



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## Port of Bremerton

For the period January 1, 2021 through December 31, 2022

*Published September 7, 2023*

Report No. 1033188



Scan to see another great way  
we're helping advance  
#GoodGovernment



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

September 7, 2023

Board of Commissioners  
Port of Bremerton  
Bremerton, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Port of Bremerton's financial statements and compliance with federal laws and regulations.

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

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

## TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Summary Schedule of Prior Audit Findings .....	6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	7
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	10
Independent Auditor's Report on the Financial Statements.....	14
Financial Section.....	18
About the State Auditor's Office.....	42

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Port of Bremerton January 1, 2022 through December 31, 2022

#### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Port of Bremerton are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

##### Financial Statements

We issued an unmodified opinion on the fair presentation of the Port’s financial statements in accordance with its regulatory basis of accounting. Separately, 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 using a basis of accounting other than GAAP.

##### Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Port.

##### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Port’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
20.106	COVID-19 – Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs
20.106	Airport Improvement Program, COVID-19 – Airports Programs, and Infrastructure Investment and Jobs Act Programs

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Port did not qualify as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



8850 SW STATE HWY 3  
BREMERTON WA 98312  
portofbremerton.org

**Commissioners**  
Cary Bozeman  
Gary Anderson  
Axel Strakeljahn  
**Chief Executive Officer**  
Jim Rothlin

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Port of Bremerton January 1, 2021 through December 31, 2022

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

<b>Audit Period:</b> January 1, 2020- December 31, 2020	<b>Report Ref. No.:</b> 1029921	<b>Finding Ref. No.:</b> 2020-001	<b>Assistance Listing Number(s):</b> 20.106
<b>Federal Program Name and Granting Agency:</b> Federal Aviation Administration		<b>Pass-Through Agency Name:</b> N/A	
<b>Finding Caption:</b> The Port did not have adequate internal controls for ensuring compliance with Davis-Bacon Act (prevailing wage rate) requirements.			
<b>Background:</b> The Port hired one contractor and a project engineer to upgrade the airport runway lighting system. During fiscal year 2020, the Port paid \$1,710,639 to the contractor and subcontractors for work they performed on the project. The Port did not have a monitoring process in place to ensure its contracted project engineer collected all weekly certified payroll reports from subcontractors.			
<b>Status of Corrective Action: (check one)</b> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>The Port of Bremerton has a checklist for approving and paying invoices. This checklist has a section for compliance with Davis-Bacon Act for State of Washington program funds. A section has been added for Federal programs funds. This section will require that the Project Engineer report on any contractor and subcontractors in the field. The certified payroll reports for the contractor and subcontractors for all reported contractor and subcontractors will have to be presented before the invoice can be approved for payment.</i>			

## 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 Bremerton January 1, 2021 through December 31, 2022**

Board of Commissioners  
Port of Bremerton  
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 Bremerton, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Port's financial statements, and have issued our report thereon dated August 30, 2023.

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, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

August 30, 2023

## INDEPENDENT AUDITOR'S REPORT

### Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

#### **Port of Bremerton January 1, 2022 through December 31, 2022**

Board of Commissioners  
Port of Bremerton  
Bremerton, Washington

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

#### **Opinion on Each Major Federal Program**

We have audited the compliance of the Port of Bremerton, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended December 31, 2022. The Port's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance 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 opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the Port's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Port's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Port's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Port's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 Port's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Port's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses, as defined above.

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

August 30, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Port of Bremerton January 1, 2021 through December 31, 2022**

Board of Commissioners  
Port of Bremerton  
Bremerton, Washington

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

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the Port of Bremerton, as of and for the years ended December 31, 2022 and 2021, 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 Bremerton, and its changes in cash and investments, for the years ended December 31, 2022 and 2021, 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 Bremerton, as of December 31, 2022 and 2021, 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedules of Liabilities are also 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 August 30, 2023 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, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

August 30, 2023

## **FINANCIAL SECTION**

### **Port of Bremerton January 1, 2021 through December 31, 2022**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2022  
Fund Resources and Uses Arising from Cash Transactions – 2021  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021  
Notes to the Financial Statements – 2022  
Notes to the Financial Statements – 2021

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2022  
Schedule of Liabilities – 2021  
Schedule of Expenditures of Federal Awards – 2022  
Notes to the Schedule of Expenditures of Federal Awards – 2022

**Port of Bremerton**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	22,296,335
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	3,991,085
320	Licenses and Permits	-
330	Intergovernmental Revenues	3,935,515
340	Charges for Goods and Services	5,482,560
350	Fines and Penalties	-
360	Miscellaneous Revenues	505,715
Total Revenues:		13,914,875

**Expenditures**

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	7,520,155
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		7,520,155
Excess (Deficiency) Revenues over Expenditures:		6,394,720

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	750,000
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	83,769
Total Other Increases in Fund Resources:		833,769

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	12,636,107
591-593, 599	Debt Service	177,572
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	54,549
Total Other Decreases in Fund Resources:		12,868,228

**Increase (Decrease) in Cash and Investments: (5,639,739)**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	5,232,994
50841	Committed	-
50851	Assigned	11,423,602
50891	Unassigned	-
Total Ending Cash and Investments		16,656,596

**Port of Bremerton**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	19,465,106
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	3,956,698
320	Licenses and Permits	-
330	Intergovernmental Revenues	2,285,576
340	Charges for Goods and Services	5,228,252
350	Fines and Penalties	-
360	Miscellaneous Revenues	686,015
Total Revenues:		12,156,541

**Expenditures**

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	6,934,973
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		6,934,973
Excess (Deficiency) Revenues over Expenditures:		5,221,568

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	624,777
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	45,882
Total Other Increases in Fund Resources:		670,659

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	2,995,979
591-593, 599	Debt Service	62,800
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	2,218
Total Other Decreases in Fund Resources:		3,060,997

**Increase (Decrease) in Cash and Investments: 2,831,230**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	5,636,756
50841	Committed	-
50851	Assigned	16,659,579
50891	Unassigned	-
<b>Total Ending Cash and Investments</b>		<b>22,296,335</b>

**Port of Bremerton**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

		<b>Custodial</b>
308	Beginning Cash and Investments	135,562
388 & 588	Net Adjustments	-
310-390	Additions	585,479
510-590	Deductions	583,254
	Net Increase (Decrease) in Cash and Investments:	2,225
508	Ending Cash and Investments	137,787

*The accompanying notes are an integral part of this statement.*

**Port of Bremerton**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>Custodial</b>
308	Beginning Cash and Investments	113,290
388 & 588	Net Adjustments	-
310-390	Additions	562,965
510-590	Deductions	540,693
	Net Increase (Decrease) in Cash and Investments:	22,272
508	Ending Cash and Investments	135,562

*The accompanying notes are an integral part of this statement.*

**Port of Bremerton**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

**Note 1 – Summary of Significant Accounting Policies**

The Port of Bremerton was incorporated on October 1913 and operates under the laws of the state of Washington applicable to Port Districts. The Port is a special purpose local government and provides airport, harbor and industrial park facilities to the general public and is supported primarily through user charges.

The Port of Bremerton 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 statements.
- 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 statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary 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. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

**Enterprise Funds**

The Port's Enterprise Fund is the primary operating fund. This fund accounts for operations that provide goods or services to the general public and are supported primarily through user charges.

### Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity. Amounts held in this fund are sales and leasehold taxes collected on behalf of the State of Washington.

### B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid. In accordance with state law the Port also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

### C. Cash and Investments

See Note 2 – Deposits and Investments.

### D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of 3 years. Capital assets and inventory are recorded as capital expenditures when purchased.

### E. Compensated Absences

Vacation leave may be accumulated up to 40 days and is payable upon separation or retirement. Sick leave may be accumulated up to 90 days. For non-union employees who have reached their maximum sick leave accrual, the monthly value of excess sick leave is deposited into the employee's VEBA account.

Administrative, non-union employees are provided, at termination, sick leave cash out payment at his/her regular pay rate according to the following schedule:

Less than 5 years' service	0 %
At least 5 but less than 10 years of service	20 %
At least 10 but less than 15 years of service	35 %
At least 15 but less than 20 years of service	50 %
20 or more years of service	75 %

Union employees who retire from the Port under the Port's retirement plan shall be provided a sick leave cash out payment at seventy-five percent (75%) of the employee's accrued and unused sick leave hours. Payments are recognized as expenditures when paid.

### F. Long-Term Debt

See Note 7 – Long-term Debt.

### G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are 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 Commission. 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 \$4,608,209 for stormwater capital reserves. Per an interlocal agreement with the City of Bremerton, the Port receives a discount on stormwater fees in exchange for setting aside the amount of the discounts for future stormwater capital projects. These funds must be used on stormwater projects approved by the City of Bremerton. In addition, the Port reports customer deposits of \$607,993.

## **Note 2 – Deposits and Investments**

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

Type of deposit or investment	Port's <b>own</b> deposits and investments	and Deposits and investments held by the Port as custodian for other local governments, individuals, or private organizations	Total
Bank deposits	\$1,888,144	\$137,787	\$2,025,931
Local Government Investment Pool	14,768,452		14,768,452
<b>Total</b>	<b>\$16,656,596</b>	<b>\$137,787</b>	<b>\$16,794,383</b>

It is the Port's policy to invest all temporary cash surpluses.

### **Investments in the State Local Government Investment Pool (LGIP)**

The Port is a voluntary participant in the Local Government Investment Pool, 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 of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in 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 federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the Port or its agent in the government's name.

### **Note 3 – Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

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 the year 2022 was \$0.231532 per \$1,000 on an assessed valuation of \$17,303,107,547 for a total regular levy of \$4,006,232. The Port also levies for bonds at a rate of \$0.000802 per \$1,000 for an additional total bond levy of \$13,875.

### **Note 4 – Related Parties**

The Economic Development Corporation of the Port of Bremerton, a public corporation, is authorized to facilitate the issuance of tax-exempt nonrecourse revenue bonds to financial economic development within the corporate boundaries of the Port. Revenue bonds issued by the Corporation are payable from revenues derived as a result of the economic development facilities funded by the revenue bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than the industrial facilities for which they were issued. The Port's Board of Commissioners governs the Economic Development Corporation. The Corporation did not have any activity during the current year; therefore, there is nothing to report.

### **Note 5 – Pension Plans**

#### **A. State Sponsored Pension Plans**

Substantially all of the Port's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (PERS Plan 1 and 2/3).

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan.

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

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	76,917	0.012550%	\$349,438
PERS 2/3	131,739	0.016398%	\$(608,166)

Only the net pension liabilities are reported on the Schedule 09.

#### **Note 6 – Risk Management**

The Port is exposed to various risks of loss related to torts; damage to, theft of and destruction of assets; and natural disasters. To limit exposure, the Port participates in the Pacific Northwest Port Association Group, comprising eight ports to go to the property and liability insurance market for its insurance needs to take advantage of group size to obtain efficiencies in insurance costs. Each member of the group obtains individual policies and individual premiums for its coverage. There is no sharing of limits, risks or claims.

General liability coverage is in effect to a limit of \$1 million with a \$25,000 deductible. Excess liability coverage is in effect with a limit of \$49 million over the first \$1 million of loss. Public Officials and the Employment Practices Liability coverage is in effect to a limit of \$5,000,000 with a \$25,000 retention. Airport liability coverage of \$20 million is in place, with no deductible. Commercial property coverage with a loss limit of \$100 million is in effect with a deductible of \$25,000. The Commercial property coverage also includes \$100 million of Boiler and Machinery, and \$30 million of earthquake and flood, subject to various deductibles. In additions, the Port maintains standard business automobile, skiff, crime and cyber liability coverage.

In comparison to prior years, there were no significant changes in the type and coverage of insurance policies purchased by the Port. Settlement claims have not exceeded commercial coverage in any of the past three years.

### **Note 7 – Long-Term Debt**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the Port and summarizes the Port's debt transactions for year ended December 31, 2022.

The debt service requirements for loans are as follows:

	Principal	Interest	Total
2023	\$84,309	\$20,792	\$105,100
2024	118,549	33,090	151,639
2025	93,718	29,418	123,136
2026	96,734	26,402	123,136
2027	99,877	23,259	123,136
2028 - 2032	393,788	69,971	463,759
2033 - 2037	194,783	37,910	232,693
2038 – 2042	215,057	17,636	232,693
2043-2047	34,653	11,885	46,538
TOTALS	\$1,331,468	\$270,362	\$1,601,830

### **Note 8 – Environmental and Certain Asset Retirement Liabilities**

#### **Pollution Remediation**

The Port purchased a waterfront property in 2021, which has known underground contaminants, resulting from the presence of former underground storage tanks. The site is listed by the Department of Ecology as a Voluntary Cleanup Site. The governmental agencies that have jurisdiction over the property are not requiring remediation of the site or removal of contaminated soil at this time, but such action will likely be required in the future if the property is developed. There has been no obligating event to require reporting a pollution remediation obligation on the Schedule of Liabilities. At this time, the Port doesn't have sufficient information to reasonably estimate the liability related to potential cleanup of the site. The Port is currently working with a consultant to perform an initial site assessment and conduct a feasibility study to determine an estimate for remediation cleanup. During 2022 the Port has paid \$51,363 for the consulting work.

## **Note 9 – Leases**

During the year ended December 31, 2022, the Port adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities.

The Port leases office space from the Housing Kitsap for \$3,508 per month under a lease agreement of 30 years. The lease began in March of 2005 and will end February of 2035.

The Port leases 6 copiers from Ricoh USA Inc. for \$690 per month under 5-year lease agreements.

The Port leases 1 postage machine from Pitney Bowes Ricoh USA Inc. for \$145 per month under a 5-year lease agreement.

The total amount paid for leases in 2022 was \$73,286. As of December 31, 2022, the future minimum lease payments are as follows:

Year ended December 31	Total
2023	\$46,380
2024	\$45,100
2025	\$43,164
2026	\$41,574
2027	\$40,356
2028-2032	\$183,508
2033-2037	\$78,260
Total	\$478,342

## **Note 10 – Other Disclosures**

### **Construction Commitments**

The Port has active construction projects as of December 31, 2022. The projects include:  
At year-end the Port's commitments with contractors are as follows:

<b>Project</b>	<b>Spent to Date</b>	<b>Remaining Commitment</b>
Multipurpose Facility	\$ 4,866,764	\$ 163,190
AIP #35 Taxiway Relocation/Apron Rehabilitation	3,583,230	120,201
Port Orchard Marina Breakwater Engineering	818,499	731,501
South Hangar Phase 2 Design	318,861	318,861
Bay St Environmental Consulting	50,411	74,589
Security Gates 1 & 12 Upgrade	86,852	86,852
<b>Total</b>	<b>\$ 9,724,617</b>	<b>\$ 1,495,194</b>

#### **Contingencies and Litigation**

The Port has reported on the Schedule of Liabilities all legally enforceable material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the Port will have to make payment.

In the opinion of management, the insurance policies are adequate to pay all known or pending claims. The Port participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Port management believes that such disallowances, if any will not be significant.

**Port of Bremerton**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2021**

**Note 1 - Summary of Significant Accounting Policies**

The Port of Bremerton was incorporated in October 1913 and operates under the laws of the state of Washington applicable to Port Districts. The Port is a special purpose local government and provides airport, harbor and industrial park facilities to the general public and is supported primarily through user charges.

The Port of Bremerton 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 statements.
- 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 statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary 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. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

Enterprise Funds

The Port's Enterprise Fund is the primary operating fund of the Port. It accounts for all the Port's financial resources that provide goods or services to the general public and are supported primarily through user charges.

Custodial Funds

These funds are used to account for assets that the Port holds on behalf of others in a custodial capacity. Amounts held in this fund are sales and leasehold taxes collected on behalf of the State of Washington.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the Port also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 2, Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of 3 years. The capital assets of the Port of Bremerton are recorded as expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to a maximum of 40 days and is payable upon resignation, retirement, or death at employee's regular pay rate. Sick leave may be accumulated up to a maximum of 90 days. For non-union employees who have reached their maximum sick leave accrual, the monthly value of excess sick leave is deposited into the employee's VEBA account.

Administrative, non-union employees are provided, at termination, sick leave cash out payment at his/her regular pay rate according to the following schedule:

Less than 5 years' service	0 %
At least 5 but less than 10 years of service	20 %
At least 10 but less than 15 years of service	35 %
At least 15 but less than 20 years of service	50 %
20 or more years of service	75 %

Union employees who retire from the Port under the Port's retirement plan shall be provided a sick leave cashout payment at seventy-five percent (75%) of the employee's accrued and unused sick leave hours.

F. Long-Term Debt

See Note 7, Long-Term Debt.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are 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. When expenditures that meet restrictions are incurred, the Port intends to use the most restricted resources first.

The Port reports ending restricted cash of \$5,061,321 for stormwater capital reserves. Per an interlocal agreement with the City of Bremerton, the Port receives a discount on stormwater fees in exchange for setting aside the amount of the discounts for future stormwater capital projects. These funds must be used on stormwater projects approved by the City of Bremerton. In addition, the Port reports customer deposits of \$575,435.



## **Note 2 – Deposits and Investments**

Investments are reported at original cost. Deposits and investments by type at December 31, 2021 are as follows:

<u>Type</u>	<u>Total</u>
Petty cash	\$ 1,250
Bank deposits	1,547,957
Local Government Investment Pool	<u>20,882,690</u>
	<u>\$ 22,431,897</u>

It is the Port's policy to invest all temporary cash surpluses.

The Port is a voluntary participant in the Local Government Investment Pool, 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 of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504 -0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in 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 covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the Port or its agent in the government's name.

## **Note 3 - Property Tax**

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

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 the year 2021 was \$0.256789 per \$1,000 on an assessed valuation of \$15,247,494,650 for a total regular levy of \$3,915,398. The Port also levies for bonds at a rate of \$0.000814 per \$1,000 for an additional total bond levy of \$12,418.

## **Note 4 – Contingencies and Litigation**

The Port has reported on Schedule of Liabilities all legally enforceable material liabilities, including an estimate for situations which are not yet resolve but where, based on available information, management believes it is probable that the Port will have to make payment.

In the opinion of management, the insurance policies are adequate to pay all known or pending claims. The Port participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Port management believes that such disallowances, if any will not be significant.

## **Note 5 – Pension Plans**

### **A. State Sponsored Pension Plans**

Substantially all of the Port's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (PERS 1 and 2/3).

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

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

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

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

At June 30, 2021 (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	\$ 100,106	0.013439%	164,122
PERS 2/3	\$ 163,582	0.017269%	(1,720,270)

Net pension liabilities are reported on the Schedule of Liabilities.

## **Note 6 – Risk Management**

The Port is exposed to various risks of loss related to torts; damage to, theft of and destruction of assets; and natural disasters. To limit exposure, the Port participates in the Pacific Northwest Port Association Group, comprising eight ports to go to the property and liability insurance market for its insurance needs to take advantage of group size to obtain efficiencies in insurance costs. Each member of the group obtains individual policies and individual premiums for its coverage. There is no sharing of limits, risks or claims.

General liability coverage is in effect to a limit of \$1 million with a \$25,000 deductible. Excess liability coverage is in effect with a limit of \$49 million over the first \$1 million of loss. Public Officials and

Employment Practices Liability coverage is in effect to a limit of \$5,000,000 with a \$25,000 retention. Airport liability coverage of \$20 million is in place, with no deductible. Commercial property coverage with a loss limit of \$100 million is in effect with a deductible of \$25,000. The Commercial property coverage also includes \$100 million of Boiler and Machinery, and \$30 million of earthquake and flood, subject to various deductibles. In additions, the Port maintains standard business automobile, skiff, crime and cyber liability coverage.

In comparison to prior years, there were no significant changes in the type and coverage of insurance policies purchased by the Port. Settlement claims have not exceeded commercial coverage in any of the past three years.

### **Note 7 – Long-Term Debt**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Port and summarizes the Port's debt transactions for year ended December 31, 2021.

The debt service requirements for the Port's loans are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022 \$	81,507	\$ 23,593	\$ 105,100
2023	84,308	20,792	105,100
2024	87,231	17,870	105,101
2025	61,772	14,825	76,597
2026	64,149	12,448	76,597
2027-2030	<u>284,005</u>	<u>23,657</u>	<u>307,662</u>
\$	<u>662,972</u>	\$ <u>113,185</u>	\$ <u>776,157</u>

A \$750,000 loan from the Community Aviation Revitalization Board was approved in 2020, however, no draws on this loan have been made.

### **Note 8 – COVID-19 Pandemic**

#### **COVID-19**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

Administrative expenditures for the Port increased slightly related to the costs of sanitation supplies and services and technology needed for remote working and meeting capability. Marina transient revenues decreased slightly, and uncollectible accounts increased because recovery of receivables through auction was hampered by social distancing restrictions. Overall, however, the financial impact of COVID-19 to the Port has been minimal.

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

## **Note 9 – Environmental and Certain Asset Retirement Liabilities**

### **Pollution Remediation**

The Port purchased a waterfront property in 2021, which has known underground contaminants, resulting from the presence of former underground storage tanks. The site is listed by the Department of Ecology as a Voluntary Cleanup Site. The governmental agencies that have jurisdiction over the property are not requiring remediation of the site or removal of contaminated soil at this time, but such action will likely be required in the future if the property is developed. There has been no obligating event to require reporting a pollution remediation obligation on the Schedule of Liabilities. At this time, the Port doesn't have sufficient information to reasonably estimate the liability related to potential cleanup of the site. The Port is currently working with a consultant to perform an initial site assessment and conduct a feasibility study to determine an estimate for remediation cleanup.

## **Note 10 - Other Disclosures**

### **Construction Commitments**

The Port has various construction projects in progress, which include the following construction commitments outstanding as of December 31, 2021:

<u>Project</u>	<u>Commitment</u>
Gateway Signage	\$ 205,448
Multi-Purpose Facility	3,903,898
AIP #35 Taxiway Relocation/Apron Rehabilitation	3,733,005
Breakwater Repair	973,305
BRM 2021 Pile Coatings Splash Zone Repairs	108,822
CNW Regional Center	1,038,803

### **Related Parties**

The Economic Development Corporation of the Port of Bremerton, a public corporation, is authorized to facilitate the issuance of tax-exempt nonrecourse revenue bonds to financial economic development within the corporate boundaries of the Port. Revenue bonds issued by the Corporation are payable from revenues derived as a result of the economic development facilities funded by the revenue bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than the industrial facilities for which they were issued. The Port's Board of Commissioners governs the Economic Development Corporation. The Corporation did not have any activity during the current year; therefore, there is nothing to report.

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.91	Bay St Mortgage	1/1/2031	408,582	-	36,807	371,775
263.83	CERB C2002-144	1/31/2024	80,935	-	26,237	54,698
263.83	CERB C2007-191	1/31/2030	173,457	-	18,462	154,995
263.83	CARB GCB 3370	4/1/2042	-	750,000	-	750,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>662,974</b>	<b>750,000</b>	<b>81,506</b>	<b>1,331,468</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		331,438	-	11,790	319,648
263.57	Leases - Buildings	2/1/2035	512,539	-	67,262	445,277
263.57	Leases - Office Equipment		14,730	24,360	6,024	33,066
264.30	Net Pension Liability		164,122	185,316	-	349,438
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,022,829</b>	<b>209,676</b>	<b>85,076</b>	<b>1,147,429</b>
<b>Total Liabilities:</b>			<b>1,685,803</b>	<b>959,676</b>	<b>166,582</b>	<b>2,478,897</b>

**Port of Bremerton  
Schedule of Liabilities  
For the Year Ended December 31, 2021**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	Loans/Notes Payable	12/31/2030	298,194	417,500	52,720	662,974
	<b>Total General Obligation Debt/Liabilities:</b>		<b>298,194</b>	<b>417,500</b>	<b>52,720</b>	<b>662,974</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		276,990	54,448	-	331,438
264.30	Net Pension Liability		647,811	-	483,689	164,122
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>924,801</b>	<b>54,448</b>	<b>483,689</b>	<b>495,560</b>
	<b>Total Liabilities:</b>		<b>1,222,995</b>	<b>471,948</b>	<b>536,409</b>	<b>1,158,534</b>

**Port of Bremerton  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Expenditures				Passed through to Subrecipients	Note
			Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	149,417	149,417	-	1, 2, 3
	COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	69,000	69,000	-	1, 2, 3, 4
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	3,890,871	3,890,871	-	1, 2, 3
	COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	23,000	23,000	-	1, 2, 3, 4
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	59,000	59,000	-	1, 2, 3, 4
	COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	4,191,288	4,191,288	-	
<b>Total ALN 20.106:</b>				-	<b>4,191,288</b>	<b>4,191,288</b>	-	

The accompanying notes are an integral part of this schedule.

**Port of Bremerton  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Total Federal Awards Expended:				-	4,191,288	4,191,288	-	



**Port of Bremerton**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2022**

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Port's financial statements. The Port uses the cash basis method of accounting.

Note 2 – Federal Indirect Cost Rate

The Port has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal award portion of the program costs. Entire program costs, including the Port's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 4 – Prior Period Expenditures

The Port received three FAA grants award numbers AIP 3-53-0007-034-2020, AIP 3-53-0007-036-2021, and AIP 3-53-0007-037-2022. These grants can be used for operational expenses on or after January 20, 2020. In July of 2022, the Port billed these three grants and identified a 2021 insurance invoice for reimbursement for all three grants. The total amount of \$151,000 is reported on the 2022 Schedule of Expenditures of Federal Awards.

## 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](http://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.

### Stay connected at [sao.wa.gov](http://sao.wa.gov)

- [Find your audit team](#)
- [Request public records](#)
- Search BARS Manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

### Other ways to stay in touch

- Main telephone:  
(564) 999-0950
- Toll-free Citizen Hotline:  
(866) 902-3900
- Email:  
[webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov)