



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Port of Port Angeles

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

Published September 30, 2024

Report No. 1035643



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



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

September 30, 2024

Board of Commissioners
Port of Port Angeles
Port Angeles, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Port of Port Angeles 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.

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..... | 36 |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Port of Port Angeles 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 | 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.



P.O. Box 1350
338 West First Street
Port Angeles, WA 98362
360.457.8527

Board of Commissioners
Connie Beauvais, President
Colleen McAleer, Vice President
Steven Burke, Secretary
Executive Director
Paul Jarkiewicz

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Port of Port Angeles

January 1, 2023 through December 31, 2023

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

| | | |
|---|---|---|
| Audit Period: January 1, 2022, through December 31, 2022 | Report Ref. No.: 1033774 | Finding Ref. No.: 2022-001 |
| Finding Caption: The Port's internal controls over financial statement preparation were inadequate for ensuring accurate liability reporting. | | |
| Background: In fiscal year 2022, the Port transitioned from reporting under generally accepted accounting principles (GAAP) to cash basis. The Port did not have an effective process in place to ensure staff identified, evaluated, and reported all outstanding liabilities on the Schedule of Liabilities and the notes to financial statements, as the BARS Manual requires. As a result, the Port did not report the remediation liability on the Schedule of Liabilities or include the required disclosures about the liability in the notes to the financial statements. | | |
| Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between;"> <div> <input checked="" type="checkbox"/> Fully Corrected </div> <div> <input type="checkbox"/> Partially Corrected </div> <div> <input type="checkbox"/> Not Corrected </div> <div> <input type="checkbox"/> Finding is considered no longer valid </div> </div> | | |
| Corrective Action Taken: <i>Manager of Finance & Account reviews SAO website to ensure all liabilities are being reported. Director of Finance & Admin double checks on the SAO website to ensure each liability is reported on the schedule when the final review is performed.</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 Port Angeles January 1, 2023 through December 31, 2023

Board of Commissioners
Port of Port Angeles
Port Angeles, 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 Port Angeles, 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 September 24, 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

September 24, 2024

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 Port Angeles January 1, 2023 through December 31, 2023

Board of Commissioners
Port of Port Angeles
Port Angeles, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Port of Port Angeles, 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, 2023. 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, 2023.

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 style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

September 24, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Board of Commissioners
Port of Port Angeles
Port Angeles, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the Port of Port Angeles, 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 Port Angeles, 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 Port Angeles, 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 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 Schedule of Liabilities is 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 September 24, 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 written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 24, 2024

FINANCIAL SECTION

Port of Port Angeles 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 Financial Statements – 2023

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023
Schedule of Expenditures of Federal Awards – 2023
Notes to the Schedule of Expenditures of Federal Awards – 2023

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

Beginning Cash and Investments

| | | |
|-----------|--------------------------------|------------|
| 308 | Beginning Cash and Investments | 18,296,244 |
| 388 / 588 | Net Adjustments | - |

Revenues

| | | |
|-----------------|--------------------------------|------------|
| 310 | Taxes | 1,664,630 |
| 320 | Licenses and Permits | - |
| 330 | Intergovernmental Revenues | 6,503,397 |
| 340 | Charges for Goods and Services | 10,946,530 |
| 350 | Fines and Penalties | - |
| 360 | Miscellaneous Revenues | 941,343 |
| Total Revenues: | | 20,055,900 |

Expenditures

| | | |
|---|------------------------------|------------|
| 510 | General Government | - |
| 520 | Public Safety | - |
| 530 | Utilities | - |
| 540 | Transportation | 9,782,847 |
| 550 | Natural/Economic Environment | - |
| 560 | Social Services | - |
| 570 | Culture and Recreation | - |
| Total Expenditures: | | 9,782,847 |
| Excess (Deficiency) Revenues over Expenditures: | | 10,273,053 |

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 | 1,115,761 |
| Total Other Increases in Fund Resources: | | 1,115,761 |

Other Decreases in Fund Resources

| | | |
|--|--------------------------------|------------|
| 594-595 | Capital Expenditures | 9,000,247 |
| 591-593, 599 | Debt Service | 575,882 |
| 597 | Transfers-Out | - |
| 585 | Special or Extraordinary Items | - |
| 581, 582, 589 | Other Uses | 613,670 |
| Total Other Decreases in Fund Resources: | | 10,189,799 |

Increase (Decrease) in Cash and Investments: 1,199,015

Ending Cash and Investments

| | | |
|-----------------------------------|--------------|------------|
| 50821 | Nonspendable | - |
| 50831 | Restricted | 244,145 |
| 50841 | Committed | - |
| 50851 | Assigned | 19,251,113 |
| 50891 | Unassigned | - |
| Total Ending Cash and Investments | | 19,495,258 |

The accompanying notes are an integral part of this statement.

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

| | | Custodial |
|-----------|--|------------------|
| 308 | Beginning Cash and Investments | 56,521 |
| 388 & 588 | Net Adjustments | - |
| 310-390 | Additions | 11,534 |
| 510-590 | Deductions | 56,520 |
| | Net Increase (Decrease) in Cash and Investments: | (44,986) |
| 508 | Ending Cash and Investments | 11,534 |

The accompanying notes are an integral part of this statement.

Port of Port Angeles
Notes to Financial Statements
For the Year End December 31, 2023

1. Summary of significant accounting policies

The Port of Port Angeles was incorporated in 1923 and operates under the laws of the state of Washington applicable to a port district. The Port is a special purpose local government and has geographic boundaries coextensive with Clallam County, Washington and its home office is situated on the Port Angeles harbor.

The Port is independent from Clallam County government and is administered by a three-member Board of Commissioners elected by Clallam County voters. The Commission delegates administrative authority to an Executive Director to manage operations of the Port. Clallam County does levy and collect taxes on behalf of the Port. Clallam County provides no funding to the Port. Additionally, Clallam County does not hold title to any of the Port's assets, nor does it have any right to the Port's surpluses.

The Port provides docks and wharves for waterborne commerce as well as marina and airport facilities. The Port also owns and manages significant industrial properties.

The Industrial Development Corporation (IDC), a public corporation, is authorized to facilitate the issuance of tax-exempt non-recourse revenue bonds to finance industrial development within the corporate boundaries of the Port. Revenue bonds issued by the Corporation are payable from revenues derived as a result of the industrial 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 industrial facilities for which they are used.

The IDC is governed by the Port's three-member Port Commission. The IDC's account balances and transactions are included as a blended unit within the Port's financial statements. Separate financial statements of the individual component unit discussed above can be obtained from the Port administrative offices at 338 West First Street in Port Angeles, WA.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial 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:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Enterprise Funds

These funds account 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.

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.

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 five years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 2 times the employees' yearly accrual and is payable upon separation or retirement. Sick leave may be accumulated indefinitely. Upon separation or retirement employees get 75% of unused sick leave paid into their VEBA account. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 4 – Long-term Debt (Formerly Debt Service Requirements).

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 Port Commission via resolution. 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 \$255,679.

| Restricted Assets | Dec 31, 2023 |
|--|---------------------|
| Cash & Investments (Harbor Group Account) | \$ 14,450 |
| Cash & Investments (Environmental Reserve) | 74,229 |
| Customer Deposits & Prepaids | 167,000 |
| Contractor's Retainage | - |
| Total | \$ 255,679 |

2. **Deposits and Investments**

Investments are reported at fair value. Deposits and investment by type at December 31, 2023.

| Deposits & Investments at Fair Value | Port's own deposits and investments | Investments held by the Port as custodian for other local governments, individuals, or private organizations | Total |
|---|--|---|----------------------|
| Assigned: Cash & Cash Equivalent | | | |
| Cash Operations: Financial Institution Deposits | \$ 276,571 | \$ - | \$ 276,571 |
| Investments: | | | |
| Financial Institution Deposits | 4,302,595 | - | 4,302,595 |
| WA State Local Gvnt Invmt Pool (LGIP) | 4,743,218 | - | 4,743,218 |
| Investments | 9,928,730 | - | 9,928,730 |
| Financial Instruments (CDs, etc.) | - | - | - |
| Assigned Cash & Cash Equivalents | 19,251,113 | - | 19,251,113 |
| Restricted: Cash & Cash Equivalent | | | |
| Custodial Account - Harbor Group | 2,916 | 11,534 | 14,450 |
| Environmental Reserve Money Market | 74,229 | - | 74,229 |
| Customer Deposits & Prepaids, Contractor Retainage | 167,000 | - | 167,000 |
| Restricted Cash & Cash Equivalents | 244,145 | 11,534 | 255,679 |
| Total Cash & Cash Equivalents | 19,495,258 | 11,534 | 19,506,792 |
| Total Cash, Cash Equivalents & Investments | \$ 19,495,258 | \$ 11,534 | \$ 19,506,792 |

It is the Port's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

The Port's deposits and certificates of deposit are entirely 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.

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.

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 deposits and certificates of deposit 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.

3. Property Taxes

The Clallam County Treasurer acts as an agent to collect property taxes levied for all taxing authorities within the county. The Port District has the same boundaries as Clallam County. 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 |

The Port's regular levy for the year 2023 was \$0.1128018920 per \$1,000 on an assessed valuation of \$14,967,504,004 for a total regular levy of \$1,688,363.

4. Long-Term Debt

Long-term liabilities activity for the year ended December 31, 2023, was as follows:

General Obligation Debt & Loans

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 general obligation debt & loans are as follows:

| Year | Principal | Interest | Total |
|--------------|---------------------|-------------------|---------------------|
| 2024 | 383,856 | 43,423 | 427,279 |
| 2025 | 424,584 | 34,088 | 458,672 |
| 2026 | 68,421 | 24,559 | 92,980 |
| 2027 | 69,789 | 23,191 | 92,980 |
| 2028 | 71,185 | 21,795 | 92,980 |
| 2029-2033 | 377,858 | 87,042 | 464,900 |
| 2034-2038 | 417,186 | 47,714 | 464,900 |
| 2039-2043 | 223,523 | 8,065 | 231,588 |
| Total | \$ 2,036,400 | \$ 289,877 | \$ 2,326,277 |

On April 1, 2006, the Port issued \$4,995,000 of Limited Tax General Obligation bonds with coupon rates between 4.00% and 4.75%. Proceeds from these bonds partially funded a major renovation of the Port Angeles Boat Haven. This renovation was completed in 2008. Proceeds were also used to refund bonds that were used for approximately 25 projects in the 1993-1998 Capital Improvement Plan. These bonds were refinanced on October 26, 2015, with the 2015 Refunding LTGO bonds (see below).

On October 26, 2015, the Port issued \$3,251,350 of Limited Tax General Obligation bonds with a coupon rate of 2.29%. Proceeds were used to refund (refinance) 2006 LTGO bonds (the 2006 bonds were used to fund a major renovation of the Port Angeles Boat Haven and to refund bonds that were used for approximately 25 projects in the 1993-1998 Capital Improvement Plan). The 2015 refunding resulted in present value savings of approximately \$300,000.

On July 26, 2018, the Port was awarded a 20-year \$765,000 Loan, @ 2.00% fixed interest rate, from the Washington State Community Economic Revitalization Board (CERB). The loan is to aid the Port in financing the cost of the Marine Trades Center Washdown Facility. Loan proceeds are disbursed on a cost reimbursement basis and are contingent on continued adherence to loan award requirements. Loan repayment will begin in January 2021 and will continue annually thereafter.

On January 17, 2019, the Port was awarded an additional Washington State Community Economic Revitalization Board loan for the Log Yard Cofferdam Barge Facility Improvements. The Log Yard cofferdam is a vertical bulkhead that allows for transload of logs to and from barge vessels. The \$1,020,000 loan has a 20-year term and a 2.0% fixed interest rate with proceeds issued on a cost reimbursement basis. The Port is required to pay 50% of expenditures which equates to a total project cost of approximately \$2.0 million.

On April 6, 2020, the Port was awarded a \$750,000 2% fixed interest rate, 20-year loan, from the Washington State Department of Transportation, Community Aviation Revitalization Board (CARB). The CARB loan proceeds were used for the William R. Fairchild International Airport Utility Expansion, which facilitates future hangar development.

The bonds referenced above are subject to federal tax arbitrage regulations. The Port is required to comply with certain requirements of the Internal Revenue Code of 1986, after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances, and the requirement to comply with arbitrage rebate requirements to the extent applicable to the Bonds. The Port's outstanding bond issues qualified for the small issuer exemption with respect to arbitrage rebate. The Port has covenanted in the Bond Resolution to comply with those applicable requirements.

5. OPEB Plans

The Port implemented OPEB reporting in 2019. The Port is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The Port had 39 active plan members and 24 retired plan members as of December 31, 2023. As of December 31, 2023, the Port's total OPEB liability was \$2,058,874 as calculated using the alternative measurement method. The Port contributed \$441,204 to the plan for the year ended December 31, 2023.

6. Pension Plans

State Sponsored Pension Plans

Substantially all Port of Port Angeles full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans PERS plan 1 and PERS plan 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) |
|-----------------|------------------------|--------------|-------------------|
| <u>PERS 1</u> | \$96,561 | .015239% | \$347,866 |
| <u>PERS 2/3</u> | \$181,580 | .019624% | \$(804,326) |

7. Leases

The Port is currently leasing 2 copiers paid monthly and a postage machine that is billed quarterly. The total amount paid for leases in 2023 was \$6,201. As of December 31, 2023, the future lease payments are as follows:

| Year ended December 31 | Total |
|------------------------|----------|
| 2024 | \$7,464 |
| 2025 | \$7,633 |
| 2026 | \$7,633 |
| 2027 | \$6,996 |
| 2028 | \$1,089 |
| Total | \$30,815 |

8. Subscription Based Information Technology Arrangement

During the year ended 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 the addition of a subscription liability reported on the Schedule of Liabilities.

The Port makes subscription payments of \$495.60 per month for accounting software for 3 years. The Port makes subscription payments of \$500.00 per month for Airport software for 3 years.

The total amount paid for SBITAs in 2023 was \$4,080. As of December 31, 2023, the further SBITA payments are as follows:

| Year ended December 31 | Total |
|------------------------|----------|
| 2024 | \$12,947 |
| 2025 | \$11,947 |
| 2026 | \$6,487 |
| Total | \$31,381 |

9. Risk Management

The Port maintains commercial insurance coverage against most normal hazards:

| Type of Coverage | Limit | Aggregate Limit | Deductible | Comments |
|--|--|-----------------|-----------------------------|---|
| General Liability | \$1,000,000 | \$3,000,000 | \$5,000 | |
| Commercial Auto Liability | \$1,000,000 | N/A | None | |
| Excess Liability | \$49,000,000 | N/A | None | Over 1 st \$1 million of Loss |
| Airport Liability | \$20,000,000 | \$20,000,000 | None | Aggregate applies to Products/Completed, Operations and Personal & Advertising Injury and the Extended Coverage Endorsement |
| Commercial Property – All Other Perils | \$1,000,000,000 | N/A | \$25,000 | |
| Commercial Property – Flood | \$50,000,000 | \$50,000,000 | \$100,000 or \$250,000 | Deductible depends on Flood Zone |
| | | | | |
| Commercial Property – Earthquake | \$50,000,000 | \$50,000,000 | 5% with a minimum \$100,000 | |
| Commercial Property – Boiler & Machinery - Equipment Breakdown | \$100,000,000 | N/A | \$10,000 - \$350,000 | Deductible amount based on size of equip, HP, KW/KVA/Amps, or square footage |
| Cyber – Info Security & Privacy Liability | 3 rd party limit of \$2,000,000 | \$2,000,000 | \$50,000 | Aggregate for all coverages combined but sub-limited to all Cyber classifications below: |
| Cyber – Privacy Notification | 3 rd party limit of \$500,000 | \$500,000 | \$50,000 | Limit is \$1,000,000 if use Beazley vendor services |
| Cyber – Website Media Content Liability | 3 rd party limit of \$2,000,000 | \$2,000,000 | \$50,000 | |
| Cyber – Penalties for Regulatory Defense and Penalties | 3 rd Party Limit of \$2,000,000 | \$2,000,000 | \$50,000 | |
| Cyber – Extortion | \$2,000,000 | \$2,000,000 | \$50,000 | First Party Computer Security |
| Cyber – Data Protection Loss and Business Interruption Loss | \$2,000,000 | \$2,000,000 | \$50,000 | First Party Computer Security |
| Public Officials' Liability | \$5,000,000 | \$5,000,000 | \$25,000 | |
| Blanket Fidelity Bond – Crime (Discovery Form) | \$2,000,000 | N/A | \$2,500 per claim | Covers all employees, including commissioners, to include Faithful Performance of Duty |
| Hull & Machinery for owned Watercraft | \$15,000 to \$80,000 | N/A | \$1,000 to \$2,500 | Per Schedule of owned watercraft; varies based on value of boat |

| Type of Coverage | Limit | Aggregate Limit | Deductible | Comments |
|---|-------------|-----------------|------------------|--|
| Protection & Indemnity for owned Watercraft | \$1,000,000 | N/A | \$5,000 | For owned watercraft |
| Storage Tank Pollution Liability | \$1,000,000 | \$1,000,000 | \$10,000 | |
| Foreign Liability | \$1,000,000 | \$2,000,000 | \$500 to \$1,000 | Covers Foreign General, Auto and Employers Liability |

The Port provides medical, vision, dental, life, and long-term disability insurance coverage for ILWU Local 27 and non-represented employees through standard plans offered through the State of Washington and for Teamsters Local 589 employees through the Teamsters Welfare Trust. The Port does not administer any of these plans.

The Port has not entered into any insurance settlements in the last three years, which exceeded insurance coverage.

10. Pollution Remediation (Environmental)

Marine Trades Area

Before the 1920s, the site contained several small wood mills. From the 1920s to 1989, uses included bulk fuel plants, fuel pipelines, log storage, logging truck repair, retail grain supply store, undersea cable saline cure tanks, ship repair, and railroad lines. Chevron, ARCO (Atlantic Richfield Company), Shell and other companies operated or supplied bulk fuel plants. Over the years, fuel pipelines were built and abandoned or removed on parts of the site.

In 2005, the Port along with Chevron entered into an agreed order with the Department of Ecology (DE 5738) to conduct a site investigation to define the extent of contamination at the property. ARCO agreed to fund a share of the work under the agreed order. Based on what was known at the time, the site included the Marine Trades Area (MTA), former Pettit Oil site (Chevron as the liable party), and K-Ply properties. As a result of the site investigation, it was determined that two separate plumes of contamination with separate and distinct sources existed within the MTA. An amendment to the agreed order was issued on June 26, 2013 that separated the western area of contamination as the MTA site (including former Pettit Oil site). The contamination in the eastern area of the site, which was the K-Ply mill site, was addressed in a new, separate agreed order with Department of Ecology (DE 9546).

In August 2013, the Final Remedial Investigation/Feasibility Study was accepted by Ecology. Then in December 2013, a Draft Cleanup Action Plan (DCAP) was submitted to Ecology. Ecology provided their comments in the form of the Ecology Draft DCAP to the MTA Group in February 2018. The MTA Group and Ecology are currently working together to finalize the DCAP in 2024.

At this time, the Port doesn't have sufficient information to reasonably estimate the liability related to potential cleanup of the site. During 2023 the Port paid \$22,178 for the clean-up

K-Ply Site

The Port submitted a Draft Public Review RI/FS and Draft CAP to Ecology in November 2014. On May 19, 2015, the Port entered into an agreement order with Ecology (No. DE 11302), that required the implementation of the CAP. The cleanup of the K Ply site began in August of 2015 but was halted in November 2015 due to heavy rain. The cleanup and back filling of the site was completed in May of 2016. In 2017, Ecology approved the Construction Completion Report and the Port recorded an environmental covenant at the site. Currently the Port is conducting semi-annual groundwater monitoring at the site with quarterly status reports to Ecology. The next milestone will be in the five-year soil sampling and Ecology site review in 2024.

At this time, the Port doesn't have sufficient information to reasonably estimate the liability related to potential cleanup of the site. During 2023 the Port paid \$76,433 for the clean-up.

Western Harbor Area Site

The Port owns or formerly owned properties where Fibreboard Corporation and Merrill & Ring operated facilities and released hazardous substances that have become sources of contamination. The Port owns and operates the Boat Haven marina where hazardous substances have been identified. Under a Port Management Agreement, the Port also leases and manages state-owned aquatic lands at the site to facilitate Port operations.

Historically, several mills and timber-related industries released wood debris (logs, large and small wood pieces, and pulp-like materials) in the harbor. Additionally, hazardous substances, including metals and dioxin, have resulted in areas of sediment contamination in the nearshore which create chemical plumes spreading throughout the western harbor. The sources of contamination occurred from multiple potentially liable parties (PLPs):

- Georgia Pacific, through a series of mergers and acquisitions is the successor of interest to the owner or operator of a paper mill that released or disposed of hazardous substances. They also leased aquatic lands to facilitate operations.
- Nippon Paper Industries USA is the former owner and operator of a paper mill and lagoon which is connected by a channel to the harbor. Nippon also leased aquatic lands for its operations. Nippon was sold to McKinley Paper in March 2017.
- Merrill & Ring was the owner and operator of a lumber mill facility and conducted operations on its property and on property leased from the Port. Merrill & Ring also leased aquatic lands for its operations.
- City of Port Angeles has operated eleven combined sewer overflow (CSO) discharge points that discharged untreated wastewater and stormwater directly into the harbor.
- Owens Corning, through a series of acquisitions and restructurings, is the successor of interest to the Fibreboard Corporation which owned and operated a mill that released or disposed of hazardous substances. They also leased aquatic lands to facilitate operations.

On May 28, 2013, the Port, along with Georgia Pacific, Nippon Paper, Merrill & Ring and the City of Port Angeles entered into agreed order DE 9781 with the Washington State Department of Ecology (Ecology). The agreed order requires investigation of sediments and identification of ongoing upland sources of contamination that have the potential to result in sediment recontamination at levels greater than prospective sediment cleanup standards.

On April 14, 2013, the Port entered into an agreement with other potentially liable persons (PLPs) as identified by Washington Department of Ecology under the Washington Model Toxics Control Act (MTCA) to form the Western Port Angeles Harbor Group (the "Group"). This agreement created a process for funding the costs of work incurred after February 26, 2013, pursuant to an Agreed Order DE 9781 for a Remedial Investigation/Feasibility Study (RI/FS) in the Western Port Angeles Harbor site. The work includes an environmental assessment, testing, consulting, and other professional services with respect to environmental evaluation, management and remedy selection (but not actual remediation). In the summer of 2013, the group began the Remedial Investigation of the Western Harbor.

Each participant is responsible for an equal 25% share of Group costs (Nippon and Merrill & Ring are considered as one participant for funding). All costs paid by the participants under the agreement are subject to reallocation in a subsequent proceeding. The Group account is administered by the Port of Port Angeles, which is acting as the Group cashier. All funds contributed to the Group account are classified as restricted funds. The Port holds the other participants funds in a custodial capacity. The Port records its share of the costs as a transfer to a restricted fund and recognizes an expense when the invoice is presented for payment.

The Port of Port Angeles, as Group Cashier, is responsible for (i) managing the Group Account ; (ii) sending out assessments to each Participant for its share of Group Remedial Costs; (iii) sending out a current ledger of the Group Account to each Participant prior to each vote on further assessments of Group Remedial Costs; (iv) making deposits; (v) signing checks for the payment of Group Remedial Costs; (vi) sending default notices for non-payment; and (vii) such other duties as the Participants may delegate. The Group agreement does not create a partnership or joint venture and/or a principal and agent relationship between or among the Participants or their representatives, because the purposes and actions of the Group are specifically limited to payment of authorized costs pursuant to Agreed Order DE 9781. The Group Agreement will automatically terminate upon receipt of a certification by Ecology that the “work” under Agreed Order DE 9781 has been satisfactorily completed. The Agreed Order identifies a completion date of the work as December 2014. Ecology approved the extension based on a series of technical data submissions and review periods. These technical data submissions took the form of a “White Paper” submitted to the Ecology by the Group in May 2014. This White Paper provided an overview of the Groups understanding of cleanup levels, remediation levels and sediment management areas. Since 2014 Ecology has reviewed and provided comments on the White Paper that corresponds with the public release of the Ecology Final North Olympic Peninsula Regional Background Report in February 2016 and Sediment Cleanup User’s Manual II in March 2016. Ecology provided final comments on the White Paper in August 2017 and the Group submitted the Draft RI/FS to Ecology in April 2018. The RI/FS was approved by Ecology in 2020 and an amendment to the Harbor Agreed Order for the submittal of a Draft Cleanup Action Plan (DCAP) was finalized in December 2020. It is anticipated that Ecology will approve the CAP in 2024.

In August 2013, the Port received notification of Natural Resource Damages Claim being sought by Port Angeles Harbor Natural Resource Trustee Council (Trustees). The Trustees are the National Oceanic and Atmospheric Administration (NOAA) of the U.S. Department of Commerce, the United States Fish and Wildlife Service of the U.S. Department of Interior (USFWS), the Washington Department of Ecology (Ecology), the Lower Elwha Klallam Tribe, the Port Gamble S’Klallam Tribe, and the Jamestown S’Klallam Tribe. On May 1, 2014, the Port received a proposed natural resource damage assessment from the Trustees. Their assessment provided a range of damages for the entire harbor (approximately 2,100 acres) from 508 to 1,323 discounted service acre years (DSAYs). The Port as one member of the Western Port Angeles Harbor Group (Group) evaluated the Trustees claim.

In early 2021 the Port and other members of the WPAHG, except for the City of Port Angeles, negotiated a settlement and Consent Decree with the Trustees for restoration of injuries to natural resources. The City negotiated a separate NRD settlement. Implementation of a NRD settlement along with the Harbor cleanup have important synergies. The documents related to this settlement consist of Consent Decree between federal government and the members of the WPAHG, except for the City of Port Angeles and the Damage Assessment and Restoration Plan. Per the 2021 Consent Decree the Port and the other parties each paid \$1.7 million for a total payment of \$8.5 Million. Each party transferred their share (\$1.7 million) to Port controlled bank account. Once the Consent Decree was entered by the court the Port transmitted payment of the \$8.5 million settlement to the Trustees from the Port’s Harbor bank account in 2021. In exchange for payment of \$8.5 million, Federal, State, and Tribal Trustees provide a covenant not to sue and contribution protection to the Port and the other Settling Defendants for potential NRD claims for the entire Port Angeles Harbor, including the area near the former Rayonier Mill. The Trustees agreed to prioritize restoration projects that will provide direct benefits to natural resources in Port Angeles Harbor.

The Port recorded \$600,227 as pollution remediation liability on the Schedule of Liabilities. During 2023 the Port paid \$174,106 for the clean-up.

Former Kardlock Facility

The Port owns the property at 220 Marine Drive known as the Former Kardlock Facility. This site is located to the east of Tumwater Creek, and approximately 1,000 feet inland (south) of the Port Angeles Harbor. The adjacent property to the north is a Pettit Oil facility (a former Chevron bulk plant) that is part of the larger Marine Trades Area petroleum cleanup site. The property is currently utilized for parking and was formerly occupied by a Shell Oil bulk plant on its central and western portions and a Pettit Oil Kardlock station on its eastern portion. Approximately six aboveground storage tanks (ASTs) and an associated refueling rack and pump house owned by Shell were removed from the center of the property in 1984. It is assumed that the bulk terminal handled gasoline, diesel fuel, and other common petroleum products. Five additional gasoline and diesel underground storage tanks (USTs) and related fueling equipment were removed from the east side of the property by Pettit Oil in 1999. Pettit Oil also removed approximately 2,400 tons of petroleum contaminated soil from the property as part of tank removal; however, some diesel range organics (DRO) contamination remained in soil to the north of the former USTs. A limited number of soil borings were also advanced in the alleyway between the Marine Trades Area Pettit Oil property and the Shell Oil bulk plant, as well as on the bulk plant property, by Shannon & Wilson as part of the Marine Trades Area investigation in 1995. One permanent monitoring well, MW 5, was also installed on the property. This investigation identified gasoline range organics (GRO) contamination in soil and groundwater at one monitoring well along the northern boundary of the Shell Oil bulk plant, in the presumed downgradient direction from the former ASTs. The contamination from the Shell Oil bulk plant was not considered to have commingled with downgradient contamination emanating from the other Marine Trades Area facilities, so was not included in the Marine Trades Area site.

Because of the past activities at the site the Port conducted soil and groundwater sampling at the property in March of 2016. The results of these sampling detailed separate areas of soil and groundwater petroleum contamination at the former Shell Oil bulk plant location and the former Pettit Oil Kardlock location.

Following final review of 2016 sampling data, the Port notified Ecology and Ecology listed the property as two distinctive cleanup sites (Former Shell Oil Bulk Plant - 220 Tumwater Truck Route Site and the Former Pettit Oil - 220 Tumwater Truck Route Site. Ecology listed the initial PLP's as the Port and Shell. In May of 2018, the Port and Shell conducted additional site investigation sampling at the site to further delineate the extent and magnitude of contamination. The reporting detailing the findings of this investigation was completed in the fall of 2018 and the Port and Shell completed a funding agreement for the Former Shell Oil Bulk Plant site in 2019. In 2020 the Port submitted draft interim action cleanup plans to Ecology for review and the development of Agreed Orders for both sites. Ecology is currently reviewing these documents.

The Port recorded \$1,157,176 as pollution remediation liability on the Schedule of Liabilities. During 2023 the Port paid \$4,676 for the clean-up.

Terminal 5, 6, and 7 Uplands

The Port of Port Angeles (Port) proposes to make improvements at the Port owned and operated Intermodal Handling and Transfer Facility (IHTF), also known as Port Log Yard. The IHTF is a 30-acre waterfront yard used for the log and wood fiber handling, sorting and staging. This multimodal facility is dependent on direct access to water-bound export and import of cargo. The facility is located on the waterfront in Port Angeles, WA at 1301 Marine Drive. In 2023 the Port entered into agreed order No. 21560 with Ecology for the remedial investigation of the site. This investigation work is ongoing with soil sampling along the shoreline conducted in 2023 and ongoing quarterly groundwater monitoring through 2024. The PLPs at the site, that include M&R, Owens Corning, and the Port executed a funding and participation agreement for the first phase of the remedial investigation at the site. Per this agreement the PLPs each fund a 1/3 share of the Phase 1 investigation.

Proposed improvements planned for 2026 include resurfacing or repaving a majority of the yard, structural and maintenance improvements to the facility's barge dock and installation of stormwater treatment. The proposed improvements would improve operational efficiency by providing a smooth level surface for yard activity, ensure the multimodal connection through the barge dock is maintained and improve stormwater quality leaving the site.

This project will be funded with a federal MARAD grant and the Port is currently working through the design and permitting process. Federal grant funds will only be obligated after permitting is complete and will be construction of improvements in 2026.

The Port recorded \$627,088 as pollution remediation liability on the Schedule of Liabilities. During 2023 the Port paid \$602,088 for the clean-up.

Program Wide Costs

The Port has contracted with a legal firm for discussion and resolution with the insurance companies. The Port recorded \$312,718 as pollution remediation liability on the Schedule of Liabilities. During 2023 the Port paid \$12,718 for the legal expenses.

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

| ID. No. | Description | Due Date | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|-----------------|--------------------------|------------------|-------------------|-----------------------|
| General Obligation Debt/Liabilities | | | | | | |
| 251.11 | 2015 Ref LTGO bond | 12/1/2025 | 1,050,169 | - | 342,455 | 707,714 |
| 263.83 | WA State Dept of Commerce CERB Loan - MTA Washdown Facility | 1/31/2040 | 706,311 | - | 32,987 | 673,324 |
| 263.83 | WA State Dept of Commerce CERB Loan - LY Cofferdam | 12/31/2023 | 70,530 | - | 70,530 | - |
| 263.83 | WA State Dept of Transportation CARB Loan - FIA Utility Expansion | 1/1/2041 | 718,968 | - | 63,606 | 655,362 |
| Total General Obligation Debt/Liabilities: | | | 2,545,978 | - | 509,578 | 2,036,400 |
| Revenue and Other (non G.O.) Debt/Liabilities | | | | | | |
| 263.57 | Lease Liability | | 28,911 | 8,129 | 6,205 | 30,835 |
| 263.93 | Enviro Remed Liability | | 3,272,000 | 2,697,209 | 3,272,000 | 2,697,209 |
| 264.40 | OPEB Liability | | 2,503,817 | - | 444,943 | 2,058,874 |
| 264.30 | Pension Liability | | 509,734 | 347,866 | 509,734 | 347,866 |
| 259.12 | Compensated Absences | | 387,529 | 595,188 | 559,062 | 423,655 |
| 263.57 | SBITA Liability | | - | 35,842 | 4,080 | 31,762 |
| Total Revenue and Other (non G.O.) Debt/Liabilities: | | | 6,701,991 | 3,684,234 | 4,796,024 | 5,590,201 |
| Total Liabilities: | | | 9,247,969 | 3,684,234 | 5,305,602 | 7,626,601 |

Port of Port Angeles
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

| | | Expenditures | | | | | Passed through to Subrecipients | Note |
|---|--|-----------------|-------------|--------------------|--------------------------|--------------------|---------------------------------|----------|
| | | Federal Program | ALN Number | Other Award Number | From Pass-Through Awards | From Direct Awards | Total | |
| Economic Development Cluster | | | | | | | | |
| ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF | Economic Adjustment Assistance | 11.307 | 07-79-07719 | - | - | 230,399 | 230,399 | Note 1,3 |
| | Total Economic Development Cluster: | | | - | - | 230,399 | 230,399 | - |
| FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF | Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs | 20.106 | | - | - | 6,592,373 | 6,592,373 | Note 1,3 |
| FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF | Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs | 20.106 | | - | - | 103,385 | 103,385 | Note 1,3 |
| | Total ALN 20.106: | | | - | - | 6,695,758 | 6,695,758 | - |
| FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF | Port Security Grant Program | 97.056 | | - | - | 10,500 | 10,500 | Note 1,3 |
| | Total Federal Awards Expended: | | | - | - | 6,936,657 | 6,936,657 | - |

The accompanying notes are an integral part of this schedule.

Port of Port Angeles

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the Port of Port Angeles financial statements. The Port of Port Angeles uses the cash basis of accounting where revenues are recognized when received and expenses recognized when paid.

Note 2 – Indirect Cost Rate

The Port of Port Angeles 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 grant portion of the program costs. Entire program costs, including the Port of Port Angeles portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or 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.

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.

Stay connected at 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