



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Bremerton

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

Published June 27, 2024

Report No. 1034998



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

June 27, 2024

Board of Commissioners
Port of Bremerton
Bremerton, Washington

Report on Financial Statements

Please find attached our report on the Port of Bremerton'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 Bremerton January 1, 2023 through December 31, 2023

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 year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Port's financial statements, and have issued our report thereon dated June 20, 2024.

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 audit 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

June 20, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Port of Bremerton January 1, 2023 through December 31, 2023

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 year ended December 31, 2023, 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 year ended December 31, 2023, 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, 2023, or the changes in financial position or cash flows thereof for the year 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS Manual. This schedule is 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 June 20, 2024 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

June 20, 2024

FINANCIAL SECTION

Port of Bremerton January 1, 2023 through December 31, 2023

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2023
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2023
Notes to the Financial Statements – 2023

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023

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

Beginning Cash and Investments

308	Beginning Cash and Investments	16,656,596
388 / 588	Net Adjustments	-

Revenues

310	Taxes	4,116,127
320	Licenses and Permits	-
330	Intergovernmental Revenues	1,267,117
340	Charges for Goods and Services	5,829,068
350	Fines and Penalties	-
360	Miscellaneous Revenues	927,168
Total Revenues:		12,139,480

Expenditures

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	7,423,291
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		7,423,291
Excess (Deficiency) Revenues over Expenditures:		4,716,189

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	92,791
Total Other Increases in Fund Resources:		92,791

Other Decreases in Fund Resources

594-595	Capital Expenditures	4,241,368
591-593, 599	Debt Service	164,353
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	115,980
Total Other Decreases in Fund Resources:		4,521,701

Increase (Decrease) in Cash and Investments: 287,279

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	5,108,200
50841	Committed	-
50851	Assigned	11,835,676
50891	Unassigned	-
Total Ending Cash and Investments		16,943,876

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

		Custodial
308	Beginning Cash and Investments	137,787
388 & 588	Net Adjustments	-
310-390	Additions	703,657
510-590	Deductions	684,765
	Net Increase (Decrease) in Cash and Investments:	18,892
508	Ending Cash and Investments	156,679

The accompanying notes are an integral part of this statement.

Port of Bremerton
Notes to the Financial Statements
For the Year Ended December 31, 2023

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. See Note 4.
- 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 or two years of accruals 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 \$4,523,395 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 \$584,804.

Note 2 – Deposits and Investments

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

Type of deposit or investment	Port's own deposits and investments	and Deposits and investments held by the Port as custodian for other local governments, individuals, or private organizations	Total
Bank deposits	\$ 934,158	\$156,679	\$ 1,090,837
Local Government Investment Pool	16,009,718		16,009,718
Total	\$16,943,876	\$156,679	\$17,100,555

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.

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 Calendar	
January 1	Tax is levied and becomes an enforceable lien against the properties.
February 14	Tax bills are mailed
April 30	First of two equal installment payments are due
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due

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 2023 was \$0.197086 per \$1,000 on an assessed valuation of \$20,923,638,510 for a total regular levy of \$4,126,766. The Port also levies for bonds at a rate of \$0.000503 per \$1,000 for an additional total bond levy of \$10,525.

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

Note 4 – Component Units

The Economic Development Corporation of the Port of Bremerton, a public corporation formed on January 24, 1995, 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.

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	\$88,116	0.012931%	\$295,180
PERS 2/3	146,435	0.016655%	(682,636)

Only the 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 \$3 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 \$50 million is in place, with no deductible. Commercial property coverage with a loss limit of \$50 million is in effect with a deductible of \$25,000. The Commercial property coverage also includes \$50 million of Boiler and Machinery, and \$15 million

of earthquake and \$30 million 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, 2023.

The debt service requirements for loans are as follows:

	Principal	Interest	Total
2024	\$107,576	\$44,063	\$151,639
2025	93,718	29,418	123,136
2026	96,734	26,402	123,136
2027	99,877	23,259	123,136
2028	103,152	19,984	123,136
2029 - 2033	328,065	59,097	387,162
2034 - 2038	198,679	34,014	232,693
2039 - 2043	219,358	13,335	232,693
TOTALS	\$1,247,159	\$249,572	\$1,496,731

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. 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 2023 the Port has paid \$184,753 for the consulting work. The Port will incur estimated costs of \$800,000 related to the project.

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 6 copiers from Ricoh USA Inc. for \$662 per month under 5-year lease agreements, 1 plotter from Canon Financial Services for \$190 per month under 5-year lease agreements and 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 2023 was \$51,170. As of December 31, 2023, the future minimum lease payments are as follows:

Year ended December 31	Total
2024	\$47,291
2025	\$45,244
2026	\$43,892
2027	\$42,527
2028	\$38,234
2029-2033	\$182,827
2034-2038	\$41,422
Total	\$441,437

Note 10 – Subscription Based Information Technology Arrangements (SBITA)

During the year ended December 31, 2023, the Port adopted guidance for the presentation and disclosure of Subscription Based Information Technology Arrangements (SBITA), as required by the BARS manual. This requirement resulted in note disclosure changes: if future subscription payments are required, they will be presented on the Schedule of Liabilities.

The Port made subscription payments of \$13,975 in 2023 to prepay for cyber security software. The SBITA contract is for three years, ending October 21, 2026, with no option to extend.

The total amount paid for SBITAs in 2023 was \$13,975. As of December 31, 2023, there are no future SBITA payments as the contracts required all payments to be made in advance.

Note 11 – Other Disclosures

Construction Commitments

The Port has active construction projects as of December 31, 2023. At year-end the Port's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Mt Jupiter Way infrastructure development	\$ 1,383,641	\$ 34,385
Port Orchard Marina Breakwater Engineering	1,144,416	512,083
Bay St Environmental Consulting	235,164	264,836
East Airport Environmental Study	187,932	929,687
Total	\$ 2,951,153	\$ 1,740,991

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 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.

**Port of Bremerton
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						
263.83	CERB C2002-144	1/31/2024	54,698	-	26,971	27,727
263.83	CERB C2007-191	1/31/2030	154,995	-	18,648	136,347
263.83	CARB GCB 3370	4/1/2043	750,000	-	-	750,000
263.91	Bay St Mortgage	1/15/2031	371,775	-	38,690	333,085
Total General Obligation Debt/Liabilities:			1,331,468	-	84,309	1,247,159
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Balances		319,648	31,024	-	350,672
264.30	Net Pension Liability		349,438	-	54,258	295,180
263.57	Leases - Building		445,277	-	37,843	407,434
263.57	Leases - Equipment		33,066	11,372	10,437	34,001
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,147,429	42,396	102,538	1,087,287
Total Liabilities:			2,478,897	42,396	186,847	2,334,446

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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