



PORT OF BROWNSVILLE

9790 Ogle Rd • NE Bremerton, WA 98311
Office: 360-692-5498 • FAX 360-698-8023
pob@portofbrownsville.org

Commissioners:
Mathew Messing
Shaun Nye

March 1, 2022 Financial Workshop

CALL TO ORDER

Commissioner Shaun Nye called the Financial Workshop to order at 6:01 PM, In attendance were Interim Port Manager Jerral Williams, CPA Jan Fancher, and Port Auditor Joseph DaBell.

FINANCIAL WORKSHOP

CPA Fancher presented her prepared documents (attached) to all in attendance.

The meetings are planned for the following dates and times.

March 22, 2022, at 4:00 PM

April 26, 2022, at 4:00 PM

May 24, 2022, at 4:00 PM

No meeting in June 2022

July 26, 2022, at 4:00 PM

August 23, 2022, at 4:00 PM

September 27, 2022, at 4:00 PM

October 25, 2022, at 4:00 PM

CPA Fancher then put out a request to all in attendance to provide topics they wish to hear about regarding the Port's financials. These requests will be evaluated based on feasibility, time, and cost to prepare.

COMMISSION COMMENTS

Commissioner Nye stated he is happy we are finally doing these meetings and thanked all in attendance for their time.

CLOSE MEETING / ADJOURN

Commissioner Shaun Nye adjourned the meeting at 7:00 PM.

A handwritten signature in black ink, appearing to read 'Shaun Nye', written over a horizontal line.

President / Commissioner

Secretary / Commissioner

A handwritten signature in black ink, appearing to read 'Shaun Nye', written over a horizontal line.

Commissioner

Port of Brownsville

AGENDA

Finance Workshop
Via Zoom Conference

Tuesday, March 1, 2022 at 6:00 PM

II. WELCOME TO VIRTUAL ATTENDEES

- **The Port wants to welcome the virtual attendees to the Port of Brownsville's first Finance Workshop for 2022.**
- **The Port is excited to work together with everyone to make this process a success.**
- **A series of dates throughout 2022 has been set up on the fourth Tuesday of selected months to hold a Finance Workshop to discuss finance matters.**
- **Attendees, please let Jerry Williams, Executive Director, know that you are attending each time so that the Port can determine if there is enough interest to continue the workshops.**
- **The topics can address factual, financial information that the Port is able to locate and present in a cost-effective manner.**
- **Please note that it is possible that not all topic requests will be fulfilled if the information does not exist, it would not be cost effective to provide the information, the topic is not finance related or if the topic is not an item of interest to multiple parties.**

If the requested topic would incur additional costs to produce but it has broad interest, the Port may consider authorizing incurring the additional costs on a pre-authorization basis.

- **A big thanks in advance to everyone for their participation in this process!**

Port of Brownsville

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Finance Workshop
Via Zoom Conference

Tuesday, March 1, 2022 at 6:00 PM

III. OVERVIEW - INTRODUCTION - FINANCIAL HIGHLIGHTS

- Introduction to the Budgeting, Accounting, and Reporting System (BARS) Manual - brief video clip

Provided from the WA State Auditor's Office Website (SAO)

- Caution on using the BARS Manual and attending BARS training - several years ago SAO combined the BARS Manuals for Port Districts into the Cities and Counties BARS Manual. Not all rules in the BARS Manuals apply to Port Districts.
- Per SAO, there are approximately 2,000 WA governmental districts that are audited by SAO. Historically, SAO has stated that the 76 Port Districts provide approximately 80% of the State's governmental revenues. The most recent % is not available. Port Districts are an economic driver for the State of Washington.
- Port Districts are considered a proprietary type of entity, operating like a business model, charging user fees for the services provided.
- Cash Basis versus GAAP (Accrual) Reporting - Per SAO Website

4.1.7 GAAP Versus Cash Basis Reporting

4.1.7.10 Approximately 20% of local governments report financial information in accordance with generally accepted accounting principles (GAAP). All other local governments report on a cash basis as prescribed in the BARS Manual.

4.1.7.20 Under authority of RCW 43.09.200, SAO allows local governments the option to report on either a GAAP or cash basis method.

III. OVERVIEW - INTRODUCTION - FINANCIAL HIGHLIGHTS - CONTINUED - PAGE 2

4.1.7.30 The choice of GAAP or Cash is a management decision. Per SAO, adequate accountability, oversight and control can be achieved whether reporting on a cash or GAAP basis.

4.17.40 The most appropriate basis of reporting for a particular government is a matter of judgment based on the needs, activity and resources of that government. Each method has advantages and disadvantages. SAO recommends that governments carefully consider the costs versus the benefits. To assist governments in this decision, a summary of common benefits and drawbacks of different reporting options is provided below.

4.1.7.50 GAAP basis reporting

Advantages

- . Financial reports that are more comprehensive, sophisticated and potentially informative
- . Improved ability to evaluate government's financial position and changes in its net position
- . Consistent with nationally recognized financial reporting standards
- . More familiar to external users
- . May be required by grantors or oversight agencies

Disadvantages

- . May be more difficult to understand and use for managers or governing bodies who are unfamiliar with accrual concepts and terminology
- . Requires more qualified staff, a more complex accounting system, and more time devoted to preparation and controls over financial reporting
- . More costly financial reporting
- . May need to reconcile between multiple basis of accounting for financial reporting and operational purposes

4.1.7.60 Cash basis reporting

Advantages

- . Financial reports that are more simple and easier to understand and use
- . Clear presentation of cash flows and available cash
- . Financial reporting that is aligned with budgets
- . Financial reporting may be less costly
- . Less training required for staff

III. OVERVIEW - INTRODUCTION - FINANCIAL HIGHLIGHTS - CONTINUED - PAGE 3

Disadvantages

- . Statements are focused on short-term rather than long-term financial position
- . Less information on non-cash assets, including infrastructure, and changes in these assets
- . Less information on liabilities and changes in liabilities
- . May not be as familiar to external user

Please see the Port files for SAO's recommendations to the Port to switch to Cash Basis to help to avoid some of the ongoing reporting findings, management letters and issues.

The Port's Annual Report includes the following prescribed disclosures in accordance with BARS:

- . Port of Brownsville's Annual Report Note 1 Disclosures

Reporting Entity and Basis of Accounting

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 and commercial buildings 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.

III. OVERVIEW - INTRODUCTION - FINANCIAL HIGHLIGHTS - CONTINUED - PAGE 4

- 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 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.

Port Governance

The Port of Brownsville is governed by an elected three-member board.

Currently in the State of WA, there are 76 Port districts.

70 Port Districts are governed by 3 Commissioners, 6 Port Districts are governed by 5 Commissioners.

The total approximate revenues of the Port districts governed by 5 Commissioners range from \$10 million to \$835 million, with the exception of Orcas.

The total revenues of the Port districts governed by 3 Commissioners can exceed \$65 million.

The Port of Brownsville's total revenue is approximately \$2 million.

Being Your Own Treasurer

The Port became its own Treasurer at the end of 2021 in accordance with the rules and regulations governing such activities. The Port appointed a Port

III. OVERVIEW - INTRODUCTION - FINANCIAL HIGHLIGHTS - CONTINUED - PAGE 5

Treasurer to oversee the process, which was assigned to a Port Commissioner.

The Port participates in a robust review process including the Port Auditor, the Port CPA, the Port Executive Director and with the final sign-off by the Port Treasurer on all expenditures incurred by the Port.

All expenditures are reviewed with appropriate sign-off by the responsible party, coded to the correct BARS account, a draft Check Control Report is prepared listing all of the expenditures in the classifications required by BARS, and then everything is reviewed by the Port CPA, the Port Executive Director and then the Port Treasurer. A second Commissioner then performs a second review of the Check Control Report with supporting documentation.

Each Check Control Report is signed off by the Port Auditor, the Port Executive Director, the Port Treasurer and at least one of the two non-Treasurer Commissioners. The signed Check Control is maintained on file in accordance with SAO's documentation requirements and is audited by SAO.

Bank reconciliations are prepared by the Port CPA, independently from the person involved in the day-to-day activities, and signed off by the Port CPA. The bank reconciliations are prepared as quickly as possible after month end. The independently prepared bank reconciliations are then reviewed and signed off both by the Port Auditor and the Port Treasurer.

The Port Auditor and the Port Treasurer both attend multiple educational classes offered by SAO, WPPA and WFOA every year.

The Port CPA provides additional resources from multiple Port newsletters and resources for best practices to the Port.

The Port's ability to be their own Treasurer has increased the Port's oversight of its financial affairs, increased the ability for the Port to monitor its funds on a daily basis and provides for a robust, multi-review process to ensure that the public funds are accounted for.

III. OVERVIEW - INTRODUCTION - FINANCIAL HIGHLIGHTS - CONTINUED - PAGE 6

. Types of SAO Audits

Accountability Audits - Evaluates whether a local government has adhered applicable state laws, regulations and its own policies and procedures. SAO audits records to ensure public funds are accounted for and controls are in place to protect public resources from misappropriation and misuse. SAO is required to examine the financial affairs of all local governments at least once every three years.

Financial Audits - Provides an independent opinion on a local government's financial statements and the results of its operations and cash flows. These audits determine whether the financial statement presents a reliable, accurate picture of a government's finances.

A local government is required to have a financial audit if it receives over \$2 million in annual revenues, or spends more than \$750k in federal financial assistance, or is specified in financing arrangements, such as bonds, loans or grant agreements.

All local governments are required by RCW 43.09.230 to submit an annual financial report to SAO within 150 days of the end of their fiscal year. This year the 2021 annual report is due May 30, 2022.

Federal Single Audits - If > \$750k of federal funding is spent in a year, a federal single audit is required. There are extensive rules governing this area that can be covered at a future time. To-date the Port has not had a federal grant that triggers this audit requirement.

Fraud Investigations/Audits - Per RCW 43.09.185, all state agencies and local governments are required to immediately notify SAO in the event of a known or suspected loss of public funds or assets or other illegal activity. To increase transparency, starting in 2019, SAO reports all fraud investigations through a public report that is published on the SAO website.

Elected and Boards are responsible for ensuring management has designed and put in place effective controls to manage fraud risk.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

III. OVERVIEW - INTRODUCTION - FINANCIAL HIGHLIGHTS - CONTINUED - PAGE 7

Boards are encouraged to make it easy to report concerns and to establish a process where employees and citizens can report concerns in a discreet way, where the disclosure is handled appropriately and taken seriously.

- . Suspected fraud
- . Unusual or suspicious activity
- . Policy or law violations
- . Ethical issues
- . Waste or abuse
- . Questionable accounting practices

. Additional Requirements

- . Extensive Accounting Rules and Procedures - the BARS manual has extensive rules governing the accounting process and the steps required to be in compliance. This would be a great future topic.

Segregation of duties is required, and if not possible, additional steps are required to mitigate risk. SAO has provided guidance for segregation of duties in a one, two or more person office.

- . Strict Rules on Procurement - the BARS manual has extensive, strict rules governing the purchases and procurement.

Determination of what rules govern the purchases, separate counting and sign-offs of items received from the purchaser, separate reviews of the receipts and sign-offs, and additional questions are part of the process.

These rules can be covered in a future workshop, if interested.

III. OVERVIEW - INTRODUCTION - FINANCIAL HIGHLIGHTS - CONTINUED - PAGE 8

- **Maintenance of Inventory of Capital Assets and Small and Attractive Assets** - the BARS manual has extensive rules governing the record keeping of keeping track of the Port's Capital Assets and its Small and Attractive assets (assets that can grow feet and walk). These rules can be covered in a future workshop, if interested.
- **Public Gift of Funds** - The "Gift of Public Funds Doctrine" refers to a fairly broad set of prohibitions contained in two sections of the Washington State Constitution. While the two sections vary to some degree, they focus on a common theme of barring the state government and its political subdivisions from conferring benefits on private parties in ways that might disadvantage public interest.

Both SAO and the Washington Department of Revenue Leasehold Excise Tax Division may become involved when a public gift of funds is involved.

Excise Tax Division may become involved when a public gift of funds is involved.

- **Port of Brownsville's SAO Audit History**

See attached summary of the Port's Accountability and Financial audits from 1/1/2004 to 12/31/2019, and its Fraud Investigation from 1/1/2016 to 3/31/2020.

- **Port of Brownsville's 2020 and 2021 Accountability and Financial Audit Schedule**

SAO has informed the Port that they will contact the Port in September of 2022, for the 2020 and 2021 Accountability and Financial audits to start between October and December of 2022. Based on the SAO Exit Conference in January of 2021, they quoted an estimated SAO audit cost of \$26,200 for a one-year audit as they intended to come out and audit 2020 later that year. Since then, SAO has raised their rates. The Port is anticipating that the SAO cost for the upcoming two-year audit, starting in 2022, will be approximately \$55,000 to \$60,000. It appears that the audit will take several months, potentially extending into 2023. The Port has budgeted \$40,000 for SAO in 2022, and is planning on the balance, if any, being paid in 2023.

- **Now on to GOALS!**

Audit Reports

- [Report Types](#)
- [Explore Governments That Serve You](#)
- [Audit Reports](#)
- [Financial Intelligence Tool \(FIT\)](#)
- [Tracker](#)
- [Performance Reports](#)
- [Whistleblower & Fraud Reports](#)
- [Other Annual Reports](#)

The Washington State Auditor's Office makes all audit reports since 2005 available for search and download as PDFs here. You can request a report released before 2005 from the State Archives by emailing research@sos.wa.gov.

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SEARCH AUDIT REPORTS
start over

Topic areas:

Showing:

Port of Brownsville

Issued 1/1/2005 to 12/31/2022

Port/Airport District

<u>Government Name</u>	<u>Govt. Type</u>	<u>Report #</u>	<u>Audit Type</u>	<u>Issued</u>	<u>Findings</u>
Port of Brownsville	Port/Airport District	1027697 1/1/2016 to 3/31/2020	Fraud	01/13/2021	1 finding

Audit Reports

Showing:
Port of Brownsville
Issued 1/1/2005 to 12/31/2022
Accountability

<u>Government Name</u>	<u>Govt. Type</u>	<u>Report #</u>	<u>Audit Type</u>	<u>Issued</u>	<u>Findings</u>
<u>Port of Brownsville</u>	Port/Airport District	1027689 1/1/2017 to 12/31/2019	Accountability	01/21/2021	2 findings
<u>Port of Brownsville</u>	Port/Airport District	1020936 1/1/2015 to 12/31/2016	Accountability	03/22/2018	(n/a)
<u>Port of Brownsville</u>	Port/Airport District	1015615 1/1/2012 to 12/31/2014	Accountability	11/30/2015	1 finding
<u>Port of Brownsville</u>	Port/Airport District	1007495 1/1/2009 to 12/31/2011	Accountability	04/16/2012	(n/a)
<u>Port of Brownsville</u>	Port/Airport District	1003366 1/1/2006 to 12/31/2008	Accountability	04/12/2010	(n/a)
<u>Port of Brownsville</u>	Port/Airport District	72285 1/1/2004 to 12/31/2005	Accountability	03/23/2007	(n/a)

Audit Reports

Showing:
Port of Brownsville
Issued 1/1/2005 to 12/31/2022
Financial

<u>Government Name</u>	<u>Govt. Type</u>	<u>Report #</u>	<u>Audit Type</u>	<u>Issued</u>	<u>Findings</u>
<u>Port of Brownsville</u>	Port/Airport District	1027690 1/1/2017 to 12/31/2019	Financial	01/21/2021	1 <u>finding</u>
<u>Port of Brownsville</u>	Port/Airport District	1020955 1/1/2015 to 12/31/2016	Financial	03/22/2018	1 <u>finding</u>
<u>Port of Brownsville</u>	Port/Airport District	1015605 1/1/2012 to 12/31/2014	Financial	11/30/2015	(n/a)
<u>Port of Brownsville</u>	Port/Airport District	1007496 1/1/2009 to 12/31/2011	Financial	04/16/2012	(n/a)
<u>Port of Brownsville</u>	Port/Airport District	1003367 1/1/2006 to 12/31/2008	Financial	04/12/2010	(n/a)
<u>Port of Brownsville</u>	Port/Airport District	72286 1/1/2004 to 12/31/2005	Financial	03/23/2007	(n/a)

Port of Brownsville

AGENDA

Finance Workshop
Via Zoom Conference

Tuesday, March 1, 2022 at 6:00 PM

IV. GOALS

- . To provide transparency**
- . To provide information regarding requested finance workshop topics**

Port of Brownsville

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Finance Workshop
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Tuesday, March 1, 2022 at 6:00 PM

V. RESOURCES

- **WA State Auditor's Website - sao.wa.gov**
- **WPPA - Washington Public Ports Association - washingtonports.org**
- **WFOA - Washington Finance Officers Association - wfoa.org**
- **GFOA - Government Finance Officers Association - gfoa.org**
- **PNWA - Pacific Northwest Waterways Association - pnwa.net**

All provide timely updates, emails, courses, seminars, resources

- **SW WA Finance Group - Port CPA assisted in forming a Port Finance Officers Group in 1992 to assist SW WA Port Finance Officers with best practices, policies, resolutions, support to each other on an ongoing basis both in person and electronically. Auditor DaBell is a member of this group. With the exception of the last two years, the group meets monthly since formation will resume monthly meetings in 2022.**

Port of Brownsville

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Tuesday, March 1, 2022 at 6:00 PM

VI. 2022 MEETING SCHEDULE

<u>Date</u>	<u>Time</u>	<u>Topics</u>
March 1, 2022	6:00 PM	Introduction/Financial Highlights/Overview
March 22, 2022	4:00 PM	
April 26, 2022	4:00 PM	
May 24, 2022	4:00 PM	
No Meeting June of 2022?		
July 26, 2022	4:00 PM	
August 23, 2022	4:00 PM	
September 27, 2022	4:00 PM	
October 25, 2022	4:00 PM	Determine if Nov/Dec is needed
No Meeting November of 2022?		
No Meeting December of 2022?		

Port of Brownsville

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VII. REQUEST FOR FINANCE WORKSHOP TOPICS

- **Finance Workshop - Requested Finance Topic Form**

Please stop by and pick up a form to complete or have the Port email or mail a request form to you.

- Please direct your requests to Jerry Williams, Executive Director at the Port office, or via email or mail.

Email:

jwilliams@portofbrownsville.org

Drop Off or Mail:

Jerry Williams, Executive Director
9790 Ogle Road NE
Bremerton, WA 98311

Port of Brownsville

Finance Workshop Requested Finance Topic Form

2022 Finance Workshops

The Port of Brownsville is holding a series of Finance Workshops in 2022. The Port is inviting interested parties to complete the Requested Finance Topic Form below and forward it to Jerry Williams, Executive Director.

Finance Workshop - Requested Finance Topic:

Requestor Name, Email and Contact Information:

Please direct your requests to Jerry Williams, Executive Director

Email: jwilliams@portofbrownsville.org

Drop Off or Mail: Jerry Williams, Executive Director
9790 Ogle Road NE
Bremerton, WA 98311