



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Port of Brownsville

For the period January 1, 2017 through December 31, 2019

Published January 21, 2021

Report No. 1027690





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

January 21, 2021

Board of Commissioners
Port of Brownsville
Bremerton, Washington

Report on Financial Statements

Please find attached our report on the Port of Brownsville's financial statements.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2019-001 The Port's internal controls over accounting and financial statement reporting were inadequate to ensure accurate, complete and timely reporting.

Background

The governing body, the public, and the other report users rely on the information included in the financial statements to make decisions. Port management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance regarding the reliability of financial reporting.

The Port relied on a Certified Public Accounting (CPA) firm to record financial transactions and prepare its annual financial statements and notes.

Our audit identified deficiencies in internal controls over accounting and financial reporting that affected the Port's ability to produce complete, reliable and timely financial statements. *Government Auditing Standards* requires auditors to communicate material weaknesses, as defined in the Applicable Laws and Regulations section below, as a finding.

Our prior audits resulted in a finding regarding internal controls over financial reporting for fiscal years 2015 and 2016, and recommendations made to management in a letter for fiscal years 2013 and 2014.

Description of Condition

Our audit identified the following deficiencies in internal controls for preparation of the fiscal year 2017 financial statements, that when taken together, represent a material weakness. The Port did not:

- Have a review process over the monthly cash reconciliations performed by the CPA firm to ensure they were accurate
- Perform a secondary review to ensure the journal entries the CPA firm prepared were accurate and supported
- Have procedures in place to ensure new accounting standards were implemented
- Perform an adequate review of the financial statements and notes prepared by the CPA firm to ensure all required financial statement elements were prepared and the financial information was accurately reported and fairly presented under *Budgeting, Accounting and Reporting System (BARS)* requirements

Cause of Condition

The Port changed its basis of accounting from generally accepted accounting principles (GAAP) to a cash basis of accounting on January 1, 2017. Port staff and management did not have adequate knowledge of accounting principles to identify inaccurate or unnecessary entries related to the change in its basis of accounting. In addition, the Port did not have adequate monitoring controls over the preparation of the 2017 financial statements nor did it dedicate the necessary staff time or resources, including training, to ensure its financial reports were accurate.

Effect of Condition

Financial reports cannot be relied upon by Port officials, the public, state and federal agencies, and other interested parties if financial activity is not accurately reported. The deficiencies above resulted in the following misstatements and presentation errors on the original 2017 financial statements we received for audit.

The Port:

- Over-reported beginning cash and investments by about \$500,000 on the fund resources and uses arising from cash transactions
- Under-reported capital expenditures and debt proceeds by \$1.12 million and about \$680,000, respectively, on the fund resources and uses arising from cash transactions
- Misclassified reserved and unreserved ending cash and investments by about \$570,000 on the fund resources and uses arising from cash transactions
- Did not report a general revenue bond, issued in 2017, on the Schedule of Liabilities, resulting in an understatement of \$1.12 million
- Did not report liabilities for compensated absences on the Schedule of Liabilities, resulting in an understatement of \$344,805
- Recorded two journal entries totaling \$36,004 that were not accurate, because they were incorrectly recorded in accordance with GAAP rather than the cash basis of accounting

In addition, the Port did not submit the required schedule for risk assumption (Schedule 21) for the year ending December 31, 2017.

The Port contracted with a different CPA firm to correct the misstatements identified above in the 2017 financial statements, and prepare the financial statements for fiscal years 2018 and 2019.

Recommendation

We recommend the Port:

- Establish and follow monitoring oversight procedures to ensure general ledger balances and monthly reconciliations are accurate, complete and adequately supported
- Provide adequate training to staff member responsible for oversight of financial reporting to ensure compliance with the BARS Cash Manual and applicable accounting standards
- Establish and follow an effective process for review of the financial statements by a person who understands BARS Cash Manual financial reporting requirements to ensure the financial statements are fairly presented, accurate and complete

Port's Response

The Port of Brownsville would like to thank the Washington State Auditor's Office for its review of the Port's financial statements. The Port acknowledges prior deficiencies in its review processes with its prior contracted CPA firm. Most if not all of the issues raised in the audit related to the conduct of the Port's prior CPA. The Port Commission recognized the need to replace the Port's CPA and has retained a new outside CPA firm with extensive experience and specifically Washington Public Port experience. The Port strives to give a fair and accurate representation of its activities in its financial statements and has put in place a tighter financial review process. All identified deficiencies and the associated notes have been corrected in the restated financial statements by the Port's new contracted CPA firm.

Summary

The Port is committed to strengthening its internal controls over accounting and financial statement reporting to ensure compliance with state and local requirements. The Port has used this audit process to assist them in identifying the areas that the Port needs to develop additional resources to be in compliance including attendance at multiple finance presentations, ongoing review of the BARS manual, hiring new CPA and legal firms with state-wide Port expertise and to develop additional internal procedures to govern all such activities. The Port appreciates the State Auditor Office's audit of the financial statements to help the Port to improve its reporting requirements in the future.

This is a summary of the Port's response. Please see the Port's full response online at the Port of Brownsville website located here: <https://portofbrownsville.org> or

obtain a copy by request from the Port office by phone or email at the following contact numbers: Port of Brownsville office 360-692-5498 or by email: pob@portofbrownsville.org.

Auditor's Remarks

We appreciate the Port's commitment to resolve this finding and thank the Port for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

RCW 43.09.200 – Local government accounting – Uniform system of accounting, gives the state auditor the authority to formulate, prescribe and install a uniform system of accounting and reporting for all local governments.

Budgeting Accounting and Reporting Systems (BARS) cash manual – Accounting, Accounting Principles and General Procedures, Internal Control defines internal control, describes its purpose, and specifies each entity is responsible for establishing and maintaining an effective system of internal controls throughout their government.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.



PORT OF BROWNSVILLE

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Commissioners:
 Shaun Nye
 Fred Perkins
 Jack Bailey

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Port of Brownsville January 1, 2017 through December 31, 2019

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2015 through December 31, 2016	Report Ref. No.: 1020955	Finding Ref. No.: 2016-001
Finding Caption: The Port's internal controls over financial statement preparation were inadequate to ensure accurate and complete financial reporting.		
Background: Port Commissioners, the public, state and federal agencies and other interested parties rely on the information included in the financial statements and reports to make decisions. Port management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance regarding the reliability of financial reporting. The Port relied on a certified public accountants (CPA) firm to record financial transactions and prepare its annual financial statements and notes. Our prior audit resulted in a management letter regarding internal controls over financial reporting for fiscal years 2013 and 2014.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input checked="" type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>Historically, for many years, the Port of Brownsville's outside CPA firm was engaged to reconcile the Port's financial and accounts, prepare the monthly journal entries, prepare monthly and annual financial statements and prepare the State Auditor's Annual Report, in addition to many other accounting duties. The Port had received a management letter for fiscal years 2013 and 2014, and a finding for fiscal years 2015 and 2016, all pertaining to inadequate internal controls over financial reporting. Throughout each of these years that required corrective actions, the Port was assured by the outside CPA firm that the proper steps were being added and maintained to assure the Port that the required corrections were being made.</i>		

In the fall of 2018, when the State Auditor's Office came in to audit the 2017 financial statement, which was prepared by the ongoing outside CPA firm, it was determined by the State Auditor's Office that the 2017 financial statement needed significant corrections to bring it into compliance with the current reporting standards and the Port would again receive a finding for deficient reporting.

At that point the Port reacted quickly and reached out to the Washington Public Ports Association and other Ports for assistance in hiring a CPA with long-term Port experience to correct the 2017 financial statement. The Port issued a Request for Proposal for CPA and Accounting Services at the beginning of 2019 and contracted with a CPA with long-term Port experience who restated the 2017 financial statement to be in compliance with the current reporting requirements. The new CPA also correctly prepared the 2018 and 2019 financial statements in accordance with the current reporting requirements. The new CPA has embarked on an internal training program, assisting the Port in upgrading internal control policies over multiple financial areas and assisting the Port to have the internal controls to monitor and assure that all future reports will be in compliance with the latest reporting requirements.

The Port has taken this situation seriously and has invested significant efforts in turning this prior situation around, which is reflected by the correctly reported 2017 restated financial statement and the 2018 and 2019 financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Port of Brownsville
January 1, 2017 through December 31, 2019**

Board of Commissioners
Port of Brownsville
Bremerton, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Port of Brownsville, as of and for the years ended December 31, 2019, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Port's financial statements, and have issued our report thereon dated January 13, 2021.

We issued an unmodified opinion on the fair presentation of the Port's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Port using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As discussed in Note 1 to the 2017 financial statements, the Port has elected to change its method of accounting from generally accepted accounting principles to a special purpose framework during the year ended December 31, 2017.

As discussed in Note 8 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Port.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Port's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Port's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-001 to be a material weakness.

COMPLIANCE AND OTHER MATTERS

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we have reported to the management of the Port in a separate special investigation report dated January 13, 2021.

PORT'S RESPONSE TO FINDINGS

The Port's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The Port's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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



Pat McCarthy
State Auditor
Olympia, WA

January 13, 2021

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Brownsville January 1, 2017 through December 31, 2019

Board of Commissioners
Port of Brownsville
Bremerton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Brownsville, for the years ended December 31, 2019, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Port's financial statements, as listed on page 17.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Port of Brownsville has prepared these financial statements to meet the financial reporting requirements of state law using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the Port of Brownsville, and its changes in cash and investments, for the years ended December 31, 2019, 2018 and 2017, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Port used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Port of Brownsville, as of December 31, 2019, 2018 and

2017, or the changes in financial position or cash flows thereof for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Matters of Emphasis

As discussed in Note 1 to the 2017 financial statements, the Port elected to change its method of accounting from generally accepted accounting principles to a special purpose framework during the year ended December 31, 2017. Our opinion is not modified with respect to this matter.

As discussed in Note 8 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative effect on the Port. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2021 on our consideration of the Port’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large initial "P" and "M".

Pat McCarthy
State Auditor
Olympia, WA

January 13, 2021

FINANCIAL SECTION

Port of Brownsville January 1, 2017 through December 31, 2019

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2019, 2018 and 2017
Notes to Financial Statements – 2019, 2018 and 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2019, 2018 and 2017

**Port of Brownsville
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019**

Beginning Cash and Investments

30810	Reserved	322,461
30880	Unreserved	1,039,248
388 / 588	Net Adjustments	-

Revenues

310	Taxes	407,325
320	Licenses and Permits	-
330	Intergovernmental Revenues	96,223
340	Charges for Goods and Services	1,425,969
350	Fines and Penalties	-
360	Miscellaneous Revenues	31,501
Total Revenues:		1,961,018

Expenditures

540	Transportation	1,759,642
Total Expenditures:		1,759,642
Excess (Deficiency) Revenues over Expenditures:		201,376

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	109,809
381, 382, 395, 398	Other Resources	29,752
Total Other Increases in Fund Resources:		139,561

Other Decreases in Fund Resources

594-595	Capital Expenditures	107,908
591-593, 599	Debt Service	273,633
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	111,203
581, 582	Other Uses	4,617
Total Other Decreases in Fund Resources:		497,361

Increase (Decrease) in Cash and Investments: (156,424)

Ending Cash and Investments

5081000	Reserved	329,212
5088000	Unreserved	876,073
Total Ending Cash and Investments		1,205,285

The accompanying notes are an integral part of this statement.

**Port of Brownsville
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018**

Beginning Cash and Investments

30810	Reserved	744,312
30880	Unreserved	761,882
388 / 588	Net Adjustments	-

Revenues

310	Taxes	403,999
320	Licenses and Permits	-
330	Intergovernmental Revenues	631,656
340	Charges for Goods and Services	1,348,288
350	Fines and Penalties	-
360	Miscellaneous Revenues	38,255
Total Revenues:		2,422,198

Expenditures

540	Transportation	1,346,167
Total Expenditures:		1,346,167
Excess (Deficiency) Revenues over Expenditures:		1,076,031

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	130,761
381, 382, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		130,761

Other Decreases in Fund Resources

594-595	Capital Expenditures	962,387
591-593, 599	Debt Service	277,883
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	111,007
Total Other Decreases in Fund Resources:		1,351,277

Increase (Decrease) in Cash and Investments: (144,485)

Ending Cash and Investments

5081000	Reserved	322,461
5088000	Unreserved	1,039,248
Total Ending Cash and Investments		1,361,709

The accompanying notes are an integral part of this statement.

**Port of Brownsville
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017**

Beginning Cash and Investments

30810	Reserved	93,078
30880	Unreserved	803,062
388 / 588	Net Adjustments	-

Revenues

310	Taxes	391,216
320	Licenses and Permits	-
330	Intergovernmental Revenues	696
340	Charges for Goods and Services	1,263,444
350	Fines and Penalties	-
360	Miscellaneous Revenues	22,440
Total Revenues:		1,677,796

Expenditures

540	Transportation	1,267,897
Total Expenditures:		1,267,897
Excess (Deficiency) Revenues over Expenditures:		409,899

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	1,120,000
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	110,278
381, 382, 395, 398	Other Resources	500
Total Other Increases in Fund Resources:		1,230,778

Other Decreases in Fund Resources

594-595	Capital Expenditures	683,949
591-593, 599	Debt Service	250,500
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	96,174
Total Other Decreases in Fund Resources:		1,030,623

Increase (Decrease) in Cash and Investments: 610,054

Ending Cash and Investments

5081000	Reserved	744,312
5088000	Unreserved	761,882
Total Ending Cash and Investments		1,506,194

The accompanying notes are an integral part of this statement.

PORT OF BROWNSVILLE
NOTES TO FINANCIAL STATEMENT
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Port of Brownsville (Port) was incorporated on April 7, 1920 and operates under the laws of the State of Washington applicable to a Port district.

Reporting Entity

The Port is located in Bremerton, Washington and its territory covers less than the entire county. The Port is a special purpose local government that provides marina facilities, pavilion, park, two commercial buildings and a residential rental to the general public and is supported by user charges and taxes from a property tax levy. The Port may acquire and improve land for sale or lease for industrial or commercial purposes. The Port is governed by an elected three-member board.

Basis of Accounting and Reporting

The Port reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GMP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statement.
- Government-wide statements, as defined in GMP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statement as supplementary information.
- Supplementary information required by GMP is not presented.
- Ending balances are not presented using the classifications defined in GMP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. The Port has one fund. The following fund type is used:

PROPRIETARY FUND TYPE

Enterprise Fund

This fund accounts for operations that provide goods or services to the general public and are supported primarily through user charges.

PORT OF BROWNSVILLE
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

B. Basis of Accounting and Measurement Focus

The Port's financial statement is prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

C. Cash and Investments - See Note 2, Deposits and Investments.

D. Inventory - Fuel

The Port sells gas, diesel, propane, oil and absorbents (fuel). Fuel revenues are recognized when fuel is sold. Fuel expenditures are recognized when fuel is purchased.

E. Capital Assets

Capital assets, including major repairs, are assets with an initial individual cost of \$2,000 or more and an estimated useful life in excess of one (1) year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation leave, eligible sick leave and associated payroll taxes. Payments are recognized as expenditures when paid.

Vacation pay, which is earned ratably on each pay period, may be accumulated up to three hundred sixty (360) hours and is payable upon separation, retirement or death. Accumulated hours over three hundred sixty (360) at year-end may be paid to the employee each January, if not carried over to the next year.

Sick leave accrues at the rate of eight (8) hours per month, ninety-six (96) hours per year for full-time regular employees. Sick leave accrues for part-time regular employees in an amount proportionate to the time the employee is in pay status during the month to that of a full-time employee. Part-time seasonal or summer help accrues one (1) hour of sick leave for every forty (40) hours worked in an amount proportionate to the employee is in pay status.

The Port does not restrict the accumulation of sick leave. At the time of termination of employment (either voluntarily or involuntarily) any unused sick leave is forfeited and employees are not entitled to any pay in lieu of unused sick leave. Upon retirement, an employee shall receive pay for 25% of their accumulated sick leave provided that the employee has a minimum of five (5) years of continuous service with the Port and meet all the requirements to be eligible for retirement under the Public Employees' Retirement System.

PORT OF BROWNSVILLE
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

F. Compensated Absences, Continued

The total compensated absences balance was \$31,155 at December 31, 2019. See *Schedule of Liabilities* (Schedule 09).

G. Long-Term Debt - See Note 4, Debt Service Requirements.

H. Reserved Portion of Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Commissioners. When expenditures that meet restrictions are incurred, the Port intends to use reserved resources first before using unreserved amounts. Reservations of Ending Cash and Investments consist of \$329,212.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Investments are reported at original cost. Deposits and investments by type at December 31, 2019 are as follows:

Type of Investment	Port's Own Deposits and Investments	Port's Own Deposits and Investments Held by Kitsap County	Total
Bank Deposits*	\$ 700	\$ 236,086	\$ 236,786
Kitsap County Investment Pool (KCIP)		968,499	968,499
Total	\$ 700	\$ 1,204,585	\$ 1,205,285

* Reported net of \$19,607 in outstanding warrants as of December 31, 2019

It is the Port's policy to invest all temporary cash surpluses. The interest on these investments is recorded in the fund that generated the interest. The Kitsap County Treasurer (KCT) is the custodian of the Port's deposits and investments.

PORT OF BROWNSVILLE
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS, CONTINUED:

Deposits

The carrying amount of the Port's deposits with financial institutions was \$234,668 held at the KCT, a \$1,418 deposit in transit to the KCT, \$0 held in the Port's Kitsap Bank's Bank Merchant Services account, and \$700 of petty cash on hand at the Port for total deposits at December 31, 2019 of \$236,786. The Port changed their merchant services processing to Kitsap Bank from the Bank of America in 2019. The Kitsap Bank's Merchant Services account processes the Port's payments that it receives via credit card payments by customers. Upon processing, the payments are automatically deposited into the KCT's General Fund cash account for the Port. Of the total carrying value of deposits of \$236,786 at December 31, 2019, \$3,601 and \$233,185 was reserved and unreserved, respectively.

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 would not be able to recover collateral securities that are in possession of an outside party. The Port's deposits are mostly covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All deposits and investments are insured, registered or held by the Port or its agent in the government's name. See Note 1 C, Cash and Investments.

Investments

The carrying amount of the Port's investments was \$968,499 held at the KCT of which \$325,611 and \$642,888 was reserved and unreserved, respectively.

The total carrying amount of deposits and investments was \$1,205,285 at December 31, 2019 of which \$329,212 and \$876,073 was reserved and unreserved, respectively.

The Port is an involuntary participant in the Kitsap County Investment Pool (KCIP), an external investment pool operated by the KCT. The Pool is not rated or registered with the SEC. Rather, oversight is provided by the Kitsap County Finance Committee in accordance with RCW 36.48.070. The district reports its investment in the Pool at amortized cost, which is the same as the value of the Pool per share. The KCIP does not impose liquidity fees or redemption gates on participant withdrawals.

As the KCT, by law, is the treasurer for the Port, the KCT handles all investment decisions for the Port's investments. As such, a portion of the Port's investments have been invested in the LGIP and is deemed an involuntary participant in the LGIP, an external investment pool operated by the Washington State Treasurer. The LGIP Pool is not rated and is not registered with the SEC. Rather, oversight is provided by the Washington State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the Pool per share. The LGIP does not impose any restrictions on participant withdrawals.

PORT OF BROWNSVILLE
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS, CONTINUED:

Investments, Continued

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

As required by state law, all investments of Port funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, or certificates of deposit with Washington State Banks or savings and loan institutions.

NOTE 3 - PROPERTY TAX:

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

Collections are distributed monthly to the Port by the KCT. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Port may levy up to 45 cents per \$1,000 of assessed valuation for general Port purposes.

The Port's regular levy for 2019 was \$0.236007 per \$1,000 on a total assessed valuation of \$1,717,771,041 for a total regular levy of \$405,439.

NOTE 4 - DEBT SERVICE REQUIREMENTS:

The Port issues General Obligation (G.O.) bonds and Revenue bonds to finance the acquisition and construction of capital assets. See Note 1G, Long-Term Debt.

The accompanying *Schedule of Liabilities* (Schedule 09) provides more details of the outstanding debt and liabilities of the Port and summarizes the Port's debt transactions for the year ended December 31, 2019.

PORT OF BROWNSVILLE
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2019

NOTE 4 - DEBT SERVICE REQUIREMENTS, CONTINUED:

The debt service requirements for G.O. and Revenue bonds at December 31, 2019 are as follows:

Year ending December 31	Principal	Interest	Total
2020	\$ 165,000	\$ 114,282	\$ 279,282
2021	170,000	109,557	279,557
2022	175,000	104,607	279,607
2023	175,000	99,108	274,108
2024	225,000	93,483	318,483
2025 - 2029	1,295,000	341,953	1,636,953
2030 - 2034	815,000	102,800	917,800
2035 - 2036	160,000	9,600	169,600
Totals	\$ 3,180,000	\$ 975,390	\$ 4,155,390

NOTE 5 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - OPEB PLANS:

The Port is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same Pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The Port had eight (8) active plan members and no retired plan members as of December 31, 2019. The Port contributed \$37,975 to the plan for the year ended December 31, 2019. See *Schedule of Liabilities* (Schedule 09).

NOTE 6 - PENSION PLANS:

State Sponsored Pension Plans

Substantially all Port full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS), a statewide retirement system administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit retirement plans.

The State Legislatures establishes and amends laws pertaining to the creation and administration of all public retirement systems.

PORT OF BROWNSVILLE
NOTES TO FINANCIAL STATEMENT, CONTINUED
 December 31, 2019

NOTE 6 - PENSION PLANS, CONTINUED:

State Sponsored Pension Plans, Continued

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

At June 30, 2019 (the measurement date of the plans), the Port's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation%	Liability (Asset)
PERS 1	\$15,374	0.002144%	\$ 82,444
PERS 2/3	\$22,601	0.002767%	\$ 26,877
Total	\$37,975		\$109,321

NOTE 7 - RISK MANAGEMENT:

Port of Brownsville is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2019, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services. Members make an annual contribution to fund Enduris and share in the self-insured retention. The self-insured retention is:

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.

PORT OF BROWNSVILLE
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2019

NOTE 7 - RISK MANAGEMENT, CONTINUED:

- \$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim.

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

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

The contract requires members to remain in the Pool for a minimum of one (1) year and must give notice sixty (60) days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

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

The Pool is governed by a Board of Directors consisting of seven (7) board members. The Pool's members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

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

The contract requires members to continue membership for a period of not less than one (1) year and must give notice sixty (60) days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

PORT OF BROWNSVILLE
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2019

NOTE 7 - RISK MANAGEMENT, CONTINUED:

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

A Board of Directors consisting of seven (7) board members governs Enduris. The Pool's members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

NOTE 8 - OTHER DISCLOSURES:

Grants

During 2019, the three (3) prior grants issued by the U.S. Fish and Wildlife Service, Department of the Interior, Clean Vessel Act via the Washington State Parks and Recreation Commission were combined into one grant for future reporting. The combined grant continues to maintain the same coverage and Port match. The grant provide for 75% of the cost of the maintenance of the Port's floating restrooms, the pumpout system and pumpout boat. See Note 8, Contingencies and Litigation. In 2019, the Port incurred \$35,663 of eligible expenditures. See Note 8, Contingencies and Litigation and *Schedule of Expenditures of Federal Awards* (Schedule 16).

The Port was a recipient of a Washington State Recreation and Conservation Office (RCO) Boating Facilities - Local grant for \$653,616 (75%), with a Port match of \$217,873 (25%), for a total initial project cost of \$871,489 to replace the Port's existing two-lane concrete boat launch, boarding float and to resurface the adjacent asphalt staging area and restore the shoreline adjacent to the project. The primary use of this completed project is trailered public boating.

The Port incurred the final grant reimbursement expenditures of \$7,738 in 2019 and closed out the grant with the granting agency. On October 25, 2019, RCO performed a compliance inspection of the Port of Brownsville marina projects that they funded including the Breakwater Access Walkway, Boat Harbor, Boat Launch Expansion and Renovation and Breakwater and Moorage worksites. RCO determined that these projects were successfully completed and that they have closed the projects. See Note 8, Contingencies and Litigation, Construction Commitments, Subsequent Events and *Schedule of State Financial Assistance* (Schedule 15).

Grant expenditures include amounts owing to the Port for eligible expenditures incurred in 2019.

PORT OF BROWNSVILLE
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2019

NOTE 8 - OTHER DISCLOSURES, CONTINUED:

Contingencies and Litigation

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

The Port acquired certain assets with funding provided by federal and state financial assistance programs. Depending upon the terms of the agreements involved, the funding governmental unit could retain an equity interest in these assets resulting in the assets reverting back to the agency if the assets are not used for their intended purposes. 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.

Contingencies and Litigation - U.S. Fish and Wildlife Service, Department of the Interior, Clean Vessel Act, Recoverable Grants

Over the years, the Port has received multiple recoverable grants for the design, construction and maintenance of the marina floating restrooms, portable pumpout system and pumpout boat from the U.S. Fish and Wildlife Service, Department of the Interior, Clean Vessel Act, federal pass through grants via Washington State Parks and Recreation Commission. These grants are contingent on the marina floating restrooms, portable pumpout system and pumpout boat remaining in operation, over water, for twenty (20) years. The grants provide for a repayment of the grant proceeds should the asset be utilized in a non-authorized manner. The Port continues to receive annually a 75% reimbursement for the maintenance of these assets. The annual maintenance portion of these grants are included in Intergovernmental Revenues grant funds for each year received. See Note 8, Grants and *Schedule of Expenditures of Federal Awards* (Schedule 16) for each year for the amounts of the grants incurred.

Contingencies and Litigation - RCO Recoverable Grant

The Port received a \$653,616 recoverable grant from RCO for the marina boat launch and associated improvements. The project area funded with a RCO grant must remain dedicated to the use as originally funded for as long as defined in the project agreement. RCO requires a long-term obligation to maintain the project area. Non-compliance with the long-term obligations for a RCO grant may jeopardize an organization's ability to obtain future RCO grants. RCO requires that grant recipients replace the lost value of the project when changes or conversions of use take place.

PORT OF BROWNSVILLE
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2019

NOTE 8 - OTHER DISCLOSURES, CONTINUED:

Contingencies and Litigation, Continued

Contingencies and Litigation - Past Due Payments in Arrears

At December 31, 2019, four (4) tenants are more than ninety (90) days in arrears in their moorage payments for approximately \$4,700. Their total outstanding rent at December 31, 2019 is \$6,800. The Port is pursuing various collection actions. See Note 8, Subsequent Events.

Contingencies and Litigation - Other

The Port's bond rating dropped from AA to AA- in January of 2019 due to various reporting deficiencies in the Port's 2015-2016 Washington State Auditor's Office (SAO) audit. See Note 8, Subsequent Events.

Accounting and Reporting Changes

The Port is implementing GASS No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance that was issued in May of 2020, to provide temporary relief to governments in light of the COVID-19 pandemic. This statement extends the effective dates of certain accounting and financial reporting provisions that were effective for 2019 applicable to the financial statements of all state and local governments.

Subsequent Events

The Port has evaluated events through June 17, 2020, which is the date the financial statements were available to be issued.

In February of 2020, the SAO started the performance of their financial and accountability audits of 2017 and 2018, along with a forensic examination. In May of 2020, the SAO requested to expand their audit to include 2019 and to issue their results on all three (3) years together. They anticipate completion of their audits by the Fall of 2020. See Note 8, Contingencies and Litigation.

In December of 2019, a tenant's boat sunk in the marina. In 2020, the Port worked with the tenant, their insurance company, a diving company and the Coast Guard to raise the boat, resulting in the boat being raised and removed from the marina in April of 2020. As a part of this process, on February 26, 2020 the Port passed Resolution 20-04, allowing for an emergency action to raise the vessel as the vessel was starting to destroy the dock, the electrical and affect surrounding tenants. The insurance company paid the vessel owner directly, but to-date has not spent any costs in removing the sunken vessel. The Port is currently in the process of filing claims against the vessel owner and his insurance company. The Port has followed the derelict vessel protocol to be reimbursed for eligible expenditures. The Port engaged a marina salvage company directly and paid them \$37,538 to raise and remove the sunken boat. The boat was removed in May of 2020.

PORT OF BROWNSVILLE
NOTES TO FINANCIAL STATEMENT, CONTINUED
December 31, 2019

NOTE 8 - OTHER DISCLOSURES, CONTINUED:

Subsequent Events, Continued

In April of 2020, the Port engaged a company for removal of another boat for lack of payment and its derelict status from the marina and is in communications with the owner for reimbursement of removal costs. The Port paid \$5,576 to-date for the boat removal.

In May of 2020, the Port worked with the Department of Enterprise Services (DES) to engage a company to remove an abandoned derelict vessel. The Port paid \$40,308 to have the vessel removed and decommissioned in June of 2020. The Port is in the process of applying to the State of Washington for up to a 90% reimbursement of eligible expenditures from the State's Derelict Vessel Fund.

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. The length of time these measures will be in place, and the full extent of the financial impact on the Port is unknown at this time.

The Port Manager was placed on administrative leave in August of 2019 and his employment was terminated in March of 2020. The Port has contracted with a Port professional to provide Interim Port Manager duties from the Fall of 2019 to current. The Port is currently advertising for the Port Manager position. The Interim Port Manager will assist through the transition to the new Port Manager and will provide ongoing assistance, as necessary.

In 2016, an employee's personal trailer was stolen while being used by the Port. A replacement trailer was purchased for the employee in 2016 for \$4,437. In 2017, the Port's insurance company reimbursed the Port for the cost of a replacement trailer, less the Port's \$1,000 deductible. Further research in 2019 indicated that in 2018 the stolen trailer was located by law enforcement and returned to the Port employee as the original owner of the trailer. A bill of sale was located for the trailer in the Fall of 2018 from the original owner to a new buyer. The research information was provided to the Port's insurance company as required by the insurance company. In May of 2020, the insurance company reimbursed the Port in full for the Port's \$1,000 deductible on the stolen trailer claim as the insurance company reported that they had been made whole.

At June 17, 2020, five (5) tenants are more than ninety (90) days in arrears in their moorage payments for approximately \$8,800. Their total outstanding rent at June 17, 2020 is approximately \$12,100. The Port is pursuing various collection actions. See Note 8, Contingencies and Litigation.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Port of Brownsville (Port) was incorporated on April 7, 1920 and operates under the laws of the State of Washington applicable to a Port district.

Reporting Entity

The Port is located in Bremerton, Washington and its territory covers less than the entire county. The Port is a special purpose local government that provides marina facilities, pavilion, park, two commercial buildings and a residential rental to the general public and is supported by user charges and taxes from a property tax levy. The Port may acquire and improve land for sale or lease for industrial or commercial purposes. The Port is governed by an elected three-member board.

Basis of Accounting and Reporting

The Port reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statement.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statement as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. The Port has one fund. The following fund type is used:

PROPRIETARY FUND TYPE

Enterprise Fund

This fund accounts for operations that provide goods or services to the general public and are supported primarily through user charges.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

B. Basis of Accounting and Measurement Focus

The Port's financial statement is prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid. The cash basis of accounting and measurement focus was adopted as of January 1, 2017.

C. Cash and Investments - See Note 1H, Reserved Portion of Cash and Investments and Note 3, Deposits and Investments.

D. Inventory - Fuel

The Port sells gas, diesel, propane, oil and absorbents (fuel). Fuel revenues are recognized when fuel is sold. Fuel expenditures are recognized when fuel is purchased.

E. Capital Assets

Capital assets, including major repairs, are assets with an initial individual cost of \$2,000 or more and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation leave, eligible sick leave and associated payroll taxes. Payments are recognized as expenditures when paid.

Vacation pay, which is earned ratably on each pay period, may be accumulated up to three hundred sixty (360) hours and is payable upon separation, retirement or death. Accumulated hours over three hundred sixty (360) at year-end may be paid to the employee each January, if not carried over to the next year.

Sick leave accrues at the rate of eight (8) hours per month, ninety six (96) hours per year for full-time regular employees. Sick leave accrues for part-time regular employees in an amount proportionate to the time the employee is in pay status during the month to that of a full-time employee. Part-time seasonal or summer help accrues one (1) hour of sick leave for every forty (40) hours worked in an amount proportionate to the employee is in pay status.

The Port does not restrict the accumulation of sick leave. At the time of termination of employment (either voluntarily or involuntarily) any unused sick leave is forfeited and employees are not entitled to any pay in lieu of unused sick leave. Upon retirement, an employee shall receive pay for 25% of their accumulated sick leave provided that the employee has a minimum of five (5) years of continuous service with the Port and meet all the requirements to be eligible for retirement under the Public Employees' Retirement System.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

F. Compensated Absences, Continued

The total compensated absences balance was \$33,688 at December 31, 2018. See *Schedule of Liabilities* (Schedule 09).

G. Long-Term Debt - See Note 5, Debt Service Requirements.

H. Reserved Portion of Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Commissioners. When expenditures that meet restrictions are incurred, the Port intends to use reserved resources first before using unreserved amounts. Reservations of Beginning and Ending Cash and Investments consist of \$744,312 and \$322,461, respectively. See Note 3, Deposits and Investments.

NOTE 2 - BUDGETS:

Annual budgets are adopted on the same basis of accounting as used for financial reporting.

NOTE 3 - DEPOSITS AND INVESTMENTS:

It is the Port's policy to invest all temporary cash surpluses. The interest on these investments is recorded in the fund that generated the interest. The Kitsap County Treasurer is the custodian of the Port's cash and temporary investments. The carrying amount of the Port's unreserved cash deposits was \$405,605 held in the Kitsap County Treasurer's General Fund Cash account, a \$4,498 deposit in transit to Kitsap County Treasurer's General Fund Cash account, \$0 held in the Port's Bank of America Merchant Services account, and \$700 of petty cash at December 31, 2018, respectively. The Bank of America Merchant Services account processes the Port's payments that it receives via credit card payments by customers. Upon processing, the payments are automatically deposited into the Kitsap County Treasurer's general fund cash account for the Port. The total carrying amount of the unreserved cash was \$410,803.

All deposits and certificates of deposits were covered by the Federal Depository Insurance Corporation (FDIC) or by the Washington Public Deposit Protection Commission (PDPC). All cash deposits and investments are insured, registered or held by the Port or its agent in the government's name. See Note 1C, Cash and Investments.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS, CONTINUED:

Investments are reported at original cost. Investments by type at December 31, 2018 are as follows:

Type of Investment	Port's Own Investments Total
Kitsap County Treasurer - Construction Fund Savings	\$ 142,738
Kitsap County Treasurer - G.O. and Revenue Bond Fund	<u>176,122</u>
Total Reserved Investments	<u>318,860</u>
Kitsap County Treasurer - General Fund Savings	<u>628,445</u>
Total Unreserved Investments	<u>628,445</u>
Total Reserved and Unreserved Investments	<u>\$ 947,305</u>

The Port's reserved and unreserved cash and investment at December 31, 2018 are as follows:

Reserved Cash	Port's Own Investments Total
Kitsap County Treasurer - Construction Fund Cash	\$ 2,661
Kitsap County Treasurer - G.O. and Revenue Bond Cash	<u>940</u>
Total Reserved Cash	<u>3,601</u>
Unreserved Cash	
Kitsap County Treasurer - General Fund Cash	405,605
Kitsap County Treasurer - Deposit in Transit	4,498
Petty Cash	<u>700</u>
Total Unreserved Cash	<u>410,803</u>
Total Reserved and Unreserved Cash	<u>\$ 414,404</u>
Total Reserved Cash	\$ 3,601
Total Reserved Investments	<u>318,860</u>
Total Reserved Cash and Investments	<u>322,461</u>
Total Unreserved Cash	410,803
Total Unreserved Investments	<u>628,445</u>
Total Unreserved Cash and Investments	<u>1,039,248</u>
Total Reserved and Unreserved Cash and Investments	<u>\$ 1,361,709</u>

As required by state law, all investments of Port funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, or certificates of deposit with Washington State Banks or savings and loan institutions.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 - PROPERTY TAX:

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

Collections are distributed monthly to the Port by the County Treasurer. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Port may levy up to 45 cents per \$1,000 of assessed valuation for general Port purposes.

The Port's regular levy for 2018 was \$0.257693 per \$1,000 on a total assessed valuation of \$1,562,716,802 for a total regular levy of \$402,702.

NOTE 5 - DEBT SERVICE REQUIREMENTS:

The Port issues General Obligation (G.O.) bonds and Revenue bonds to finance the acquisition and construction of capital assets. The Port issued \$1,800,000 and \$1,000,000 of G.O. bonds in 2012 and 2013, respectively to refinance 1998 G.O. bonds that were at a higher interest rate. The G.O. bonds were issued for the rebuilding of the marina. The Port issued \$1,120,000 of Revenue bonds in 2017. Revenue bonds were issued for the rebuilding of B-Dock and the marina boat launch. The bonds are payable from the revenues of the Port. See Note 1G, Long-Term Debt.

The accompanying *Schedule of Liabilities* (Schedule 09) provides more details of the outstanding debt and liabilities of the Port and summarizes the Port's debt transactions for the year ended December 31, 2018.

The debt service requirements for G.O. and Revenue bonds at December 31, 2018 are as follows:

Year ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 155,000	\$ 118,633	\$ 273,633
2020	165,000	114,282	279,282
2021	170,000	109,557	279,557
2022	175,000	104,607	279,607
2023	175,000	99,108	274,108
2024 - 2028	1,240,000	385,785	1,625,785
2029 - 2033	1,020,000	143,050	1,163,050
2034 - 2036	<u>235,000</u>	<u>19,000</u>	<u>254,000</u>
Totals	\$ <u>3,335,000</u>	\$ <u>1,094,022</u>	\$ <u>4,429,022</u>

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - OPEB PLANS:

The Port is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The Port had seven (7) active plan members and no retired plan members as of December 31, 2018. The Port contributed \$37,015 to the plan for the year ended December 31, 2018. See Note 9, Accounting and Reporting Changes.

NOTE 7 - PENSION PLANS:

State Sponsored Pension Plans

Substantially all Port full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS), a statewide retirement system administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employee public employee defined benefit retirement plans.

The State Legislatures establishes and amends laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2018

NOTE 7 - PENSION PLANS, CONTINUED:

State Sponsored Pension Plans, Continued

At June 30, 2018 (the measurement date of the plans), the Port's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$14,891	0.002228%	\$ 99,503
PERS 2/3	\$22,124	0.002867%	\$ 48,951
Total	\$37,015		\$148,454

NOTE 8 - RISK MANAGEMENT:

Port of Brownsville is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2018, there are 549 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim.

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

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - RISK MANAGEMENT, CONTINUED:

Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

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

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

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

A Board of Directors consisting of seven (7) board members governs Enduris. The Pool's members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

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

NOTE 9 - OTHER DISCLOSURES:

Grants

In 2018, the Port was the recipient of three (3) U.S. Fish and Wildlife Service, Department of the Interior, Clean Vessel Act grants via the Washington State Parks and Recreation Commission. The three (3) grants provided for 75% of the cost of the maintenance of the Port's floating restrooms, the pumpout system and pumpout boat. The granting agency rolled the three (3) grants into one (1) combined grant for reporting for fiscal year ending September 30, 2019, while maintaining the previous same coverage and match. See Note 9, Contingencies and Litigation and Subsequent Events. In 2018, the Port incurred \$28,858 of eligible expenditures. See Note 9, Contingencies and Litigation, Subsequent Events and *Schedule of Expenditures of Federal Awards* (Schedule 16).

The Port was a recipient of a Washington State Recreation and Conservation Office (RCO) Boating Facilities - Local grant for \$653,616 (75%), with a Port match of \$217,873 (25%), for a total initial project cost of \$871,489 to replace the Port's existing two-lane, concrete boat launch, boarding float and to resurface the adjacent asphalt staging area and restore the shoreline adjacent to the project. The primary use of this completed project will be trailered public boating. The agreement was approved on October 31, 2017, with the period of performance beginning on February 16, 2018 (project start date) and ending on December 31, 2019 (project end date). The Port incurred certain pre-agreement allowable costs in compliance with RCO's policies that were submitted and approved for reimbursement by the RCO.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 9 - OTHER DISCLOSURES, CONTINUED:

Grants, Continued

The Port incurred \$80,671 of eligible grant reimbursement expenditures prior to 2018, incurred \$585,376 of eligible grant reimbursable expenditures in 2018, and will incur the balance of the eligible grant expenditures of \$12,431 in 2019, for a total reimbursement of \$653,616. See Note 9, Contingencies and Litigation, Construction Commitments, Subsequent Events and *Schedule of State Financial Assistance* (Schedule 15).

Grant expenditures include amounts owing to the Port for eligible expenditures incurred in 2018.

Contingencies and Litigation

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

The Port acquired certain assets with funding provided by federal and state financial assistance programs. Depending upon the terms of the agreements involved, the funding governmental unit could retain an equity interest in these assets resulting in the assets reverting back to the agency if the assets are not used for their intended purposes. 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.

Contingencies and Litigation - U.S. Fish and Wildlife Service, Department of the Interior, Clean Vessel Act, Recoverable Grants

Over the years, the Port has received multiple recoverable grants for the design, construction and maintenance of the marina floating restrooms, portable pumpout system and pumpout boat from the U.S. Fish and Wildlife Service, Department of the Interior, Clean Vessel Act, federal pass through grants via Washington State Parks and Recreation Commission. These grants are contingent on the marina floating restrooms, portable pumpout system and pumpout boat remaining in operation, over water, for twenty (20) years. The grants provide for a repayment of the grant proceeds should the asset be utilized in a non-authorized manner. The Port continues to receive annually a 75% reimbursement for the maintenance of these assets. The annual maintenance portion of these grants are included in Intergovernmental Revenues grant funds for each year received. In 2018, the original grants were re-written under the new grant program director, maintaining the same 75% reimbursement provisions as the initial grants. See Note 9, Grants, Subsequent Events and *Schedule of Expenditures of Federal Awards* (Schedule 16) for each year for the amounts of the grants incurred.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2018

NOTE 9 - OTHER DISCLOSURES, CONTINUED:

Contingencies and Litigation, Continued

Contingencies and Litigation - RCO Recoverable Grant

The Port received a \$653,616 recoverable grant from RCO for the marina boat launch and associated improvements. The project area funded with a RCO grant must remain dedicated to the use as originally funded for as long as defined in the project agreement. RCO requires a long-term obligation to maintain the project area. Non-compliance with the long-term obligations for a RCO grant may jeopardize an organization's ability to obtain future RCO grants. RCO requires that grant recipients replace the lost value of the project when changes or conversions of use take place.

Contingencies and Litigation - Past Due Payments in Arrears

At December 31, 2018, seven (7) tenants are more than ninety (90) days in arrears in their moorage payments. Their total outstanding rent at December 31, 2018 is \$7,790. Three (3) of the tenants are in the process of being turned over to collections, totaling \$4,038. See Note 9, Subsequent Events.

Contingencies and Litigation - State Auditor's Office (SAO) Finding

In March of 2018, the Port received a finding from SAO for the Port's 2015 and 2016 audits.

Port Manager

In 2018, the Interim Port Manager was made the official Port Manager.

Significant Commitments or Obligations

Construction Commitments

The Port has active construction projects as of December 31, 2018. The projects include:

<u>Project</u>	<u>Spent To-Date</u>	<u>Remaining Commitment</u>
Marina Boat Launch	\$ <u>926,010</u>	\$ <u>65,398</u>
Total Construction Commitments	\$ <u>926,010</u>	\$ <u>65,398</u>

The marina boat launch is primarily covered by a RCO grant, the 2017 Revenue bond and the Port's matching funds. See Note 5, Debt Service Requirements and Note 9, Grants, Contingencies and Litigation, Subsequent Events and *Schedule of State Financial Assistance* (Schedule 15).

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 9 - OTHER DISCLOSURES, CONTINUED:

Accounting and Reporting Changes

Effective January 1, 2018, the Port has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The major impact to the Port of this adoption was the presentation of a new prescribed OPEB disclosure in Note 6, which has been included in the Port's 2018 Notes to Financial Statements. Currently, cash basis special purpose districts are not required to calculate and present their OPEB liability on *Schedule of Liabilities*, (Schedule 09). The Washington SAO is working on guidance to have cash basis special purpose districts calculate and report their respective OPEB liability in the future. See Note 6, Other Post-Employment Benefits (OPEB) - OPEB Plans.

Restatement of Financial Results

Restated Fund Resources and Uses Arising from Cash Transactions

1. Restated coding to reflect reclassification of various expenditures impacted by the 2017 Restated Financial Statement and reclassification of employee items not benefiting Port operations

Restated Notes to Restated Financial Statement

1. Restated Notes to Restated Financial Statement to reflect reclassification of various disclosures impacted by the 2017 Restated Financial Statement and reclassification of employee items not benefiting Port operations
 - a. Note 9 - Other Disclosures
 - i. Disclosed 2018 SAO finding on their 2015 and 2016 SAO audit
 - ii. Disclosed change in Port personnel management
 - iii. Disclosed subsequent events through February 2, 2020

Restated Schedule 01 - Restated Revenues/Expenditures/Expenses

1. Restated Schedule 01 - Revenues/Expenditures/Expenses to include reclassification of various expenditures impacted by the 2017 Restated Financial Statement and reclassification of employee items not benefiting Port operations

Restated Schedule 16 - Restated Schedule of Expenditures of Federal Awards

1. Restated Schedule 16 - Schedule of Expenditures of Federal Awards to reflect various expenditures impacted by the 2017 Restated Financial Statement, resulting in an increase of \$256 in eligible expenditures

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 9 - OTHER DISCLOSURES, CONTINUED:

Subsequent Events

The Port has evaluated events through April 30, 2020, which is the date the financial statements were available to be issued.

In 2019, the Port incurred \$12,431 of eligible RCO expenditures for the Marina Boat Launch project. The Port received the RCO grant reimbursements in full totaling \$653,616 in 2018 and 2019, respectively, and closed out the grant in 2019. On October 25, 2019, RCO performed a compliance inspection of the Port of Brownsville Marina projects that they funded including the Breakwater Access Walkway, Boat Harbor, Boat Launch Expansion and Renovation and Breakwater and Moorage worksites. RCO determined that these projects were successfully completed and that they have closed the projects. In November of 2019, the Port made the final retainage payment of \$34,511 for the marina boat launch. With the RCO grant expenditures, the Port match and additional Port expenditures, the total cost of the Marina Boat Launch project was approximately \$991,408. See Note 9, Grants, Contingencies and Litigation, Construction Commitments and *Schedule of State Financial Assistance* (Schedule 15).

The Port's bond rating dropped from AA to AA- in January of 2019 due to various reporting deficiencies in the Port's most recent SAO audit.

In January of 2019, the Port purchased a piece of adjacent property for \$10,500 plus respective fees.

The Port acquired a new attorney from the Port's long-term legal firm in January of 2019.

In February of 2019, a boat fire damaged both Port equipment and adjacent boats in the marina. The Port has been reimbursed for their loss by the marina tenant's insurance.

In 2019, the Port issued a Request for Qualifications for an outside CPA with Port accounting and reporting experience. Upon the completion of the process, the Port selected a qualified CPA and entered into a contract with them through June 12, 2020. The Port joined the Washington Finance Officers Association (WFOA) in 2019 and they are actively participating in their ongoing training opportunities. A long-term administrative, accounting and HR employee was appointed as the Port's Auditor in May of 2019. Subsequently, the Auditor position was appointed to another Port employee.

The Port's 2017 one (1) year audit from the SAO was postponed from the Fall of 2018 to the Spring of 2020, to be included with the Port's 2018 SAO audit. The Port has restated their 2017 and 2018 SAO Financial Statements and Annual Reports in 2020 for resubmission to the SAO.

In 2019, the Port obtained new business credit cards from Heritage Bank for use by the Commissioners and Port management.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 9 - OTHER DISCLOSURES, CONTINUED:

Subsequent Events, Continued

In 2019, the Port Manager went on paid administrative leave. In 2019, the Port contracted to bring in an Executive Director of a neighboring Port to provide Interim Port Manager duties until the Port Manager position was resolved. On March 14, 2020 the Port terminated the employment of the Port Manager.

In 2019, the Port has been involved in various employment matters.

In 2019, one of the Port's two fuel pumps was damaged.

In December of 2019, a tenant's boat sunk in the marina. The Port is currently working with the tenant, their insurance company, a diving company and the Coast Guard to raise the boat. On February 26, 2020 the Port passed Resolution 20-04, allowing for an emergency action to raise the vessel as the vessel was starting to destroy the dock, electrical and affect surrounding tenants. The insurance company paid the vessel owner directly, but to-date has not spent any costs in removing the sunken vessel. The Port is currently in the process of filing claims against the vessel owner and his insurance company. The Port has followed the derelict vessel protocol to be reimbursed for eligible expenditures. The Port engaged a marina salvage company directly and engaged them to remove the sunken boat. The boat was removed in April of 2020.

Eight (8) tenants are more than ninety (90) days in arrears in their moorage payments. Their total outstanding rent at April 30, 2020 is approximately \$30,700. The Port is pursuing various collection actions. See Note 9, Contingencies and Litigation.

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

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

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Port of Brownsville (Port) was incorporated on April 7, 1920 and operates under the laws of the State of Washington applicable to a Port district.

Reporting Entity

The Port is located in Bremerton, Washington and its territory covers less than the entire county. The Port is a special purpose local government that provides marina facilities, pavilion, park, two commercial buildings and a residential rental to the general public and is supported by user charges and taxes from a property tax levy. The Port may acquire and improve land for sale or lease for industrial or commercial purposes. The Port is governed by an elected three-member board.

Basis of Accounting and Reporting

The Port reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office (SAO) under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statement.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statement as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. The Port has one fund. The following fund type is used:

PROPRIETARY FUND TYPE

Enterprise Fund

This fund accounts for operations that provide goods or services to the general public and are supported primarily through user charges.

B. Basis of Accounting and Measurement Focus

The Board of Commissioners adopted a resolution to prepare its financial statement on the cash basis of accounting and measurement focus, effective January 1, 2017.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

B. Basis of Accounting and Measurement Focus, Continued

The Port's financial statement is prepared using the cash basis of accounting and measurement focus. The January 1, 2017 opening balance was adjusted to reflect the cash basis of accounting. Revenues are recognized when cash is received and expenditures are recognized when paid. See Note 1I, Change in Basis of Accounting.

C. Budgets

Annual budgets are adopted on the same basis of accounting as used for financial reporting.

D. Cash and Investments - See Note 1J, Reserved Portion of Cash and Investments and Note 2, Deposits and Investments.

E. Inventory - Fuel

The Port sells gas, diesel, propane, oil and absorbents (fuel). Fuel revenues are recognized when fuel is sold. Fuel expenditures are recognized when fuel is purchased.

F. Capital Assets

Capital assets, including major repairs, are assets with an initial individual cost of \$2,000 or more and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

G. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation leave, eligible sick leave and associated payroll taxes. Payments are recognized as expenditures when paid.

Vacation pay, which is earned ratably on each pay period, may be accumulated up to three hundred sixty (360) hours and is payable upon separation, retirement or death. Accumulated hours over three hundred sixty (360) at year-end may be paid to the employee each January, if not carried over to the next year.

Sick leave accrues at the rate of eight (8) hours per month, ninety six (96) hours per year for full-time regular employees. Sick leave accrues for part-time regular employees in an amount proportionate to the time the employee is in pay status during the month to that of a full-time employee. Part-time seasonal or summer help accrues one (1) hour of sick leave for every forty (40) hours worked in an amount proportionate to the employee is in pay status.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

G. Compensated Absences, Continued

The Port does not restrict the accumulation of sick leave. At the time of termination of employment (either voluntarily or involuntarily) any unused sick leave is forfeited and employees are not entitled to any pay in lieu of unused sick leave. Upon retirement, an employee shall receive pay for 25% of their accumulated sick leave provided that the employee has a minimum of five (5) years of continuous service with the Port and meet all the requirements to be eligible for retirement under the Public Employees' Retirement System.

The total compensated absences balance was \$27,103 at December 31, 2017. See *Schedule of Liabilities* (Schedule 09).

H. Long-Term Debt - See Note 4, Debt Service Requirements.

I. Change in Basis of Accounting

Prior to January 1, 2017, the Port prepared its financial statements using generally accepted accounting principles. In 2017, the Port adopted the cash basis of accounting as the basis for its financial statement. The opening fund balance at January 1, 2017 has been restated to conform to the new basis of accounting. As a result of the differences described in Note 1, Basis of Accounting and Reporting between the cash basis and generally accepted accounting principles, the opening fund balance at the beginning of 2017 has been reduced by approximately \$6,783,000. The reduction is primarily due to the elimination of capital assets and the corresponding liabilities from the December 31, 2016 balance sheet. The Port continues to maintain capital asset and liability schedules. See Note 1B, Basis of Accounting and Measurement Focus.

J. Reserved Portion of Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of Commissioners. When expenditures that meet restrictions are incurred, the Port intends to use reserved resources first before using unreserved amounts. Reservations of Beginning and Ending Cash and Investments consist of \$93,078 and \$744,312, respectively. See Note 2, Deposits and Investments.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS:

It is the Port's policy to invest all temporary cash surpluses. The interest on these investments is recorded in the fund that generated the interest. The Kitsap County Treasurer is the custodian of the Port's cash and temporary investments. The carrying amount of the Port's unreserved cash deposits was \$200,969 held in the Kitsap County Treasurer's General Fund Cash account, a \$3,759 deposit in transit to Kitsap County Treasurer's General Fund Cash account, \$0 held in the Port's Bank of America Merchant Services account, and \$700 of petty cash at December 31, 2017, respectively. The Bank of America Merchant Services account processes the Port's payments that it receives via credit card payments by customers.

Upon processing, the payments are automatically deposited into the Kitsap County Treasurer's general fund cash account for the Port. The total carrying amount of the unreserved cash was \$205,428.

All deposits and certificates of deposits were covered by the Federal Depository Insurance Corporation (FDIC) or by the Washington Public Deposit Protection Commission (PDPC). All cash deposits and investments are insured, registered or held by the Port or its agent in the government's name. See Note 1D, Cash and Investments.

Investments are reported at original cost. Investments by type at December 31, 2017 are as follows:

Type of Investment	Port's Own Investments Total
Kitsap County Treasurer - Construction Fund Savings	\$ --
Kitsap County Treasurer - G.O. and Revenue Bond Fund	175,329
Total Reserved Investments	175,329
 Kitsap County Treasurer - General Fund Savings	 556,454
Total Unreserved Investments	556,454
Total Reserved and Unreserved Investments	\$ 731,783

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS, CONTINUED:

As required by state law, all investments of Port funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, or certificates of deposit with Washington State Banks or savings and loan institutions.

The Port's reserved and unreserved cash and investment at December 31, 2017 are as follows:

Reserved Cash	Port's Own Investments Total
Kitsap County Treasurer - Construction Fund Cash	\$ 567,661
Kitsap County Treasurer - G.O. and Revenue Bond Cash	<u>1,323</u>
Total Reserved Cash	<u>568,984</u>
<hr/>	
Unreserved Cash	
Kitsap County Treasurer - General Fund Cash	200,969
Kitsap County Treasurer - Deposit in Transit	3,759
Petty Cash	<u>700</u>
Total Unreserved Cash	<u>205,428</u>
Total Reserved and Unreserved Cash	<u>\$ 774,412</u>
<hr/>	
Summary	
Total Reserved Cash	\$ 568,983
Total Reserved Investments	<u>175,329</u>
Total Reserved Cash and Investments	<u>744,312</u>
Total Unreserved Cash	205,428
Total Unreserved Investments	<u>556,454</u>
Total Unreserved Cash and Investments	<u>761,882</u>
Total Reserved and Unreserved Cash and Investments	<u>\$ 1,506,194</u>

NOTE 3 - PROPERTY TAX:

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

Collections are distributed monthly to the Port by the County Treasurer. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Port may levy up to 45 cents per \$1,000 of assessed valuation for general Port purposes.

The Port's regular levy for 2017 was \$0.277315 per \$1,000 on a total assessed valuation of \$1,417,313,003 for a total regular levy of \$393,067.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 - DEBT SERVICE REQUIREMENTS:

The Port issues General Obligation (G.O.) bonds and Revenue bonds to finance the acquisition and construction of capital assets. The Port issued \$1,800,000 and \$1,000,000 of G.O. bonds in 2012 and 2013, respectively, to refinance the outstanding 1998 G.O. bonds of approximately \$208,000 that were at a higher interest rate with the remaining proceeds invested into rebuilding the marina. The G.O. bonds are payable from the Port's tax levy. In 2017, the Port issued \$1,120,000 of Revenue bonds for the rebuilding of B-Dock and the marina boat launch. Of the \$1,120,000 proceeds, \$87,100 was deposited into a Revenue bond reserve account and \$15,129 was used for bond issuance expenses, resulting in \$1,017,661 deposited into the Port's reserved construction fund. In addition, the Port expended an additional \$16,800 for legal fees and bond underwriter fees for a total bond issuance expense of \$32,039. The Revenue bonds are payable from the revenues of the Port. See Note 1H, Long-Term Debt.

The accompanying *Schedule of Liabilities* (Schedule 09) provides more details of the outstanding debt and liabilities of the Port and summarizes the Port's debt transactions for the year ended December 31, 2017.

The debt service requirements for G.O. and Revenue bonds at December 31, 2017 are as follows:

Year ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 155,000	\$ 122,883	\$ 277,883
2019	155,000	118,633	273,633
2020	165,000	114,282	279,282
2021	170,000	109,557	279,557
2022	175,000	104,607	279,607
2023 - 2027	1,145,000	424,968	1,569,968
2028 - 2032	1,220,000	190,775	1,410,775
2033 - 2036	<u>305,000</u>	<u>31,200</u>	<u>336,200</u>
Totals	\$ <u>3,490,000</u>	\$ <u>1,216,905</u>	\$ <u>4,706,905</u>

NOTE 5 - PENSION PLANS:

State Sponsored Pension Plans

Substantially all Port full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS), a statewide retirement system administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit retirement plans.

The State Legislatures establishes and amends laws pertaining to the creation and administration of all public retirement systems.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2017

NOTE 5 - PENSION PLANS, CONTINUED:

State Sponsored Pension Plans, Continued

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

At June 30, 2017 (the measurement date of the plans), the Port's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 16,243	0.002700%	\$ 128,117
PERS 2/3	\$ 21,215	0.003473%	\$ 120,670
Total	\$ 37,458		\$ 248,787

NOTE 6 - RISK MANAGEMENT:

The Port maintains insurance against most normal hazards for commercial automobile, property loss and general liability. In the opinion of management, the Port's insurance policies are adequate to pay all known pending claims.

The Port is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2017, there are 540 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 6 - RISK MANAGEMENT, CONTINUED:

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

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

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

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

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

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

The Port received \$3,937 in insurance recoveries from Enduris in 2017. See Note 7, Subsequent Events.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 6 - RISK MANAGEMENT, CONTINUED:

Significant Commitments or Obligations

Other Post-Employment Benefits (OPEB)

The Port has a commitment to pay for post-employment benefits for employees that belong to the Public Employees' Benefits Board (PEBB). These benefits include medical, dental, vision, long-term disability and life insurance. No retirees received benefits during the year and \$0 was paid out for those benefits during the year.

NOTE 7 - OTHER DISCLOSURES:

Grants

In 2017, the Port was the recipient of three (3) ongoing U.S. Fish and Wildlife Service, Department of the Interior, Clean Vessel Act (CVA) grants via the Washington State Parks and Recreation Commission. The three (3) grants provided for 75% of the cost of the maintenance of the Port's floating restrooms, the pumpout system and pumpout boat. In 2017, the Port incurred \$42,218 of eligible expenditures. See Note 7, Contingencies and Litigation, Subsequent Events and *Schedule of Expenditures of Federal Awards* (Schedule 16).

The Port was a recipient of a Washington State Recreation and Conservation Office (RCO) Boating Facilities - Local grant for \$653,616 (75%), with a Port match of \$217,873 (25%), for a total initial project cost of \$871,489 to replace the Port's existing two-lane, concrete boat launch, boarding float and to resurface the adjacent asphalt staging area and restore the shoreline adjacent to the project. The primary use of this completed project will be trailered public boating. The agreement was approved on October 31, 2017, with the period of performance beginning on February 16, 2018 (project start date) and ending on December 31, 2019 (project end date). The Port incurred certain pre-agreement allowable costs in compliance with RCO's policies that were submitted and approved for reimbursement by the RCO.

The Port incurred \$30,844 of eligible RCO grant reimbursement expenditures prior to 2017 and \$49,827 in 2017, for a total of \$80,671 through December 31, 2017. See Note 7, Contingencies and Litigation, Construction Commitments, Subsequent Events and *Schedule of State Financial Assistance* (Schedule 15).

Grant expenditures include amounts owing to the Port for eligible expenditures incurred in 2017.

Contingencies and Litigation

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

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - OTHER DISCLOSURES, CONTINUED:

Contingencies and Litigation, Continued

The Port acquired certain assets with funding provided by federal and state financial assistance programs. Depending upon the terms of the agreements involved, the funding governmental unit could retain an equity interest in these assets resulting in the assets reverting back to the agency if the assets are not used for their intended purposes. 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.

Contingencies and Litigation - CVA Recoverable Grants

Over the years, the Port has received multiple recoverable grants for the design, construction and maintenance of the marina floating restrooms, portable pumpout system and pumpout boat from the U.S. Fish and Wildlife Service, Department of the Interior, Clean Vessel Act, federal pass through grants via Washington State Parks and Recreation Commission. These grants are contingent on the marina floating restrooms, portable pumpout system and pumpout boat remaining in operation, over water, for twenty (20) years. The grants provide for a repayment of the grant proceeds should the asset be utilized in a non-authorized manner. The Port continues to receive annually a 75% reimbursement for the maintenance of these assets. The annual maintenance portion of these grants are included in Intergovernmental Revenues grant funds for each year received. See Note 7, Grants, Subsequent Events and *Schedule of Expenditures of Federal Awards* (Schedule 16) for each year for the amounts of the grants incurred.

Contingencies and Litigation - RCO Recoverable Grant

The Port received a \$653,616 recoverable grant from RCO for the marina boat launch and associated improvements. The project area funded with a RCO grant must remain dedicated to the use as originally funded for as long as defined in the project agreement. RCO requires a long-term obligation to maintain the project area. Non-compliance with the long-term obligations for a RCO grant may jeopardize an organization's ability to obtain future RCO grants. RCO requires that grant recipients replace the lost value of the project when changes or conversions of use take place. See Note 7, Grants, Construction Commitments, Subsequent Events and *Schedule of State Financial Assistance* (Schedule 15) for each year for the amounts of the grants incurred.

Contingencies and Litigation - Past Due Payments in Arrears

At December 31, 2017, seven (7) tenants are more than ninety (90) days in arrears in their moorage payments. Their total outstanding rent at December 31, 2017 is \$7,651. The Port is pursuing various collection actions. See Note 7, Subsequent Events.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - OTHER DISCLOSURES, CONTINUED:

Significant Commitments or Obligations

Construction Commitments

The Port has active construction projects as of December 31, 2017. The projects include:

<u>Project</u>	<u>Spent To-Date</u>	<u>Remaining Commitment</u>
Marina Boat Launch	\$ <u>130,357</u>	\$ <u>862,717</u>
Total Construction Commitments	\$ <u>130,357</u>	\$ <u>862,717</u>

The marina boat launch project costs include the Port match to the RCO grant and is primarily covered by the RCO grant, the 2017 Revenue bond and the Port's matching funds. See Note 4, Debt Service Requirements, Note 7, Grants, Contingencies and Litigation, Subsequent Events and *Schedule of State Financial Assistance* (Schedule 15).

Port Manager

The Port's long-term Port Manager retired in 2017 after twenty two (22) years. He was then subsequently hired back as a Contract Specialist until November of 2017. See Note 7, Subsequent Events.

Restatement of Financial Results

Restated Fund Resources and Uses Arising from Cash Transactions

1. Restated coding to various prescribed accounts
 - a. Restated beginning unreserved cash and investments
 - b. Restated amounts reflected in every account except beginning reserved cash and investments
 - c. Added disclosure of debt proceeds, custodial activities, other resources and capital expenditures, all previously omitted
 - d. Deleted Statement of Assets, Liabilities and Equity - Cash Basis from 1999 BARS Manual and Statement of Revenues, Expenses and Changes in Net Assets from 1992 BARS Manual

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - OTHER DISCLOSURES, CONTINUED:

Restatement of Financial Results, Continued

Restated Notes to Restated Financial Statement

1. Restated notes to include prescribed BARS disclosures
 - a. Note 1 - Summary of Significant Accounting Policies
 - i. Addition of change in basis of accounting and impact disclosed
 - ii. Addition of fuel inventory disclosure
 - iii. Updated compensated absences disclosure to prescribed format
Updated total to include employee burden
 - b. Note 2 - Deposits and Investments
 - i. Updated disclosures to prescribed BARS format
 - ii. Restated classifications of cash and investments between reserved and unreserved cash and investments
 - c. Note 3 - Property Taxes
 - i. Updated format to prescribed BARS format
 - ii. Restated 2017 tax rate per \$1,000, assessed value and regular levy amounts
 - d. Note 4 - Debt Service Requirements
 - i. Original filing excluded Note 4, numerically
 - ii. Disclosed debt service requirements in accordance with prescribed BARS format
 - iii. Added issuance of new 2017 Revenue bond for \$1,120,000 and corresponding details
 - iv. Incorporated original Note 7 into Note 4, which disclosed details on the Port's 2012 and 2013 G.O. bonds
 - v. Restated debt service requirements at December 31, 2017 to include new Revenue bond principal and interest through 2036
 - e. Note 5 - Pension Plans
 - i. Restated note in accordance with BARS format
 - f. Note 6 - Risk Management
 - i. Restated Enduris disclosure to current year's Enduris release for 2017
 - ii. Added amount Port received in 2017 for insurance recovery
 - iii. Added prescribed BARS disclosure on OPEB

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - OTHER DISCLOSURES, CONTINUED:

Restatement of Financial Results, Continued

Restated Notes to Restated Financial Statement, Continued

- g. Note 7 - Other Disclosures
 - i. Disclosed significant amount of prescribed BARS disclosures
 - ii. Disclosed prescribed BARS details pertaining to Port's two grants
 - iii. Disclosed prescribed BARS details pertaining to Port's recoverable grants
 - iv. Disclosed past due status of various accounts
 - v. Disclosed Port's active construction projects and remaining commitment in accordance with BARS
 - vi. Disclosed change in Port personnel management
 - vii. Disclosed subsequent events through January 30, 2020

Restated Schedule 01 - Restated Revenues/Expenditures/Expenses

- 1. Added specific BARS account numbers, BARS name and amounts for multiple accounts and increased the prescribed accounts reported from twelve accounts to twenty four accounts

Restated Schedule 09 - Restated Schedule of Liabilities

- 1. General Obligation Debt was broken apart and separately stated along with correct ID numbers, due date and description
- 2. Revenue and Other non G.O. Debt and Liabilities was added along with correctly stated ID numbers, due date and description
- 3. Required Compensated Absences beginning and ending balances was added with correct ID numbers

Restated Schedule 15 - Restated Schedule of Financial Assistance

- 1. Added omitted Schedule 15 - Schedule of State Financial Assistance to report 2017 RCO grant

Restated Schedule 16 - Restated Schedule of Expenditures of Federal Awards

- 1. Added omitted Schedule 16 - Schedule of Expenditures of Federal Awards to report 2017 CVA grants

Restated Notes to the Restated Schedule 16

- 1. Added omitted notes to Schedule 16 in accordance with prescribed BARS format

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - OTHER DISCLOSURES, CONTINUED:

Subsequent Events

The Port has evaluated events through April 30, 2020, which is the date the financial statements were available to be issued.

In March of 2018, the Port received a finding from SAO for the Port's 2015 and 2016 audits.

In 2018, the Interim Port Manager was made the official Port Manager.

In 2018, for reporting for the fiscal year ending September, 30, 2019, CVA reissued the Port's CVA grants, combining three (3) existing separate grants into one (1) combined grant, all for the same continuing purpose. In January of 2018 and March of 2019, the Port received grant reimbursements of \$42,612 and \$28,778, respectively, from CVA to reimburse the Port for 75% of their eligible expenditures for the periods of October 1, 2016 through September 30, 2017 and October 1, 2017 through September 30, 2018, respectively, which were incurred for the maintenance of the various marina floating restrooms, portable pumpout system and pumpout boat. See Note 7, Grants, Contingencies and Litigation, Subsequent Events and *Schedule of Expenditures of Federal Awards* (Schedule 16).

In 2018 and 2019, the Port incurred \$572,945 of eligible RCO expenditures for the Marina Boat Launch project. The Port received the RCO grant reimbursements in full totaling \$653,616 in 2018 and 2019, respectively, and closed out the grant. On October 25, 2019, RCO performed a compliance inspection of the Port of Brownsville Marina projects that they funded including the Breakwater Access Walkway, Boat Harbor, Boat Launch Expansion and Renovation and Breakwater and Moorage worksites. RCO determined that these projects were successfully completed and that they have closed the projects. In November of 2019, the Port made the final retainage payment of \$34,511 for the marina boat launch. With the RCO grant expenditures, the Port match and additional Port expenditures, the total cost of the Marina Boat Launch project was approximately \$993,074. See Note 7, Grants, Contingencies and Litigation, Construction Commitments and *Schedule of State Financial Assistance* (Schedule 15).

The Port's bond rating dropped from AA to AA- in January of 2019 due to various reporting deficiencies in the Port's most recent SAO audit.

In January of 2019, the Port purchased a piece of adjacent property for \$10,500 plus respective fees.

The Port acquired a new attorney from the Port's long-term legal firm in January of 2019.

In February of 2019, a boat fire damaged both Port equipment and adjacent boats in the marina. The Port has been reimbursed for their loss by the marina tenant's insurance.

PORT OF BROWNSVILLE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - OTHER DISCLOSURES, CONTINUED:

Subsequent Events, Continued

In 2019, the Port issued a Request for Qualifications for an outside CPA with Port accounting and reporting experience. Upon the completion of the process, the Port selected a qualified CPA and entered into a contract with them through June 12, 2020. The Port joined the Washington Finance Officers Association (WFOA) in 2019 and they are actively participating in their ongoing training opportunities. A long-term administrative, accounting and HR employee was appointed as the Port's Auditor in May of 2019. Subsequently, the Auditor position was appointed to another Port employee.

The Port's 2017 one (1) year audit from the SAO was postponed from the Fall of 2018 to the Spring of 2020, to be included with the Port's 2018 SAO audit. The Port has restated their 2017 and 2018 SAO Financial Statements and Annual Reports for resubmission to the SAO.

In 2019, the Port obtained new business credit cards from Heritage Bank for use by the Commissioners and Port management.

In 2019, the Port Manager went on paid administrative leave. In 2019, the Port contracted to bring in an Executive Director of a neighboring Port to provide Interim Port Manager duties until the Port Manager position was resolved. On March 14, 2020 the Port terminated the employment of the Port Manager.

In 2019, the Port has been involved in various employment matters.

In 2019, one of the Port's two fuel pumps was damaged.

In December of 2019, a tenant's boat sunk in the marina. The Port is currently working with the tenant, their insurance company, a diving company and the Coast Guard to raise the boat. On February 26, 2020 the Port passed Resolution 20-04, allowing for an emergency action to raise the vessel as the vessel was starting to destroy the dock, electrical and affect surrounding tenants. The insurance company paid the vessel owner directly, but to-date has not spent any costs in removing the sunken vessel. The Port is currently in the process of filing claims against the vessel owner and his insurance company. The Port has followed the derelict vessel protocol to be reimbursed for eligible expenditures. The Port engaged a marina salvage company directly and engaged them to remove the sunken boat. The boat was removed in April of 2020.

Eight (8) tenants are more than ninety (90) days in arrears in their moorage payments. Their total outstanding rent at April 30, 2020 is approximately \$30,700. The Port is pursuing various collection actions. See Note 7, Contingencies and Litigation.

**Port of Brownsville
Schedule of Liabilities
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Limited Tax General Obligation Bonds for Marina Dock Replacement, ISSUED 06/27/2012	12/1/2031	1,800,000	-	-	1,800,000
251.11	Limited Tax General Obligation Bonds for Marina Dock Replacement, ISSUED 10/22/2013	12/1/2023	455,000	-	115,000	340,000
Total General Obligation Debt/Liabilities:			2,255,000	-	115,000	2,140,000
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	General Revenue Bonds for Boat Harbor Facilities Capital Improvements, ISSUED 04/28/2017	12/1/2036	1,080,000	-	40,000	1,040,000
259.12	Compensated Absences		33,688	-	2,533	31,155
264.40	OPEB Liabilities		-	139,782	-	139,782
264.30	Pension Liabilities		148,454	-	39,133	109,321
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,262,142	139,782	81,666	1,320,258
Total Liabilities:			3,517,142	139,782	196,666	3,460,258

**Port of Brownsville
Schedule of Liabilities
For the Year Ended December 31, 2018**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Limited Tax General Obligation Bonds for Marina Dock Replacement, ISSUED 06/27/2012	12/1/2031	1,800,000	-	-	1,800,000
251.11	Limited Tax General Obligation Bonds for Marina Dock Replacement, ISSUED 10/22/2013	12/1/2023	570,000	-	115,000	455,000
Total General Obligation Debt/Liabilities:			2,370,000	-	115,000	2,255,000
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	General Revenue Bonds for Boat Harbor Facilities Capital Improvements, ISSUED 04/28/2017	12/1/2036	1,120,000	-	40,000	1,080,000
259.12	Compensated Absences		27,103	6,585	-	33,688
264.30	Net Pension Liabilities		248,787	-	100,333	148,454
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,395,890	6,585	140,333	1,262,142
Total Liabilities:			3,765,890	6,585	255,333	3,517,142

**Port of Brownsville
Schedule of Liabilities
For the Year Ended December 31, 2017**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Limited Tax General Obligation Bonds for Marina Dock Replacement, ISSUED 06/27/2012	12/1/2031	1,800,000	-	-	1,800,000
251.11	Limited Tax General Obligation Bonds for Marina Dock Replacement, ISSUED 10/22/2013	12/1/2023	680,000	-	110,000	570,000
Total General Obligation Debt/Liabilities:			2,480,000	-	110,000	2,370,000
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	General Revenue Bonds for Boat Harbor Facilities Capital Improvements, ISSUED 04/28/2017	12/1/2036	-	1,120,000	-	1,120,000
259.12	Compensated Absences		46,754	-	19,651	27,103
264.30	Net Pension Liabilities		344,805	-	96,018	248,787
Total Revenue and Other (non G.O.) Debt/Liabilities:			391,559	1,120,000	115,669	1,395,890
Total Liabilities:			2,871,559	1,120,000	225,669	3,765,890

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
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