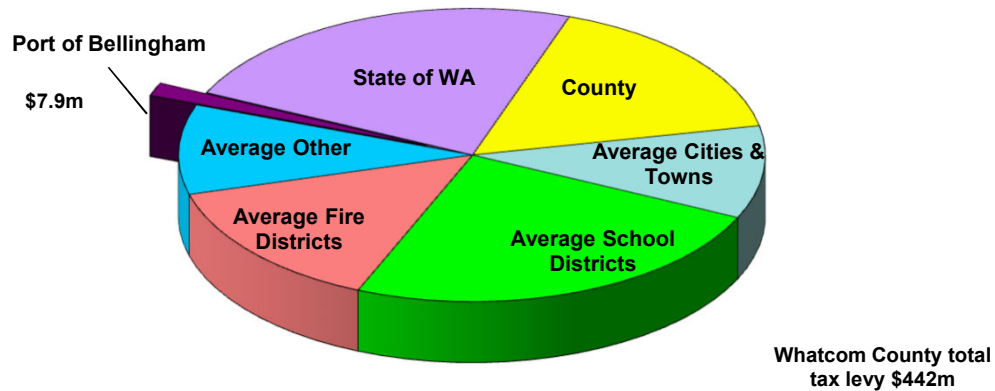
Source: Whatcom County Assessor's Office Tax Booklet online

\* 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 |
|------|--------------------|-------------|--------|------------------------|--------------------------|------------------------|---------------|----------------------------|
| 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                      |
| 2021 | 0.198              | 3.071       | 2.013  | 1.375                  | 3.206                    | 1.273                  | 1.259         | 8.946                      |
| 2022 | 0.181              | 2.826       | 1.822  | 1.225                  | 2.892                    | 1.246                  | 1.851         | 7.705                      |
| 2023 | 0.150              | 2.423       | 1.708  | 1.062                  | 2.527                    | 1.485                  | 1.027         | 7.264                      |

**2023 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, 2023**

**INDEBTEDNESS FOR GENERAL PURPOSES**

2023 Assessed Value of Taxable Property in the Taxing District \$60,840,837,172

Legal Limit at 3/4 of 1% of Property Value \$456,306,279

**GENERAL PURPOSE INDEBTEDNESS INCURRED**

Current G.O. Bond Liabilities:

2016 G.O. Bond 1,595,000

**Total General Purpose Indebtedness \$1,595,000**

Restricted Cash and Investments:

G.O. Bond Cash 4,287

**Total \$4,287**

**Excess Liabilities Over Assets \$1,590,713**

**Margin of Indebtedness Available \$454,715,566**

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 \$150,511,380**

**Computation of Direct & Overlapping Bonded Debt  
General Obligation Bonds  
As of December 31, 2023**

| <b>Jurisdiction</b> | <b>Gross Debt<br/>Outstanding</b> | <b>Percentage<br/>Applicable to<br/>Port of Bellingham</b> | <b>Amount<br/>Applicable to<br/>Port of Bellingham</b> |
|---------------------|-----------------------------------|------------------------------------------------------------|--------------------------------------------------------|
| Cities and Towns    | 41,222,251                        | 100.00%                                                    | \$41,222,251                                           |
| Port of Bellingham  | 1,595,000                         | 100.00%                                                    | \$1,595,000                                            |
| Whatcom County      | 1,235,000                         | 100.00%                                                    | \$1,235,000                                            |
| <b>Totals</b>       | <b>\$44,052,251</b>               |                                                            | <b>\$44,052,251</b>                                    |

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

**Revenue Bond Coverage  
Last Ten Years**

| Year | Gross<br>Operating<br>Revenues | Direct<br>Operating<br>Expenses | Net<br>Non Operating<br>Revenues (1) | Net Revenue<br>Available for<br>Debt Service | Debt Service Requirements |             |             | Coverage<br>Ratio (2) |
|------|--------------------------------|---------------------------------|--------------------------------------|----------------------------------------------|---------------------------|-------------|-------------|-----------------------|
|      |                                |                                 |                                      |                                              | Revenue Bonds             |             | Total       |                       |
|      |                                |                                 |                                      |                                              | Principal                 | Interest    |             |                       |
| 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                  |
| 2021 | \$24,952,827                   | \$17,595,021                    | \$6,371,274                          | \$13,729,080                                 | \$1,880,000               | \$1,139,075 | \$3,019,075 | 4.55                  |
| 2022 | \$26,956,028                   | \$22,464,960                    | \$18,343,081                         | \$22,834,149                                 | \$1,960,000               | \$1,064,150 | \$3,024,150 | 7.55                  |
| 2023 | \$28,003,501                   | \$27,540,822                    | \$23,602,346                         | \$24,065,025                                 | \$2,050,000               | \$972,500   | \$3,022,500 | 7.96                  |

(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**

| <b>Fiscal Year<br/>Ended</b> | <b>Population<sup>(1)</sup></b> | <b>Per capita<br/>personal<br/>income<sup>(2)</sup></b> | <b>Non Farm<br/>Employment<sup>(3)</sup></b> | <b>Unemployment<br/>Rate<sup>(4)</sup></b> | <b>School<br/>Enrollment<sup>(5)</sup></b> |
|------------------------------|---------------------------------|---------------------------------------------------------|----------------------------------------------|--------------------------------------------|--------------------------------------------|
| 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                                       | 6.3%                                       | 29,045                                     |
| 2020                         | 228,000                         | 52,787                                                  | 89,100                                       | 4.9%                                       | 27,297                                     |
| 2021                         | 226,300                         | 58,137                                                  | 93,800                                       | 7.8%                                       | 27,337                                     |
| 2022                         | 231,650                         | 58,933                                                  | 97,700                                       | 5.3%                                       | 27,752                                     |
| 2023                         | 235,800                         | NA                                                      | 96,900                                       | 4.3%                                       | 27,800                                     |

## 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) Washington State Employment Security Dept, Employment Security Department/DATA; U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics
- (5) 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**

| <b>Year</b> | <b>Revenue<br/>Bonds<br/>(net)<sup>(1)</sup></b> | <b>General<br/>Obligation<br/>Bonds (net)<sup>(1)</sup></b> | <b>Notes<br/>Payable<br/>&amp; other</b> | <b>Total<br/>Government<br/>Debt</b> | <b>Percentage<br/>of personal<br/>income</b> | <b>Per<br/>Capita</b> |
|-------------|--------------------------------------------------|-------------------------------------------------------------|------------------------------------------|--------------------------------------|----------------------------------------------|-----------------------|
| 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                         | 0.34%                                        | 173.12                |
| 2020        | \$27,597,791                                     | \$4,003,883                                                 | \$5,625,267                              | \$37,226,941                         | 0.31%                                        | 163.28                |
| 2021        | \$25,693,637                                     | \$3,226,117                                                 | \$5,033,623                              | \$33,953,377                         | 0.26%                                        | 150.04                |
| 2022        | \$23,656,060                                     | \$2,439,312                                                 | \$3,918,053                              | \$30,013,425                         | 0.22%                                        | 129.56                |
| 2023        | \$21,320,823                                     | \$1,644,600                                                 | \$3,226,522                              | \$26,191,945                         | NA                                           | 110.16                |

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 2023 personal income.

N/A: Not available at time of printing

**Principal Employers of Whatcom County**  
**Current Year and 2014 (9 Years Prior)**

|                               | 2023          |      |                                                | 2014         |      |                                                |
|-------------------------------|---------------|------|------------------------------------------------|--------------|------|------------------------------------------------|
|                               | Employees     | Rank | Percentage<br>of total<br>county<br>employment | Employees    | Rank | Percentage<br>of total<br>county<br>employment |
| St. Joseph Medical Center     | 3,588         | 1    | 3.70%                                          | 2750         | 1    | 3.17%                                          |
| Western Washington University | 2,486         | 2    | 2.57%                                          | 1072         | 3    | 1.74%                                          |
| Bellingham School District    | 1,714         | 3    | 1.77%                                          | 946          | 4    | 0.90%                                          |
| Lummi Nation                  | 1,698         | 4    | 1.75%                                          | 760          | 2    | 0.87%                                          |
| The City of Bellingham        | 1,073         | 5    | 1.11%                                          | 813          | 7    | 0.97%                                          |
| Whatcom County                | 959           | 6    | 0.99%                                          | 774          | 5    | 0.92%                                          |
| Whatcom Community College     | 832           | 7    | 0.86%                                          | 439          | 31   | 0.52%                                          |
| Haggen                        | 715           | 8    | 0.74%                                          | 735          | 9    | 0.87%                                          |
| BP Cherry Point Refinery      | 700           | 9    | 0.72%                                          | 779          | 6    | 0.93%                                          |
| LTI, Inc                      | 557           | 10   | 0.57%                                          |              |      | 0.00%                                          |
| <b>Total</b>                  | <b>14,322</b> |      | <b>14.78%</b>                                  | <b>9,068</b> |      | <b>10.89%</b>                                  |

Source: Western Washington University Center for Economic and Business Research, 2023

Number of employees are as reported by the individual businesses as permanent and full time.

N/A: Not available at time of publication.

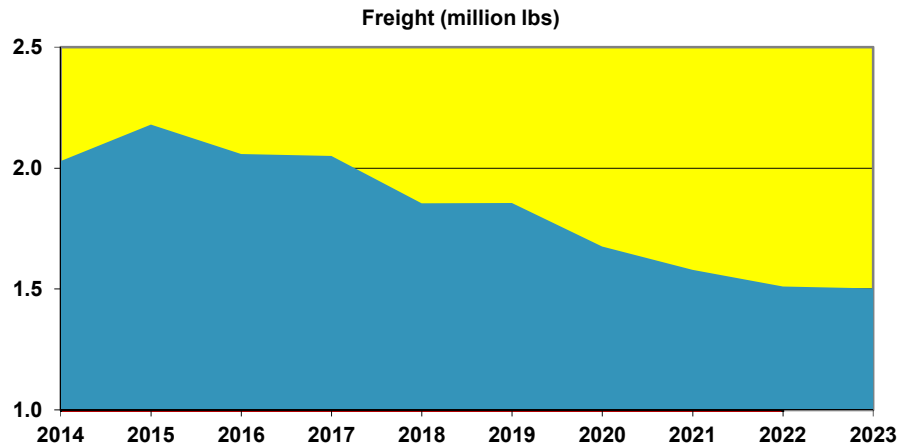
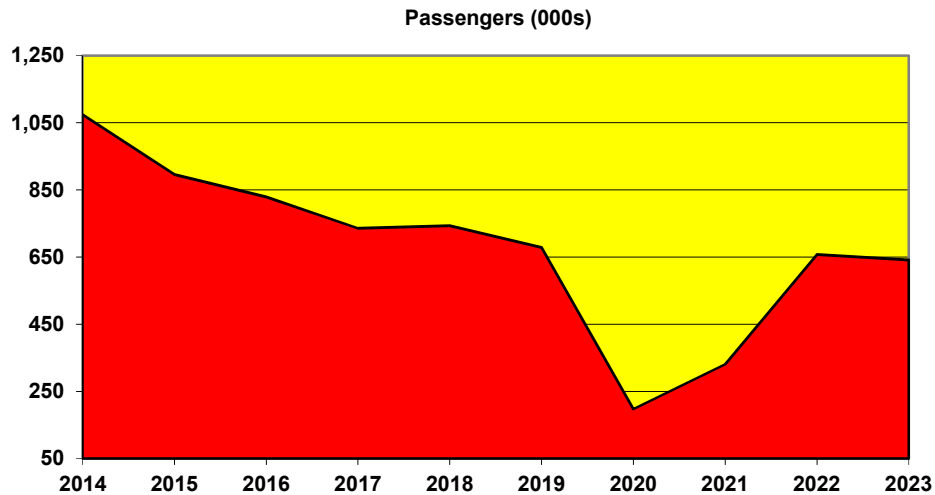
**Number of Employees by Division  
Current Year 2023**

| <b>Division</b>      | <b>Number<br/>of Employees</b> | <b>Percentage<br/>of Employees</b> |
|----------------------|--------------------------------|------------------------------------|
| Aviation             | 23                             | 17.42%                             |
| Marinas*             | 13                             | 9.85%                              |
| Marine Terminals*    | 8                              | 6.06%                              |
| Real Estate          | 7                              | 5.30%                              |
| Planning             | 2                              | 1.52%                              |
| Facilities*          | 32                             | 24.24%                             |
| Administration       | 20                             | 15.15%                             |
| Executive            | 6                              | 4.55%                              |
| Environmental        | 5                              | 3.79%                              |
| Economic Development | 3                              | 2.27%                              |
| Public Priorities    | 13                             | 9.85%                              |
| <b>Totals</b>        | <b>132</b>                     | <b>100.00%</b>                     |

\*Includes temporary, seasonal employees

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

| Year | Passengers |          | Total     | Freight (pounds) |          | Total     |
|------|------------|----------|-----------|------------------|----------|-----------|
|      | Enplaned   | Deplaned |           | Enplaned         | Deplaned |           |
| 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 |
| 2021 | 161,764    | 169,171  | 330,935   | 1,049,853        | 529,240  | 1,579,093 |
| 2022 | 330,619    | 326,964  | 657,583   | 1,044,513        | 464,715  | 1,509,228 |
| 2023 | 322,299    | 319,357  | 641,656   | 1,017,030        | 484,867  | 1,501,897 |



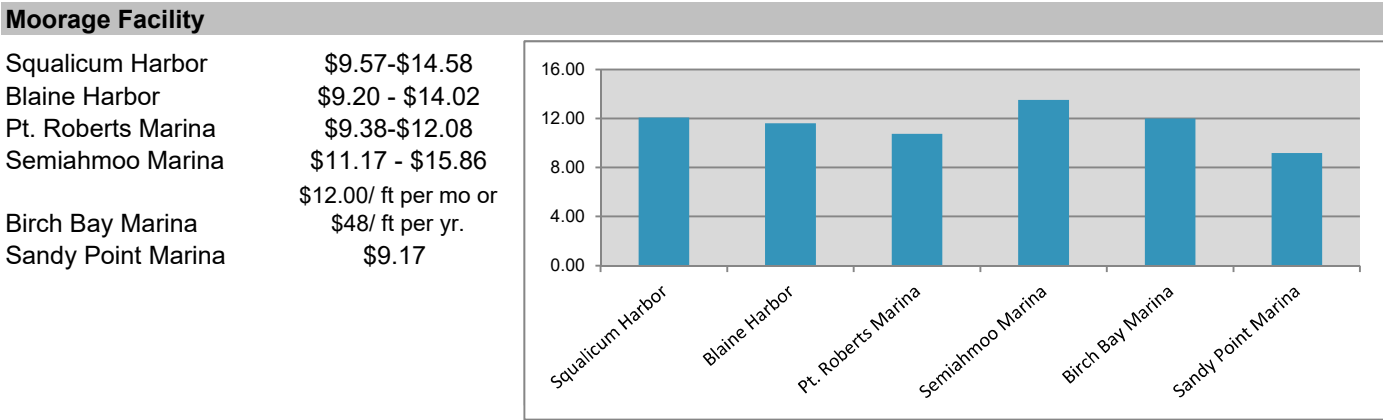
**Bellingham International Airport  
Landings and Takeoffs**

| <b>Year</b> | <b>Air<br/>Carrier</b> | <b>Air<br/>Taxi</b> | <b><u>Itinerant</u><br/>General</b> | <b><u>Itinerant</u><br/>Military</b> | <b><u>Local</u><br/>General</b> | <b><u>Local</u><br/>Military</b> | <b>Total</b> |
|-------------|------------------------|---------------------|-------------------------------------|--------------------------------------|---------------------------------|----------------------------------|--------------|
| 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       |
| 2021        | 4,137                  | 15,128              | 29,791                              | 606                                  | 20,323                          | 521                              | 70,506       |
| 2022        | 6,208                  | 13,643              | 29,629                              | 539                                  | 21,663                          | 317                              | 71,999       |
| 2023        | 4,495                  | 11,138              | 26,962                              | 601                                  | 17,680                          | 385                              | 61,261       |

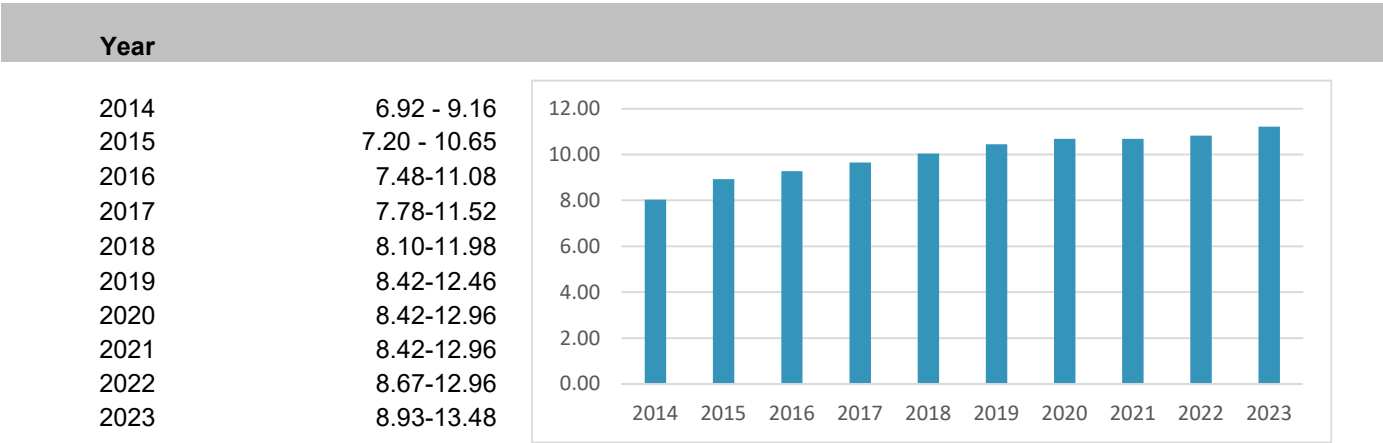
\*Existing Whatcom County Moorage Facilities  
as of March 2024

| Moorage Facility       | No. on Waiting List | Wet Moorage Berths | Wet Moorage Occupancy | Dry Storage Berths | Dry Storage Occupancy | Number Visitor Berths |
|------------------------|---------------------|--------------------|-----------------------|--------------------|-----------------------|-----------------------|
| Squalicum Harbor       | 77                  | 1,386              | 98%                   | 0                  | N/A                   | 1,556 linear feet     |
| Blaine Harbor          | 103                 | 619                | 96%                   | 0                  | N/A                   | 720 linear feet       |
| Pt. Roberts Marina     | 6                   | 924                | 60%                   | 0                  | N/A                   | 220 linear feet       |
| Semiahmoo Marina       | 0                   | 280                | 100%                  | 0                  | N/A                   | 0                     |
| Birch Bay Marina (1)   | 12                  | 265                | 100%                  | 0                  | N/A                   | 110 linear feet       |
| Sandy Point Marina (1) | 0                   | 72                 | 100%                  | 0                  | N/A                   | 2- 20' slips          |
| Total                  | 198                 | 3,546              |                       | 0                  |                       |                       |

\*Current Moorage Rates and Tariffs  
as of March 2024 (\$/lin.ft/mo.)



Historical Moorage Rates and Tariffs  
at Port Marinas



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

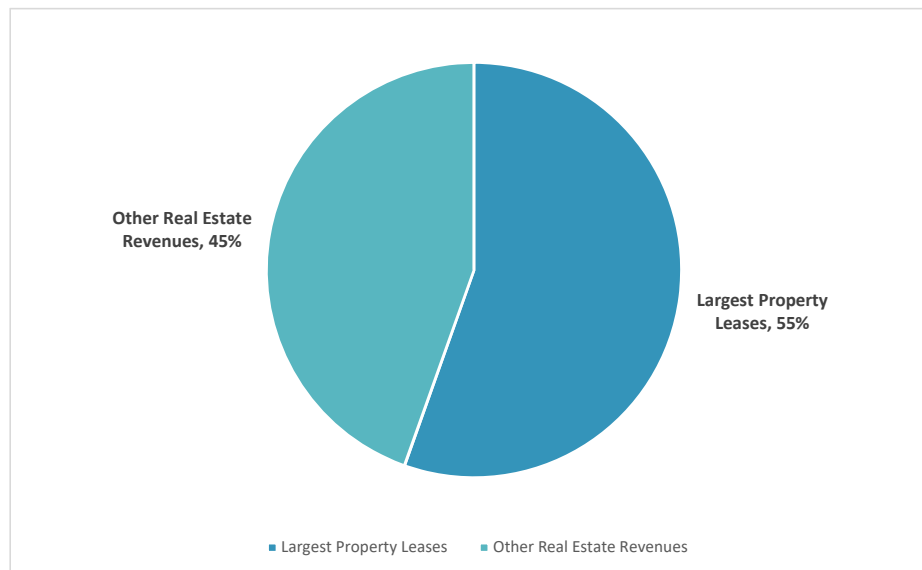
(2) All rates are per lineal foot.

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

2023 Largest Property Leases,<sup>(1)</sup>

## And 9 Years Prior

| Tenant Name                                                            | Type of Activity                 | 2023 Lease Payment  | Lease Expires | Renewal Option Yr | Tenant Since |
|------------------------------------------------------------------------|----------------------------------|---------------------|---------------|-------------------|--------------|
| 1 LFS, Inc.                                                            | Marine Supplier                  | \$987,478           | 2028          | 2032              | 1997         |
| 2 Fairhaven Industrial Marine                                          | Marine                           | \$834,622           | 2031          | 2036              | 2021         |
| 3 Alaska Marine Highway System                                         | Alaska Ferry                     | \$759,300           | 2024          | 2024              | 1989         |
| 4 Woodstone Corporation                                                | Commercial Cooking Equipment Mfg | \$462,974           | 2046          | 2081              | 1999         |
| 5 US Customs and Border Protection                                     | Homeland Security                | \$424,495           | 2027          | 2032              | 2005         |
| 6 Seaview Boatyards                                                    | Shipyard - North & Fairhaven     | \$367,351           | 2032          | 2062              | 2002         |
| 7 Landings at Colony Wharf                                             | Boatyard                         | \$320,228           | 2024          | 2044              | 2014         |
| 8 Bellingham Cold Storage                                              | Cold Storage Warehousing         | \$308,274           | 2023          | 2033              | 1962         |
| 9 Corvus Energy                                                        | Marine battery manufacturer      | \$264,000           | 2025          | 2027              | 2022         |
| 10 All American Marine                                                 | Boat manufacturer                | \$249,875           | 2042          | 2062              | 2002         |
| <b>Largest 10 Property Leases</b>                                      |                                  | <b>\$4,978,597</b>  |               |                   |              |
| <b>Total Real Estate Revenues<sup>(2)</sup></b>                        |                                  | <b>\$ 8,980,857</b> |               |                   |              |
| <b>Largest 10 Leases as a Percentage of Total Real Estate Revenues</b> |                                  | <b>55%</b>          |               |                   |              |



Source: Port of Bellingham Real Estate Division

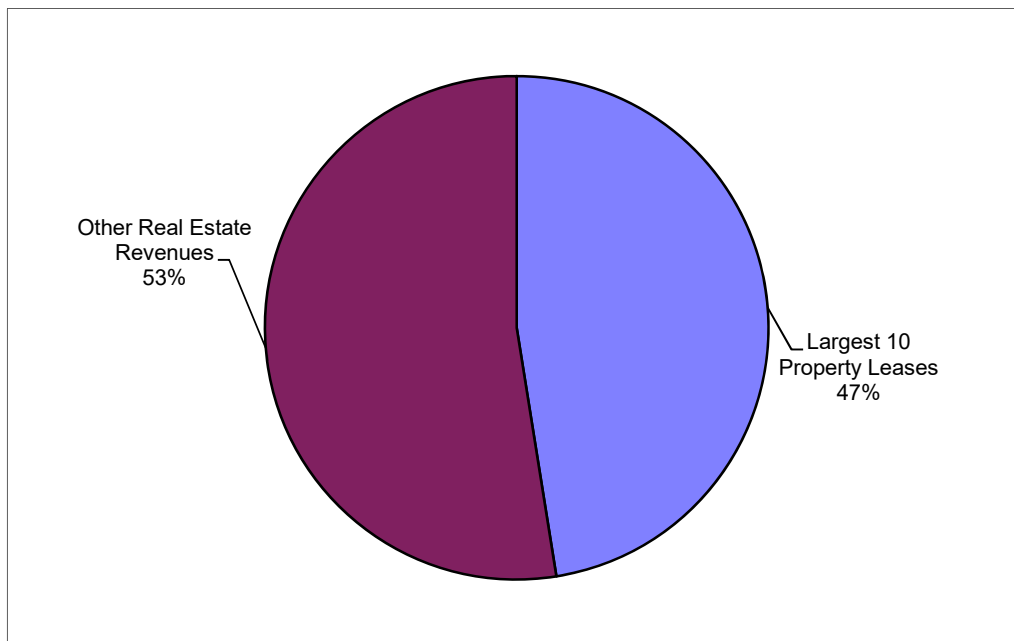
(1) This information is provided to meet 'Continuing Disclosure' as required under SEC Rule 15c2-12 in accordance with Port of Bellingham Revenue Bond Issues.

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

2023 Largest Property Leases,<sup>(1)</sup>

And 9 Years Prior

| Tenant Name                                                            | Type of Activity                     | 2015 Lease Payment  |
|------------------------------------------------------------------------|--------------------------------------|---------------------|
| 1 Stork Craft Mfg USA                                                  | Product Warehouse                    | 822,528             |
| 2 Alaska Marine Highway System                                         | Alaska Ferry                         | 589,832             |
| 3 Puglia Engineering, Inc.                                             | Shipyard                             | 558,988             |
| 4 Woodstone Corporation                                                | Commercial Cooking Equipment Mfg     | 494,653             |
| 5 LFS, Inc.                                                            | Marine Supplier                      | 356,004             |
| 6 US Customs and Border Protection                                     | Homeland Security                    | 334,936             |
| 7 Seaview Boatyards                                                    | Shipyard - North & Fairhaven         | 295,391             |
| 8 Index Sensors                                                        | Electronics Design and Manufacturing | 235,241             |
| 9 Bellingham Cold Storage                                              | Cold Storage Warehousing             | 233,991             |
| 10 Teal Jones Lumber Services                                          | Lumber Mill                          | 171,889             |
| <b>Largest 10 Property Leases</b>                                      |                                      | <b>\$ 4,093,453</b> |
| <b>Total Real Estate Revenues<sup>(2)</sup></b>                        |                                      | <b>\$ 8,623,162</b> |
| <b>Largest 10 Leases as a Percentage of Total Real Estate Revenues</b> |                                      | <b>47%</b>          |



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 Storkcraft, and AMHS revenues, which are not included in the Real Estate Division.

**Capital Assets Information  
as of December 31, 2023**

**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>                                                            | 314 acres          |
| <i>Leaseable office, commercial,<br/>and industrial building space:</i> | 1,270,000 sq. ft.  |
| <i>Tenants:</i>                                                         | 250 <sup>(1)</sup> |

**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,<br>and covered loading dock space) |
| <i>Upland storage capability</i> | 10 acres                                                                        |
| <i>Deep water pier</i>           | 1,750 ft.                                                                       |

Source: Port of Bellingham Records

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