



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Port of Everett

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

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

December 23, 2024

Board of Commissioners
Port of Everett
Everett, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Port operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the Port's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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TABLE OF CONTENTS

Audit Results..... 4

Related Reports..... 5

Information about the Port..... 6

About the State Auditor's Office..... 8

AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, Port operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the Port of Everett from January 1, 2023 through December 31, 2023.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the Port's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended December 31, 2023, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Payroll – gross wages, leave balances and accruals, benefit deductions, bonus and incentive payments and compensation of public officials
- Accounts receivable – billing, adjustments and collections at the marine terminal
- Compliance with parking management contract terms
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

RELATED REPORTS

Financial

Our opinion on the Port's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the Port's financial statements. That report is available on our website, <https://portal.sao.wa.gov//ReportSearch>.

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the Port's major federal programs, which are listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report is available on our website, <https://portal.sao.wa.gov//ReportSearch>.

INFORMATION ABOUT THE PORT

The Port of Everett (the Port) was established in 1918 and currently includes a portion of western Snohomish County, WA including the City of Everett, the northern half of the City of Mukilteo as well as unincorporated areas of Snohomish County. The Port is a special-purpose government that is tasked with economic development and operates independent of the Cities of Everett and Mukilteo as well as Snohomish County. It is governed by three elected port commissioners that represent over 120,000 people in the port district. The Port brings jobs, business and tourism to its local and surrounding communities, as well as maintains the overall environmental health of our waterfront. The port commission appoints an executive director to oversee the Port's day-to-day operations as well as over 110 full-time and temporary employees. The Port had operating revenues of about \$54.1 million and operating expenses of \$58.0 million (including depreciation) for fiscal year 2023.

The Port also administers the Port of Everett Industrial Development Corporation, which was created to issue tax-exempt, non-recourse bonds to finance industrial development within the Port boundaries. The Port has structured its operations into three lines of business, serving seaport cargo, small boat marina facilities, and mixed use and light industrial property development and management. In addition to its operating activities, the Port supports public access, facilities within the port district and is a major participant in economic development initiatives within Snohomish County intended to create opportunities for job expansion.

The Port is a strategic self-operating seaport. Everett's port district is home to The Boeing Company's largest manufacturing facility and homeport to Naval Station Everett. Everett's seaport specializes in high-value, over dimensional cargoes. The Port supports U.S. exports and imports, including the aerospace, construction, manufacturing, energy, and agricultural industries. The Port has recently completed construction of a new terminal allowing for seaport expansion.

The Port operates the largest public marina on the West Coast with nearly 2,000 recreational slips, 9 guest docks and a 13-lane salt-water boat launch facility. Located on the Snohomish River estuary, the Port's marina is served by a wide array of marine services businesses and features a state-of-the-art, environmentally compliant boatyard facility consisting of 72 full-service stalls, with full electrical and water supply. The marina is surrounded by miles of waterfront trails, open space for picnicking and kite flying, and provides access to Jetty Island, a destination water-sport area.

The Waterfront Place project, located around the marina, is split into the North, Central and South areas. The Waterfront Place Central area is a new, developing community where people can live, work, shop, relax and find entertainment. The plan for Waterfront Place includes new public gathering spaces, for rent housing units, waterfront hotels, multiple restaurants, and an estimated 662,000 sq. ft. of commercial, retail and marine sales and services. At full build out, the project is expected to generate approximately \$500 million in private investment and support more than 2,075 direct, indirect and induced jobs and \$16.5 million in new sales tax revenue for the city over the next 10 years.

Contact information related to this report

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Port of Everett at <https://portal.sao.wa.gov//ReportSearch>.

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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