



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Brownsville

For the period January 1, 2022 through December 31, 2023

Published April 17, 2025

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

April 17, 2025

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

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, 2022 through December 31, 2023

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Port's financial statements, and have issued our report thereon dated April 9, 2025.

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.

REPORT ON 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) as a basis for designing 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.

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.

Our consideration of internal control was for the limited purpose described above 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.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

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.

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

Pat McCarthy, State Auditor

Olympia, WA

April 9, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Port of Brownsville January 1, 2022 through December 31, 2023

Board of Commissioners
Port of Brownsville
Bremerton, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the Port of Brownsville, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Port has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying 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, 2023 and 2022, on the basis of accounting described in Note 1.

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, 2023 and 2022, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the Port in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management 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 BARS Manual 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port's financial statements. 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2025 on our consideration of the Port's internal control over financial reporting and on the 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 the effectiveness of the Port's 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, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

April 9, 2025

FINANCIAL SECTION

Port of Brownsville January 1, 2022 through December 31, 2023

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2023

Fund Resources and Uses Arising from Cash Transactions – 2022

Notes to Financial Statements – 2023

Notes to Financial Statements – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023

Schedule of Liabilities – 2022

Port of Brownsville
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

Beginning Cash and Investments

308	Beginning Cash and Investments	1,231,200
388 / 588	Net Adjustments	-

Revenues

310	Taxes	433,824
320	Licenses and Permits	2,450
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	1,726,474
350	Fines and Penalties	-
360	Miscellaneous Revenues	37,822
Total Revenues:		<u>2,200,570</u>

Expenditures

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	1,528,905
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>1,528,905</u>
Excess (Deficiency) Revenues over Expenditures:		<u>671,665</u>

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	222,538
Total Other Increases in Fund Resources:		<u>222,538</u>

Other Decreases in Fund Resources

594-595	Capital Expenditures	59,469
591-593, 599	Debt Service	313,519
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	174,812
Total Other Decreases in Fund Resources:		<u>547,800</u>

Increase (Decrease) in Cash and Investments: 346,403

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	155,072
50841	Committed	-
50851	Assigned	1,422,530
50891	Unassigned	-
Total Ending Cash and Investments		<u>1,577,602</u>

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, 2022

Beginning Cash and Investments

308	Beginning Cash and Investments	959,431
388 / 588	Net Adjustments	-

Revenues

310	Taxes	425,963
320	Licenses and Permits	-
330	Intergovernmental Revenues	28,338
340	Charges for Goods and Services	1,922,018
350	Fines and Penalties	-
360	Miscellaneous Revenues	11,989
Total Revenues:		<u>2,388,308</u>

Expenditures

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	1,778,394
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>1,778,394</u>
Excess (Deficiency) Revenues over Expenditures:		<u>609,914</u>

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	174,810
Total Other Increases in Fund Resources:		<u>174,810</u>

Other Decreases in Fund Resources

594-595	Capital Expenditures	92,065
591-593, 599	Debt Service	279,608
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	141,282
Total Other Decreases in Fund Resources:		<u>512,955</u>

Increase (Decrease) in Cash and Investments: **271,769**

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	150,263
50841	Committed	-
50851	Assigned	1,080,937
50891	Unassigned	-
Total Ending Cash and Investments		<u>1,231,200</u>

The accompanying notes are an integral part of this statement.

Port of Brownsville
Notes to Financial Statements
December 31, 2023

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 ROW. 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 for proprietary funds are presented using classifications that are different from the ending net position classifications 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 Financial Statements
December 31, 2023

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 fulltime 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 Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

F. Compensated Absences, Continued

The total compensated absences balance was \$12,636 at December 31, 2023. See *Schedule of Liabilities* (Schedule 09).

G. Long-Term Liabilities - See Note 5, Long-Term Liabilities.

H. Restricted and Committed Portion of Cash and Investments

Beginning and Ending Cash and Investments is reported as restricted or committed 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 the most restricted resources first. Restrictions and Commitments of Ending Cash and Investments consist of \$155,072 and \$0, respectively.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Investments are reported at original cost, unless indicated otherwise. Deposits and investments by type at December 31, 2023 are as follows:

<u>Type of Deposit or Investment</u>	<u>Port's Own Deposits and Investments Total</u>
Bank Deposits	\$ 509,405
Timberland Bank Savings	348,354
Local Government Investment Pool (LGIP)	<u>719,843</u>
Total	<u>\$ 1,577,602</u>

It is the Port's policy to invest all temporary cash surpluses. The interest on these investments is recorded in the Port's General Fund. The investments in the LGIP are classified as cash equivalents. Within the investment accounts, the Port internally maintains segregated subaccounts to reflect any balances in restricted, committed, assigned and unassigned accounts. All deposits and investments are insured, registered, or held by the Port or its agent in the government's name.

Deposits

The carrying amount of the Port's cash deposits with financial institutions was \$508,506 held at Timberland Bank, \$599 held at the Kitsap County Treasurer (KCT), \$0 held in the Port's Kitsap Bank's Bank Merchant Services account, and \$300 of petty cash for gas dock and office tills on hand at the Port for total deposits at December 31, 2023 of \$509,405.

Port of Brownsville
Notes to Financial Statements
December 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS, CONTINUED:

Deposits, Continued

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 Port's General Fund cash account at Timberland Bank.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Port would not be able to recover deposits or 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).

Investments

The carrying amount of the Port's investments was \$348,354 held at Timberland Bank and \$719,842 held at LGIP, for a total carrying value of \$1,068,196 at December 31, 2023.

The total carrying amount of cash deposits and investments was \$1,577,826 at December 31, 2023.

The Port is a voluntary participant in the LGIP, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the 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.

The Office of the State Treasurer prepares a stand-alone financial report for the 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.

On August 12, 2020, the Port Commission passed Resolution 20-06, appointing one of its members to be the Port Treasurer. The Port Treasurer maintains the accounts of the Port at Timberland Bank in Silverdale, Washington, a certified Public Depository Institution. The Port invests its surplus cash according to a Policy adopted by the commission in Resolution 20-07, dated October 14, 2020, that uses three criteria to determine what investments are appropriate. The three criteria, in order of importance are; preservation of principal, liquidity and return on investment. Investment earnings are reported in each investment's respective total.

Port of Brownsville
Notes to Financial Statements
December 31, 2023

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. Property tax revenues are recognized when cash is received by the Port. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied. The Port's regular levy for 2023 was \$0.158810 per \$1,000 on a total assessed valuation of \$2,744,074,077 for a total regular levy of \$435,788. Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

NOTE 4 - LONG-TERM LIABILITIES:

The Port issues G.O. bonds and Revenue bonds to finance the acquisition and construction of capital assets.

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, 2023.

The debt service requirements for G.O. and Revenue bonds at December 31, 2023 are as follows:

Year ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024 \$	225,000	\$ 93,483	\$ 318,483
2025	240,000	85,808	325,808
2026	245,000	77,545	322,545
2027	260,000	69,025	329,025
2028	270,000	59,925	329,925
2029-2033	1,020,000	143,050	1,163,050
2034-2037	<u>235,000</u>	<u>19,000</u>	<u>254,000</u>
Totals \$	<u>2,495,000</u>	<u>\$ 547,836</u>	<u>\$ 3,042,836</u>

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 five (5) active plan members and zero (0) retired plan members as of December 31, 2023. As of December 31, 2023, the Port's total OPEB liability was \$80,430 as calculated using the alternative measurement method. The Port contributed \$0 to the plan for the year ended December 31, 2023. See *Schedule of Liabilities* (Schedule 09).

Port of Brownsville
Notes to Financial Statements
December 31, 2023

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.

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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACM may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2023 (the measurement date of the plans), the Port's proportionate share of the collective net pension liabilities (assets), was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 13,300	0.001952%	\$44,559
PERS 2/3	\$ 22,144	0.002519%	\$ (103,246)

Only the net pension liabilities are reported on the *Schedule of Liabilities* (Schedule 09).

NOTE 7 - RISK MANAGEMENT:

Port of Brownsville is a member of the Enduris Washington (Pool). 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 counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2023, there were 527 Enduris members representing a broad array of special purpose districts throughout the state.

Port of Brownsville
Notes to Financial Statements
December 31, 2023

NOTE 7 - RISK MANAGEMENT, CONTINUED:

The Enduris program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claims made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays(1)
Liability:				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act	\$1 million	\$20 million	\$1,000 - \$100,000
Terrorism Liability	Member Aggregate		\$20 million	
	Per Occurrence	\$500,000	\$0	\$1,000 - \$100,000
	Pool Aggregate	\$1 million	Fully funded by Pool	
Employment Practices Liability	Per Occurrence	\$1 million	\$20 million	20% Copay(3)
	Member Aggregate		\$20 million	

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible
- (2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.
- (3) Members pay a 20% co-pay of costs up to a maximum of \$1000,000.. By meeting established guidelines, the co-pay may be waived.

Port of Brownsville
Notes to Financial Statements
December 31, 2023

NOTE 7 - RISK MANAGEMENT, CONTINUED:

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/Reinsurance Limits	Member Deductibles/ Co-Pays(1)
Property(3)				
Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery	Per Occurrence	Varies	\$100 million	Varies
Business Interruption(BI)/ Extra Expense(EE)(4)	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit(5)				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per occurrence \$200 million aggregate	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/ Pool aggregate \$1.1 billion/ per occurrence APIP program \$1.4 billion/ APIP program aggregate	\$0
Automobile Physical Damage	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >:\$750,000	\$1 billion	\$250 - \$1,000
Crime Blanket(7)	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position(8)	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber(9))	Each Claim APIP Aggregate	\$100,000	\$2 million \$40 million	20% Copay
Identity Fraud Expense Reimbursement(10)	Member Aggregate	\$0	\$25,000	\$0

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.

(2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.

(3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.

(4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.

(5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.

Port of Brownsville
Notes to Financial Statements
December 31, 2023

NOTE 7 - RISK MANAGEMENT, CONTINUED:

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/Reinsurance Limits	Member Deductibles/ Co-Pays(1)
(6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.				
(7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2500 is provided to each member. Members may elect to "buy-up" the level of coverage from \$5,000 to \$2 million.				
(8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.				
(9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.				
(10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.				

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. 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 Interlocal Governmental Agreement

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

NOTE 8 - OTHER DISCLOSURES:

Grants

Over the years, the Port was a recipient of a Washington State Parks and Recreation Commission grant, which was a federal flow-through grant from U.S. Fish and Wildlife under the Clean Vessel Act for a boat sewage disposal facility. The Port completed the capital portion of the grant previously and is eligible to participate in the maintenance reimbursement portion of the grant for the life of the asset, which provides for 75% of the cost of the maintenance of the Port's floating restrooms, pumpout system and the pumpout boat. The Port incurred \$15,347 of eligible reimbursable grant expenditures in 2023. See the Contingencies and Litigation and Subsequent Events sections within Note 8, Other Disclosures; as well as the *Schedule of Expenditures of Federal Awards* (Schedule 16).

**Port of Brownsville
Notes to Financial Statements
December 31, 2023**

NOTE 8 - OTHER DISCLOSURES, CONTINUED:

Grants, Continued

In 2021, the Recreation and Conservation Office (RCO) entered into a grant agreement with the Port for an \$86,025 grant with a \$28,675 Port match, for a total project cost of \$114,700 to install two (2) pay stations with associated utilities to support motorized boating. In 2023, the Port incurred eligible grant expenses of \$36,936. See the Contingencies and Litigation and Subsequent Events sections within Note 8, Other Disclosures; as well as the *Schedule of State Financial Assistance* (Schedule 15). Grant expenditures include amounts owing to the Port for eligible expenditures incurred in 2023.

In 2023, the Port applied for and was awarded a Community Economic Revitalization Board (CERB) Planning Grant for \$50,000 with a Port match of \$12,500, for a total project cost of \$62,500. The Port is working with the selected project planning team for the development of an economic development market analysis for the betterment of the Port's properties.

Contingencies and Litigation

The Port has received information from a regulatory agency in the form of Project and Calculator Notes and a Puget Sound Nearshore Conservation Calculator. Both documents appear to be preliminary and relate to the Port's maintenance activities. The Conservation Calculator notes total points for Conservation Credits/Debits as -856. Further review and development of this information will be needed to assess what this means in terms of potential cost, if any, to the Port. The outcome of this matter is uncertain. See the Subsequent Events section within Note 8, Other Disclosures.

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 disallowance's, 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.

Port of Brownsville
Notes to Financial Statements
December 31, 2023

NOTE 8 - OTHER DISCLOSURES, CONTINUED:

Contingencies and Litigation - State of WA Recreation and Conservation Office (RCO) Recoverable Grants

The Port received a \$653,616 recoverable grant from RCO for the marina boat launch and associated improvements, which was completed in 2019. In 2021, the Port received a \$86,025 recoverable grant from RCO for two (2) pay stations with associated utilities, which was started and is in process in 2022. Projects funded with RCO grants 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 the Subsequent Events section within Note 8, Other Disclosures; as well as the *Schedule of State Financial Assistance* (Schedule 15).

Contingencies and Litigation - Past Due Payments in Arrears

As of December 31, 2023, sixteen (16) tenants are more than ninety (90) days in arrears in their moorage payments for approximately \$22,899. Their total outstanding rent at December 31, 2023 is \$31,785. The Port is pursuing various collection actions. See the Subsequent Events section within Note 8, Other Disclosures.

Subsequent Events

The Port has evaluated events through current, the date the financial statements were available to be issued.

The Port has contacted various regulatory agencies regarding the communication received in 2021 from a regulatory agency in the form of Project and Calculator Notes and a Puget Sound Nearshore Conservation Calculator and has not received any further communications from them. See the Contingencies and Litigation section within Note 8, Other Disclosures.

As of May 28, 2024, nineteen (19) tenants are more than ninety (90) days in arrears in their moorage payments for approximately \$30,080. Their total outstanding rent at May 28, 2024 is approximately \$59,625. The Port is pursuing various collection actions.

NOTES TO FINANCIAL STATEMENT
December 31, 2022

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.
- 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 for proprietary funds are presented using classifications that are different from the ending net position classifications 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

F. Compensated Absences, Continued

The total compensated absences balance was \$25,248 at December 31, 2022. See *Schedule of Liabilities* (Schedule 09).

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

H. Restricted and Committed Portion of Cash and Investments

Beginning and Ending Cash and Investments is reported as restricted or committed 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 the most restricted resources first. Restrictions and Commitments of Ending Cash and Investments consist of \$150,263 and \$0, respectively.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Investments are reported at original cost, unless indicated otherwise. Deposits and investments by type at December 31, 2022 are as follows:

<u>Type of Deposit or Investment</u>	<u>Port's Own Deposits and Investments Total</u>
Bank Deposits	\$ 395,325
Timberland Bank Savings	347,484
Local Government Investment Pool (LGIP)	<u>488,391</u>
Total	\$ 1,231,200

It is the Port's policy to invest all temporary cash surpluses. The interest on these investments is recorded in the Port's General Fund. The investments in the LGIP are classified as cash equivalents. Within the investment accounts, the Port internally maintains segregated subaccounts to reflect any balances in restricted, committed, assigned and unassigned accounts. All deposits and investments are insured, registered, or held by the Port or its agent in the government's name.

Deposits

The carrying amount of the Port's cash deposits with financial institutions was \$387,085 held at Timberland Bank, a \$6,713 deposit in transit to Timberland Bank, \$1,227 held at the Kitsap County Treasurer (KCT), \$0 held in the Port's Kitsap Bank's Bank Merchant Services account, and \$300 of petty cash for gas dock and office tills on hand at the Port for total deposits at December 31, 2022 of \$395,325.

NOTE 2 - DEPOSITS AND INVESTMENTS, CONTINUED:

Deposits, Continued

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 Port's General Fund cash account at Timberland Bank.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Port would not be able to recover deposits or 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).

Investments

The carrying amount of the Port's investments was \$347,484 held at Timberland Bank and \$488,391 held at LGIP, for a total carrying value of \$835,875 at December 31, 2022.

The total carrying amount of cash deposits and investments was \$1,231,200 at December 31, 2022.

The Port is a voluntary participant in the LGIP, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the 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.

The Office of the State Treasurer prepares a stand-alone financial report for the 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.

On August 12, 2020, the Port Commission passed Resolution 20-06, appointing one of its members to be the Port Treasurer. The Port Treasurer maintains the accounts of the Port at Timberland Bank in Silverdale, Washington, a certified Public Depository Institution. The Port invests its surplus cash according to a Policy adopted by the commission in Resolution 20-07, dated October 14, 2020, that uses three criteria to determine what investments are appropriate. The three criteria, in order of importance are; preservation of principal, liquidity and return on investment. Investment earnings are reported in each investment's respective total.

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's regular levy for 2022 was \$0.187704 per \$1,000 on a total assessed valuation of \$2,275,620,135 for a total regular levy of \$427,144.

Property tax revenues are recognized when cash is received by Port of Brownsville.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

NOTE 4 - LONG-TERM LIABILITIES:

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, 2022.

The debt service requirements for G.O. and Revenue bonds at December 31, 2022 are as follows:

Year ending December 31	Principal	Interest	Total
2023	\$ 175,000	\$ 99,108	\$ 274,108
2024	225,000	93,483	318,483
2025	240,000	85,807	325,807
2026	245,000	77,545	322,545
2027	260,000	69,025	329,025
2028 - 2032	1,220,000	190,775	1,410,775
2033 - 2037	<u>305,000</u>	<u>31,200</u>	<u>336,200</u>
Totals	<u>\$ 2,670,000</u>	<u>\$ 646,943</u>	<u>\$ 3,316,943</u>

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 seven (7) active plan members and zero (0) retired plan members

as of December 31, 2022. As of December 31, 2022, the Port's total OPEB liability was \$149,921 as calculated using the alternative measurement method. The Port contributed \$28 to the plan for the year ended December 31, 2022. 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.

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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2022 (the measurement date of the plans), the Port's proportionate share of the collective net pension liabilities (assets), was as follows:

	Employer Contributions	Allocation%	Liability (Asset)
PERS 1	\$ 13,760	0.002245%	\$ 62,509
PERS 2/3	\$ 23,535	0.002930%	\$ (108,667)

Only the net pension liabilities are reported on the *Schedule of Liabilities* (Schedule 09).

NOTE 7 - RISK MANAGEMENT:

Port of Brownsville is a member of the Enduris Washington (Pool). 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 counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2022, there were 527 Enduris members representing a broad array of special purpose districts throughout the state.

NOTE 7 - RISK MANAGEMENT, CONTINUED:

The Enduris program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claims made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Liability:				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000-\$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 -\$100,000
Terrorism Liability ⁽²⁾	Per Occurrence	\$500,000	\$0	\$1,000 - \$100,000
	Pool Aggregate	\$1 million	Fully funded by Pool	
Employment Practices Liability	Per Occurrence	\$1 million	\$20 million	20% Copay ⁽³⁾
	Member Aggregate		\$20 million	

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible

(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.

(3) Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

NOTE 7-RISK MANAGEMENT, CONTINUED:

Coverage	Coverage Type	Pool Self-insured Retention	Excess/Reinsurance Limits	Member Deductibles/Co-Pays
Property ¹²¹ :				
Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000-\$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000-\$250,000
Boiler and Machinery ¹²³	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) ¹²⁴	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ¹²⁵ :				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per occurrence	\$1,000-\$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$200 million aggregate \$600 million/ Pool aggregate \$1.1 billion/ per occurrence APIP program \$1.4 billion/ APIP program aggregate	\$0
Automobile Physical Damages ¹²⁶	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >\$750,000	\$1 billion	\$250 - \$1,000
Crime Blanket ¹⁷¹	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position ^{1a1}	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber ¹⁹¹	Each Claim APIP Aggregate	\$100,000	\$2 million \$40 million	20% Copay
Identity Fraud Expense Reimbursement ¹¹⁰¹	Member Aggregate	\$0	\$25,000	\$0

- Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.

NOTE 7 - RISK MANAGEMENT, CONTINUED:

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
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- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Members may elect to "buy-up" the level of coverage from \$5,000 to \$2 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. 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 Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

NOTE 8 - OTHER DISCLOSURES:

Grants

Over the years, the Port was a recipient of a Washington State Parks and Recreation Commission grant, which was a federal flow-through grant from U.S. Fish and Wildlife under the Clean Vessel Act for a boat sewage disposal facility. The Port completed the capital portion of the grant previously and is eligible to participate in the maintenance reimbursement portion of the grant for the life of the asset, which provides for 75% of the cost of the maintenance of the Port's floating restrooms, pumpout system and the pumpout boat. The Port incurred \$31,939 of eligible reimbursable grant expenditures in 2022. See Note 8, Contingencies and Litigation, Subsequent Events and *Schedule of Expenditures of Federal Awards* (Schedule 16).

NOTE 8 - OTHER DISCLOSURES, CONTINUED:

Grants, Continued

In 2021, the Recreation and Conservation Office (RCO) entered into a grant agreement with the Port for an \$86,025 grant with a \$28,675 Port match, for a total project cost of \$114,700 to install two (2) pay stations with associated utilities to support motorized boating. In 2022, the Port incurred eligible grant expenses of \$729. 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 **2022**.

Contingencies and Litigation

The Port has been in ongoing discussions with a Port tenant to address various rent and Leasehold Excise Tax issues. See Note 8, Subsequent Events.

The Port has received information from a regulatory agency in the form of Project and Calculator Notes and a Puget Sound Nearshore Conservation Calculator. Both documents appear to be preliminary and relate to the Port's maintenance activities. The Conservation Calculator notes total points for Conservation Credits/Debits as -856. Further review and development of this information will be needed to assess what this means in terms of potential cost, if any, to the Port. The outcome of this matter is uncertain. See Note 8, Subsequent Events.

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.

NOTE 8 - OTHER DISCLOSURES, CONTINUED:

Contingencies and Litigation - State of WA Recreation and Conservation Office (RCO) Recoverable Grants

The Port received a \$653,616 recoverable grant from RCO for the marina boat launch and associated improvements, which was completed in 2019. In 2021, the Port received a \$86,025 recoverable grant from RCO for two (2) pay stations with associated utilities, which was started and is in process in 2022. Projects funded with RCO grants 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 8, Construction Commitments, Subsequent Events and *Schedule of State Financial Assistance* (Schedule 15).

Contingencies and Litigation - Past Due Payments in Arrears

As of December 31, 2022, five (5) tenants are more than ninety (90) days in arrears in their moorage payments for approximately \$5,626. Their total outstanding rent at December 31, 2022 is \$9,481. The Port is pursuing various collection actions. See Note 8, Subsequent Events.

Significant Commitments or Obligations

Construction Commitments

The Port has active construction projects as of December 31, 2022. The projects include:

<u>Project</u>	<u>Spent To-Date</u>	<u>Remaining Commitment</u>
Main pier piling improvements	\$ 50,681	\$ 2,432
Two (2) kiosk electronic pay stations ⁽¹⁾	<u>972</u>	<u>28,089</u>
Total Construction Commitments	\$ <u>51,653</u>	\$ <u>30,521</u>

(1) Reimbursable by 75% RCO grant up to \$86,025

The remaining construction commitments not designated above will be funded from Port funds. See Note 8, Grants, Contingencies and Litigation and Subsequent Events.

NOTE 8 - OTHER DISCLOSURES, CONTINUED:

Subsequent Events

The Port has evaluated events through current, the date the financial statements were available to be issued.

In 2023, the Port activated two (2) kiosk electronic pay stations. In 2023, the Port has incurred \$25,517 of eligible grant expenditures. The balance owed before installing any protective structures is \$2,572. The Port is in the process of extending the grant to finalize the remaining items, submitting for grant reimbursement, and closing out the grant by the fall of 2023. See Note 8, Grants, Contingencies and Litigation, Construction Commitments and *Schedule of State Financial Assistance* (Schedule 15).

The Port finalized discussions with a Port tenant to address various rent and Leasehold Excise Tax issues, which resulted in a new amended and restated lease agreement that was executed May 26, 2022. See Note 8, Contingencies and Litigation.

The Port has contacted various regulatory agencies regarding the communication received in 2021 from a regulatory agency in the form of Project and Calculator Notes and a Puget Sound Nearshore Conservation Calculator and has not received any further communications from them. See Note 8, Contingencies and Litigation.

In 2023, the Port is a defendant in litigation regarding a complaint filed, alleging a violation of the Public Records Act in connection with a records request submitted to the Port on March 14, 2022. The Port responded to the March 14, 2022, records request in a timely manner, but the complaint alleges that some responsive records were not provided. This litigation is in the discovery phase. The financial impact on the Port is uncertain at this time.

As of May 30, 2023, eight (8) tenants are more than ninety (90) days in arrears in their moorage payments for approximately \$13,859. Their total outstanding rent at May 30, 2023 is approximately \$17,432. The Port is pursuing various collection actions.

After working through various collection channels, the Port is in the process of auctioning off five (5) boats in June of 2023. The proceeds will be applied to the respective outstanding accounts and the balances sent to collection. Any boats not sold will be disposed of and the Port will apply for up to a 90% reimbursement from Department of Natural Resources for any eligible disposal costs. See Note 8, Contingencies and Litigation.

In 2023, the Port is in the process of closing out the 2022 main pier piling improvement project and to release the retainage of \$2,432. Note 8, Construction Commitments.

NOTE 8 - OTHER DISCLOSURES, CONTINUED:

Subsequent Events, Continued

In 2023, the Port applied for and was awarded a Community Economic Revitalization Board (CERB) Planning Grant for \$50,000 with a Port match of \$12,500, for a total project cost of \$62,500. The Port is in the process of working through the CERB pre-contract conditions, which are due by July 20, 2023. Once the contract has been issued, the Port will proceed forward with working with the selected project planning team for the development of an economic development market analysis for the betterment of the Port's properties. It is anticipated that the market analysis will be completed by the end of 2023 and the implementation of selected recommendations commencing in 2024.

Port of Brownsville
Schedule of Liabilities
For the Year Ended December 31, 2023

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	1,730,000	-	80,000	1,650,000
251.11	Limited Tax General Obligation Bonds for Marina Dock Replacement, Issued 10/22/2013	12/1/2023	45,000	-	45,000	-
	Total General Obligation Debt/Liabilities:		1,775,000	-	125,000	1,650,000
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	895,000	-	50,000	845,000
259.12	Compensated Absences		25,248	-	12,612	12,636
264.30	Pension Liabilities		62,509	-	17,950	44,559
264.40	OPEB Liabilities'		149,921	-	69,491	80,430
	Total Revenue and Other (non G.O.) Debt/Liabilities:		1,132,678	-	150,053	982,625
	Total Liabilities:		2,907,678	-	275,053	2,632,625

**Port of Brownsville
Schedule of Liabilities
For the Year Ended December 31, 2022**

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	-	70,000	1,730,000
251.11	Limited Tax General Obligation Bonds for Marina Dock Replacement, ISSUED 10/22/2013	12/1/2023	100,000	-	55,000	45,000
Total General Obligation Debt/Liabilities:			1,900,000	-	125,000	1,775,000
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	945,000	-	50,000	895,000
259.12	Compensated Absences		20,382	4,866	-	25,248
264.30	Pension Liabilities		21,482	41,027	-	62,509
264.40	OPEB Liabilities		203,881	-	53,960	149,921
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,190,745	45,893	103,960	1,132,678
Total Liabilities:			3,090,745	45,893	228,960	2,907,678

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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