



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Port of Willapa Harbor

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

Published November 14, 2024

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

November 14, 2024

Board of Commissioners
Port of Willapa Harbor
Raymond, Washington

Report on Financial Statements and Federal Single Audit

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

We are issuing this report in order to provide information on the Port's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Audit Findings and Responses.....	6
Schedule of Federal Award Findings and Questioned Costs.....	10
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>	14
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	17
Independent Auditor's Report on the Financial Statements.....	21
Financial Section.....	25
Corrective Action Plan for Findings Reported Under Uniform Guidance	38
About the State Auditor's Office.....	40

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Port of Willapa Harbor January 1, 2023 through December 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Port of Willapa Harbor 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 identified 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 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 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>
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

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

See Finding 2023-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2023-002.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Port of Willapa Harbor January 1, 2023 through December 31, 2023

2023-001 The Port did not have adequate internal controls ensuring accurate and reliable reporting of its financial statements.

Background

State and federal agencies, the Board of Commissioners and the public rely on the information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance its financial reporting is reliable and the financial statements and notes to financial statements are accurate.

The Port prepares its financial statements in accordance with the cash-basis accounting method prescribed by the *Budgeting, Accounting and Reporting System* (BARS) Manual.

Our audit found deficiencies in internal controls over accounting and financial reporting that affected the Port's ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate significant deficiencies as a finding.

Description of Condition

We found the following deficiencies in internal controls that represent a significant deficiency. Overall, the Port did not have a process to ensure its financial reporting was complete, accurate and in accordance with the BARS Manual. Specifically, we noted:

- Port employees did not identify and apply all BARS Manual updates for reporting its Other Postemployment Benefits (OPEB) liability on the Schedule of Liabilities and in the notes to the financial statements
- The Port's process for preparing the fiscal year 2023 Schedule of Expenditures of Federal Awards (SEFA) was ineffective for ensuring it accurately reported program expenditures

Additionally, Port employees did not perform an effective review of the financial statements, notes and schedules for accuracy and completeness before submitting them for audit.

Cause of Condition

The Port did not devote sufficient time and resources to ensure new staff who are responsible for preparing the financial statements have adequate training over reporting requirements. Additionally, employees responsible for reviewing the notes and schedules did not sufficiently understand BARS Manual reporting requirements to identify and correct errors before audit.

Effect of Condition

Inaccurate financial reporting limits access to financial information that Port officials, state and federal agencies, and the public use. Because of these internal control deficiencies, the Port's notes to the financial statements and schedules contained the following errors that management did not detect. The Port:

- Omitted its OPEB liability of \$455,345 from the notes and Schedule of Liabilities
- Overstated its federal expenditures on the SEFA by \$786,382 because it reported a program that did not have expenditures during fiscal year 2023
- Did not have support or explanations for significant differences we identified in total revenues and expenditures between the bank statements and financial statements

The Port corrected the Schedule of Liabilities and SEFA errors. We also found other, less significant errors in the notes to the financial statements and schedules provided for audit.

Recommendation

We recommend the Port:

- Dedicate the necessary time and resources to establishing effective internal controls over preparing financial statements to ensure accuracy
- Establish an effective technical review process for the financial statements, notes and supplementary schedules to ensure they agree to the underlying accounting records and supporting documentation and meet BARS Manual reporting standards

Port's Response

The Port of Willapa Harbor retained a consultant for many years to assist the Port for preparation of the annual report assessment for the annual state auditor's review. In 2024 the consultant unexpectedly retired and presented the Port with a nearly impossible situation. The nature of the custom data-based management software developed by the consultant was essentially proprietary and unavailable to our staff to utilize or replicate.

Worse, the consultant was not available at all. Port staff contacted several port auditors to deduce or replicate the database formulas that cross-walked the Port's financial information from an accrual to a cash basis. This proved frustratingly impossible.

The logical solution that we are going to make is to retain a professional database management consultant and overhaul our accounting process and more importantly, have staff fully engaged in its utility, use, structure, and BARS integration such that we will have a system that will allow us the level of accounting we need to account for income, expense, investment within and across our multi-site port.

I appreciate the Auditor's review of our financial information for our goal is to improve our operations. We have an extraordinary staff, and our accounting must reflect how we spend our funds and give you and us the information we need to better run our facilities.

Auditor's Remarks

We appreciate the steps the Port is taking to resolve this issue. We will review the condition during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

Budgeting, Accounting and Reporting System (BARS) Manual, 3.1.3, Internal Control, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

Budgeting, Accounting and Reporting System (BARS) Manual, 4.14.13 Liabilities (Schedule 09)

Budgeting, Accounting and Reporting System (BARS) Manual, 4.14.5 Expenditures of Federal Awards (SEFA/Schedule 16)

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Port of Willapa Harbor January 1, 2023 through December 31, 2023

2023-002 The Port had inadequate internal controls for ensuring compliance with federal procurement and suspension and debarment requirements.

Assistance Listing Number and Title:	21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Washington State Department of Commerce
Pass-through Award/Contract Number:	23-7320CO-01
Known Questioned Cost Amount:	\$0
Prior Year Audit Finding:	N/A

Description of Condition

The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is to support state, local and tribal governments' response to and recovery from the COVID-19 public health emergency. In fiscal year 2023, the Port spent \$2,121,762 in program funds. The Port used program funds to purchase property and a building and the immediate renovation of that building.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Suspension and Debarment

Federal requirements prohibit recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the Port enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractors are not suspended or debarred or otherwise excluded from participating in federal programs. The Port may verify this by obtaining a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The Port must verify this before entering into the contract, and must maintain documentation demonstrating compliance with this federal requirement.

Our audit found the Port did not have adequate controls in place to verify all four contractors it paid more than \$25,000 in federal funds were not suspended or debarred from participating in federal programs.

Procurement

Federal regulations require recipients to follow their own documented procurement procedures, which must conform to the Uniform Guidance procurement standards found in 2 CFR § 200.318-327. The procedures must reflect the most restrictive of applicable federal requirements, state laws and local policies. When using federal funds to procure goods and services, governments must apply the most restrictive of federal requirements, state law or local policies by obtaining quotes or following a competitive procurement process, depending on the estimated cost of the procurement activity. For public works projects, federal regulations require recipients to obtain price or rate quotations for small purchases of \$250,000 or less and to use formal procurement methods that are competitive and require public notice if the quotes exceed that amount. Port policy is less restrictive than federal regulations as it allows the use of the Port's small works roster to obtain price or rate quotations for small purchases of \$300,000 or less.

Although the Port has a written procurement policy, it does not conform to the most restrictive methods and thresholds for procuring public works projects nor does it reference Uniform Guidance procurement standards set out at 2 CFR 200.318-327 for procurement with federal funds.

We consider these deficiencies in internal controls to be material weaknesses that led to material noncompliance.

Cause of Condition

Suspension and Debarment

The Port does not typically receive significant federal awards and staff were unaware of the requirement to verify all contractors are not suspended or debarred.

Procurement

Port staff was unaware of the requirement to update the procurement policy to conform to the procurement standards in Uniform Guidance.

Effect of Condition

Suspension and Debarment

The Port did not obtain written certification from the contractors, insert a clause into the contracts or check for exclusion records at SAM.gov to verify the four contractors it paid \$540,534 using federal funds were not suspended or debarred before contracting. Without adequate internal controls, the Port cannot ensure the contractors it paid with federal funds were eligible to participate in federal programs. Any program funds the Port used to pay contractors that were suspended or debarred would be unallowable, and the awarding agency could potentially recover them. Because the Port subsequently verified the contractors were not suspended or debarred, we are not questioning costs.

Procurement

Since the Port did not update its written policies, it is at greater risk of noncompliance with the most restrictive procedures when procuring public works projects that it will pay fully or partially with federal funds. The Port did not follow the most restrictive procedures when procuring one contract for \$283,611.

Recommendation

We recommend the Port strengthen internal controls to ensure:

- All contractors it pays \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs before contracting with them or purchasing from them
- Written policies and procedures conform to Uniform Guidance (2 CFR 200.318-327) for all procurement activities
- It procures goods and services in accordance with federal regulations, state law and its own procurement policies and procedures

Port's Response

To address procurement processes and suspension/debarment compliance review, the Port of Willapa Harbor Commission approved the use of Municipal Research Service Center (MRSC) procurement processes and including an MRSC prior review process of contractors subject to suspension or debarment as required Under Title 2 CFR Part 180, OMB Guidelines on Agencies on Government -wide Debarment and Suspension

Auditor's Remarks

We appreciate the steps the Port is taking to resolve this issue. We will review the condition during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 318, General procurement standards, establishes requirements for written procedures.

Title 2 CFR Part 200, Uniform Guidance, section 320, Methods of procurement to be followed, establishes requirements for procuring with Federal funds by nonfederal entities.

Title 2 CFR Part 180, *OMB Guidelines on Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689

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 Willapa Harbor January 1, 2023 through December 31, 2023

Board of Commissioners
Port of Willapa Harbor
Raymond, 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 Willapa Harbor, 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 October 31, 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. However, we identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2023-001, that we consider to be significant deficiencies.

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*.

PORT'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the Port's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The Port's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

October 31, 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 Willapa Harbor January 1, 2023 through December 31, 2023

Board of Commissioners
Port of Willapa Harbor
Raymond, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Port of Willapa Harbor, 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Port's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Port's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Port's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023- 002, that we consider to be a material weakness.

Port's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Port's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Port's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

October 31, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Port of Willapa Harbor January 1, 2023 through December 31, 2023

Board of Commissioners
Port of Willapa Harbor
Raymond, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the Port of Willapa Harbor, 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 Willapa Harbor, 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 Willapa Harbor, 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 October 31, 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

October 31, 2024

FINANCIAL SECTION

Port of Willapa Harbor January 1, 2023 through December 31, 2023

FINANCIAL STATEMENTS

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 Willapa Harbor
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

Beginning Cash and Investments

308	Beginning Cash and Investments	2,513,712
388 / 588	Net Adjustments	-

Revenues

310	Taxes	331,339
320	Licenses and Permits	-
330	Intergovernmental Revenues	3,173,376
340	Charges for Goods and Services	1,285,029
350	Fines and Penalties	(1,093)
360	Miscellaneous Revenues	145,536
Total Revenues:		4,934,187

Expenditures

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	2,276,100
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		2,276,100
Excess (Deficiency) Revenues over Expenditures:		2,658,087

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	(5,799)
Total Other Increases in Fund Resources:		(5,799)

Other Decreases in Fund Resources

594-595	Capital Expenditures	1,229,598
591-593, 599	Debt Service	63,091
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		1,292,689

Increase (Decrease) in Cash and Investments: **1,359,599**

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	3,873,310
50891	Unassigned	-
Total Ending Cash and Investments		3,873,310

The accompanying notes are an integral part of this statement.

PORT OF WILLAPA HARBOR
Notes to the Financial Statements
For the year ended December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Port of Willapa Harbor (Port) was incorporated on May 1, 1928 and operates under the laws of the State of Washington applicable to a Port district.

Reporting Entity

The Port is located in Pacific County, Washington and its territory covers less than the entire county. The Port is a special purpose local government that provides industrial and commercial property rentals and airport facilities to the general public and is supported by user charges and taxes from a property tax levy. The Port may acquire and improve land for sale or lease for industrial or commercial purposes. The Port is governed by an elected three-member board.

Basic of Accounting and Reporting

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Components units are required to be disclosed but are not included in the financial statements.
- All funds are presented, rather than 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 propriety funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting:

Financial transactions of the government are reported in individual funds. The Port has one fund. The following fund type is used:

PROPRIETARY FUND TYPE

Enterprise Fund

The fund accounts for operations that provide goods or services general public and are supported primarily through user charges.

B. Basis of Accounting and Measurement Focus:

The Port's financial statement is prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenses are recognized when paid.

In accordance with state law, the Port also recognizes expenses paid during the 20 days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments:

See Note 3, *Deposits and Investments*

D. Capital Assets:

Capital assets, including major repairs, are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenses when purchased.

E. Compensated Absences:

Vacation leave may be accumulated up to 240 hours and is payable upon resignation, retirement, or death. Sick Leave may accumulate indefinitely. Sick Leave is not payable upon termination for any reason as per the Port of Willapa Harbor's personnel policy. Payments are recognized as expenses when paid.

The Total compensated absences balance was \$15,746 as December 31, 2023. *See Schedule of Liabilities (Schedule 9)*

F. Long-Term Debt:

See Note 4, *Long-Term Debt (formerly Debt Service Requirements)*

NOTE 2 – DEPOSITS AND INVESTMENTS:

It is the Port of Willapa Harbor's policy to invest all temporary cash surpluses. At December 31, 2023 the Treasurer was holding \$3,873,310 in cash and short-term residual investments of surplus cash. This amount is included on the statement of revenues and expenses arising from cash transactions as net cash and investments.

The Port of Willapa Harbor's investments are either insured, registered, or held by the Port of Willapa Harbor or its agent in the Port of Willapa Harbor's name.

Investments by type as of December 31, 2023, are as follows:

<u>Type of Deposit or Investment:</u>	<u>Port's own Deposit and Investments Total:</u>
Temporary Investments	\$3,264,898

The Pacific County Treasurer is the custodian of the Port of Willapa Harbor's cash and temporary investments. The county uses the State Local Government Investment Pool (LGIP) to invest the Port's temporary investments. 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.

NOTE 3 – LONG-TERM DEBT:

The accompanying Schedule of Liabilities provides a listing of the outstanding debt of the Port and summaries of the Port's debt transactions for 2023. The debt service requirements are as follows:

	Principal:	Interest:	Total:
2024	54,024	5,179	59,203
2025	54,072	4,558	58,630
2026	49,120	3,937	53,057
2027	49,169	3,315	52,484
2028 - 2032	144,452	8,652	153,104
2033-2035	46,225	968	47,193
	<u>\$ 397,063</u>	<u>\$ 26,609</u>	<u>\$ 423,672</u>

NOTE 4 – PENSION PLANS:

State Sponsored Pension Plans

Substantially all of the Port of Willapa Harbor's full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS) administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

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 comprehensive annual financial report (ACRF) that includes financial statements and required supplementary information for each plan.

DRS ACRF may be downloaded from the DRS website at www.drs.wa.gov.

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

	<u>Employer Contribution:</u>	<u>Allocation Percentage:</u>	<u>Liability (Asset):</u>
PERS 1	\$ 17,804	0.002613%	\$ 59,648
PERS 2/3	\$ 29,685	0.003376%	\$ (138,372)

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

NOTE 5 – PROPERTY TAX:

The Pacific County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed to the Port at 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	Assess 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 of 2023 was \$0.238221 per \$1,000 on an assessed valuation of \$1,362,456,218 for a total regular levy of \$324,567.

Washington State Constitution and Washington State Law, RCW 84.55.010, limit the levy rate.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – OPEB PLANS:

The Port is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis.

The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.

Fiscal Year 2023	
Number of Active Plan Members	12
Number of Retired Plan Members	3
Contributions Made	\$ 9,779
*Total OPEB Liability	\$ 455,345

*Measured using the alternative measurement method

NOTE 7 – RISK MANAGEMENT:

Port of Willapa Harbor is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and contract for risk management, claims, and administrative services. The Pool was formed on July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together

by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2023, there were 518 Enduris members representing a broad array of special purpose districts throughout the state.

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

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

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Liability:				
General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability ⁽²⁾	Per Occurrence Pool Aggregate	\$500,000 \$1 million	None	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾

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

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

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

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Property ^{(2):}				
Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ^{(5):}				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to a \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per occurrence \$200 million aggregate	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/ Pool aggregate \$1.1 billion/ per occurrence APIP program \$1.4 billion/ APIP program aggregate	\$0
Automobile Physical Damage ⁽⁶⁾	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >\$750,000	\$1 billion	\$250 - \$1,000
Crime Blanket ⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position ⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber ⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$40 million	20% Copay
Identity Fraud Expense Reimbursement ⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on a detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement according to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue-generating locations/operations. A limited number of members are scheduled, and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sub-limit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detailed vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Members may elect to "buy up" the level of coverage from \$5,000 to \$2 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
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- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/member's property TIV with an 8-hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Enduris purchases Identity Fraud Expense Reimbursement coverage. Member claims do not have a deductible. There is a \$25,000 limit per member.

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

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year. They must give notice 60 days before renewal to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contributing to Enduris for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Its member participants fully fund Enduris. Members file claims with the Pool, which determines coverage and administers the claims.

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

**Port of Willapa Harbor
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	CERB Fiber Optic	1/31/2030	39,591	-	4,778	34,813
251.11	CERB Dredge	1/31/2030	138,000	-	23,000	115,000
251.11	Bank of Comm	7/31/2033	95,975	-	8,725	87,250
251.11	DOC Boiler Loan	6/30/2037	162,500	-	12,500	150,000
251.11	Rocket Property	9/15/2025	15,000	-	5,000	10,000
Total General Obligation Debt/Liabilities:			451,066	-	54,003	397,063
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		14,594	1,152	-	15,746
264.30	Pension Liabilities		83,364	-	23,716	59,648
264.40	OPEB Liabilities		-	455,345	-	455,345
Total Revenue and Other (non G.O.) Debt/Liabilities:			97,958	456,497	23,716	530,739
Total Liabilities:			549,024	456,497	77,719	927,802

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

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	COVID-19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	23-7320CO-01	2,121,762	-	2,121,762	-	
Total Federal Awards Expended:				2,121,762	-	2,121,762	-	

The accompanying notes are an integral part of this schedule.

**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's financial statement. The Port uses cash basis accounting where revenues are recognized when cash is received, and expenditures are recognized when paid. Capital asset purchases, including major repairs, are expected when paid. Long term liabilities are accounted for on the Schedule of Liabilities. (Schedule 9)

Note 2- Federal Indirect Cost Rate

The Port has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance. The amount expended includes \$0 claimed as an indirect cost recovery using an approved indirect cost rate of 0.0 percent.

Note 3-Program Costs

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



1725 Ocean Avenue • Raymond, Washington 98577 U.S.A.

COMMISSIONERS

Eric W. Pelt

Patricia L. Lignocki

Rebecca L. Chaffin

Jim Sayce, Manager

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Port of Willapa Harbor January 1, 2023 through December 31, 2023

This schedule presents the corrective action planned by the Port for findings reported in this report 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).

Finding ref number: 2023-001	Finding caption: The Port did not have adequate internal controls ensuring accurate and reliable reporting of its financial statements.
Name, address, and telephone of Port's contact person: Jim Sayce 1725 Ocean Ave. Raymond, WA 98577 #360-942-3422	
Corrective action the auditee plans to take in response to the finding: <i>(If the auditee does not concur with the finding, the auditee must list the reasons for disagreement).</i> <i>The Port of Willapa Harbor plans to use the State Auditor's Resources to gain a better understanding of the required reporting's on the financial statement and get more familiar with the process.</i> <i>The Port of Willapa Harbor also plans to find another method to use when performing the cross walk of Accrual BARS to Cash BARS Numbers to ensure efficient and accurate reporting's.</i>	
Anticipated date to complete the corrective action: May 2025	

Finding ref number: 2023-002	Finding caption: The Port had inadequate internal controls for ensuring compliance with federal procurement and suspension and debarment requirements.
Name, address, and telephone of Port contact person: James R. Sayce, Jim Sayce 725 Ocean Ave. Raymond, WA 98577 #360-942-3422	
Corrective action the auditee plans to take in response to the finding: <i>(If the auditee does not concur with the finding, the auditee must list the reasons for disagreement).</i> <i>To address procurement processes and suspension/debarment compliance review, the Port of Willapa Harbor Commission approved the use of Municipal Research Service Center (MRSC) procurement processes and including an MRSC prior review process of contractors subject to suspension or debarment as required Under Title 2 CFR Part 180, OMB Guidelines on Agencies on Government -wide Debarment and Suspension</i>	
Anticipated date to complete the corrective action: Completed July 8, 2024 Resolution 931-24	

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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