



## Office of the Washington State Auditor Pat McCarthy

### **Exit Conference: Port of Port Angeles and Port of Port Angeles IDC**

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

#### **Audit Reports**

We will publish the following reports:

- Accountability audit for January 1, 2022 through December 31, 2022 – see draft report.
- Financial statement audit for January 1, 2022 through December 31, 2022 – see draft report.
- Passenger Facility Charges audit for January 1, 2022 through December 31, 2022 – see draft report.
- Assessment audit for IDC of the Port of Port Angeles for January 1, 2022 through December 31, 2022 – see draft report.

#### **Audit Highlights**

Communication between audit staff and Port staff was efficient, productive and professional. We appreciate the Port's participation in weekly status update meetings. Jennifer, as well as all Port staff, are always attentive to our requests and ensure we are provided all the necessary documents to complete the audit.

#### **Recommendations not included in the Audit Reports**

##### **Exit Items**

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or noncompliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

#### **Financial Statement Audit Communication**

We would like to bring the following to your attention:

- There were no uncorrected misstatements in the audited financial statements.
- The audit addressed the following risks, which required special consideration:
  - Due to the possibility that management may be able to circumvent certain controls, standards require the auditor to assess the risk of management override.

## **Finalizing Your Audit**

### **Report Publication**

Audit reports are published on our website and distributed via email in a .pdf file. We also offer a subscription service that notifies you by email when audit reports are released or posted to our website. You can sign up for this convenient service at <https://portal.sao.wa.gov/SAOPortal>.

### **Management Representation Letter**

We have included a copy of representations requested of management.

### **Audit Cost**

At the entrance conference, we estimated the cost of the audit to be \$32,000 and actual audit costs will approximate that amount.

### **Your Next Scheduled Audit**

Your next audit is scheduled to be conducted in summer 2023 and will cover the following general areas:

- Accountability for public resources
- Financial statement
- Federal programs
- Assessment Audit of the IDC of the Port of Port Angeles

The estimated cost for the next audit based on 2024 rates is \$46,000 plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

## **Working Together to Improve Government**

### **Audit Survey**

When your report is released, you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

### **Local Government Support Team**

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally, this team assists with the online filing of your financial statements.

### **The Center for Government Innovation**

The Center for Government Innovation at the Office of the Washington State Auditor offers services specifically to help you help the residents you serve at no additional cost to your government. What does this mean? We provide expert advice in areas like Lean process improvement, peer-to-peer networking, and culture-building to help local governments find ways to be more efficient, effective and transparent. The Center can help you by providing assistance in financial management, cybersecurity and more. Check out our best practices and other

resources that help local governments act on accounting standard changes, comply with regulations, and respond to recommendations in your audit. The Center understands that time is your most precious commodity as a public servant, and we are here to help you do more with the limited hours you have. If you are interested in learning how we can help you maximize your effect in government, call us at (564) 999-0818 or email us at [Center@sao.wa.gov](mailto:Center@sao.wa.gov).

### **Questions?**

Please contact us with any questions about information in this document or related audit reports.

**Kelsey Kulbeth, Audit Lead, (360) 845-1481, [Kelsey.Kulbeth@sao.wa.gov](mailto:Kelsey.Kulbeth@sao.wa.gov)**

**Vinny Shiel, Assistant Audit Manager, (425) 510-0488, [Vincent.Shiel@sao.wa.gov](mailto:Vincent.Shiel@sao.wa.gov)**

**Amy Strzalka, CPA, Program Manager, (360) 845-1476, [Amy.Strzalka@sao.wa.gov](mailto:Amy.Strzalka@sao.wa.gov)**

**Tina Watkins, CPA, Assistant Director of Local Audit, (360) 260-6411 [Tina.Watkins@sao.wa.gov](mailto:Tina.Watkins@sao.wa.gov)**

**Kelly Collins, CPA, CFE, Director of Local Audit, (564) 999-0807, [Kelly.Collins@sao.wa.gov](mailto:Kelly.Collins@sao.wa.gov)**



Office of the Washington State Auditor  
Pat McCarthy

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**

# Accountability Audit Report

## Port of Port Angeles

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

*Published (Inserted by OS)*

Report No. 1033737



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



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

Issue Date – (Inserted by OS)

Board of Commissioners  
Port of Port Angeles  
Port Angeles, 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

***Americans with Disabilities***

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

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**

## TABLE OF CONTENTS

Audit Results..... 4

Related Reports..... 5

Information about the Port..... 6

About the State Auditor's Office..... 7

## 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 Port Angeles from January 1, 2022 through December 31, 2022.

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, 2022, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Cash receipting – timeliness and completeness of deposits, voids and adjustments
- Accounts receivable – fee waivers
- Tenant leases – compliance with contract terms
- Payroll – gross wages, leave balances and accruals and leave cash outs
- 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 is provided in a separate report, which includes the Port's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

That report includes a finding for a material weakness in internal controls over financial reporting regarding the completeness of the schedule of liabilities.

### Passenger facility charge program

We evaluated internal controls and tested compliance with the requirements, as applicable, for the Port's passenger facility charge (PFC) program and reported the results in a separate passenger facility charge program audit report. That report includes a passenger facility charge program finding regarding the Port's continued collection of PFC revenues after their PFC application expired in April 2022. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**



## INFORMATION ABOUT THE PORT

The Port of Port Angeles is a small, classified port district located in Clallam County. The Port provides an array of services including marine terminals, log yard, marinas, airports, industrial parks and rental properties.

An elected, three-member Board of Commissioners governs the Port. The Board appoints an Executive Director to manage the Port's daily operations and the staff of approximately 57 employees. The Port had operating expenses of approximately \$12.68 million in 2022.

<b>Contact information related to this report</b>	
Address:	Port of Port Angeles P.O. Box 1350 Port Angeles, WA 98362
Contact:	Jennifer Baker, Manager of Finance & Accounting
Telephone:	(360) 417-3362
Website:	<a href="http://www.portofpa.com">www.portofpa.com</a>

*Information current as of report publish date.*

### **Audit history**

You can find current and past audit reports for the Port of Port Angeles at <http://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](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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

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

### **Other ways to stay in touch**

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



Office of the Washington State Auditor  
Pat McCarthy

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**

# Financial Statements Audit Report

## Port of Port Angeles

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

*Published (Inserted by OS)*

Report No. 1033774



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



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

Issue Date – (Inserted by OS)

Board of Commissioners  
Port of Port Angeles  
Port Angeles, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**

## TABLE OF CONTENTS

Schedule of Audit Findings and Responses..... 4

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 *Government Auditing Standards*..... 7

Independent Auditor's Report on the Financial Statements..... 10

Financial Section..... 14

About the State Auditor's Office..... 15

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

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

**2022-002 The Port's internal controls over financial statement preparation were inadequate for ensuring accurate liability reporting.**

#### ***Background***

The Port's governing body and management are responsible for designing, implementing, and maintaining internal controls that provide reasonable assurance financial reporting is accurate and complete.

The Port prepares its financial statements in accordance with the cash-basis *Budgeting, Accounting and Reporting System* (BARS Manual). The BARS Manual requires the Port to report all outstanding liabilities on the supplementary Schedule of Liabilities, which provides information about the Port's future obligations. The BARS Manual also requires the Port to disclose liability information in the notes to the financial statements.

Environmental remediation results from accidents or improper use of an asset, or might be inherent for the type of assets used. Environmental remediation liabilities include obligations to pay for activities for pre-cleanup, cleanup, oversight or enforcement of laws, and post-remediation monitoring related to contamination. The Port must disclose its environmental liabilities on the Schedule of Liabilities and in the notes to the financial statements if the amount can be reasonably estimated and it is probable that the Port will be obligated to pay them.

Our audit found material weaknesses in the Port's internal controls over financial reporting that hindered its ability to produce reliable supplementary schedules. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses as a finding.

#### ***Description of Condition***

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 in the notes to financial statements, as the BARS Manual requires. Port staff did not adequately research the liability reporting requirements, and did not know the environmental remediation liability should be included. We consider this control deficiency to be a material weakness.

### *Cause of Condition*

In fiscal year 2022, the Port transitioned from reporting under generally accepted accounting principles (GAAP) to cash basis. Port staff did not sufficiently research the BARS Manual to learn everything that needed to be included in the Schedule of Liabilities and note disclosures, and management did not design control systems to address the environmental remediation liabilities in the Port's financial reporting.

### *Effect of Condition*

The financial statements the Port submitted for audit contained the following misstatements on the 2022 Schedule of Liabilities:

- Beginning environmental remediation liability balance was understated by \$258,654.
- Additions were understated by \$3,272,000.
- Reductions were understated by \$258,654.
- Ending environmental remediation liability balance was understated by \$3,272,000.

Additionally, the notes to the financial statements did not include the required disclosures about the liability. We also identified less significant errors in the financial statements, notes, and schedules provided for audit.

The Port corrected all identified errors.

### *Recommendation*

We recommend the Port:

- Provide ongoing training to staff responsible for accounting and financial reporting to ensure that the Port's financial statements are accurate and comply with reporting requirements
- Ensure someone who understands the reporting requirements performs an independent and appropriately detailed review of the financial statements, notes, and supplementary schedules to ensure the prepared information is complete and accurate

### ***Port's Response***

*The Port agrees with the Auditor's finding. Fiscal year 2022 was a transition year from accrual reporting to cash basis reporting and the environmental liability schedule was inadvertently left off the cash basis report. The Port had fully analyzed and documented our estimated environmental liability and immediately added it once its absence from the cash basis statement was noted. Safeguards have been put in place to ensure this issue does not reoccur in the future.*

### ***Auditor's Remarks***

We appreciate the Port's commitment to resolving the issues noted and will follow up during the 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.

The *Budgeting, Accounting and Reporting System* (BARS Manual), 3.1.3, 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.



## 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, 2022 through December 31, 2022

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, 2022, and the related notes to the financial statements, which collectively comprise the Port's financial statements, and have issued our report thereon dated December 12, 2023.

We issued an unmodified opinion on the fair presentation of the Port's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Port using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our 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.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2022-002, 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*.

## 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.



Pat McCarthy, State Auditor

Olympia, WA

December 12, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

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

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, 2022, 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, 2022, 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, 2022, 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.

### **Matters of Emphasis**

As discussed in Note 1 to the financial statements, the Port elected to change its method of accounting from generally accepted accounting principles to a special purpose framework during the year ended December 31, 2022. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of the Port's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

December 12, 2023

## FINANCIAL SECTION

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

#### FINANCIAL STATEMENTS

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

#### SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**



## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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

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

### Other ways to stay in touch

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



Office of the Washington State Auditor  
Pat McCarthy

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**

## Passenger Facility Charges Audit Report

# Port of Port Angeles

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

*Published (Inserted by OS)*

Report No. 1033786



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



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

Issue Date – (Issued by OS)

Board of Commissioners  
Port of Port Angeles  
Port Angeles, Washington

**Report on Passenger Facility Charges**

Please find attached our report on the Port of Port Angeles compliance with requirements applicable to its passenger facility charge program.

In addition to this work, we look at other areas of our audit client's financial condition and operations for compliance with state laws and regulations. The results of those audits will be included in separately issued accountability and financial statement reports.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**

## TABLE OF CONTENTS

Schedule of Passenger Facility Charge Program Findings and Questioned Costs ..... 4

Independent Auditor's Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control over Compliance ..... 6

Financial Section..... 11

About the State Auditor's Office..... 12

## SCHEDULE OF PASSENGER FACILITY CHARGE PROGRAM FINDINGS AND QUESTIONED COSTS

Port of Port Angeles  
January 1, 2022 through December 31, 2022

**2022-001 The Port did not have adequate controls for ensuring compliance with federal requirements over the Passenger Facility Charges program.**

### *Background*

The Passenger Facility Charges (PFC) program allows commercial airports controlled by public agencies to collect fees of up to \$4.50 for every eligible passenger. Airports use these fees to fund projects approved by the Federal Aviation Administration (FAA) that enhance safety, security or capacity, reduce noise, or increase air carrier competition.

Public agencies that control commercial service airports submit applications to the FAA for the authority to impose a PFC fee for use on eligible projects. The Port received approval from the FAA on May 8, 2012, to collect \$3 in PFC fees per passenger through April 1, 2014. The FAA later approved an amendment that authorized the Port to continue collecting PFC fees through April 1, 2022.

### *Description of Condition*

Our audit found the Port continued to collect PFC fees between April 1, 2022, and December 31, 2022, after the PFC application expired, which FAA regulations prohibit. The Port did not effectively monitor the program to ensure that it either submitted a new application before the expiration date or stopped collecting PFC fees when its authority to do so ended.

We consider this internal control deficiency to be a material weakness, which led to material noncompliance.

### *Cause of Condition*

The Port did not prioritize submitting a new application because management thought the FAA would backdate its approval and allow the Port to use all PFC fees collected after April 1, 2022. The Port also experienced turnover in the position responsible for monitoring this program, which extended the amount of time it took to follow up on its expired application.

Preliminary Draft - Please do not duplicate, distribute, or disclose.

### ***Effect of Condition***

The Port collected \$1,399 in unallowable PFC fees between April 1, 2022, and December 31, 2022, while operating on an expired PFC application. This represents 80 percent of all PFC fees the Port collected during the fiscal year.

### ***Recommendation***

We recommend the Port follow federal regulations for collecting PFC fees, as well as work with the FAA to address the issue of the unallowable fees collected in 2022.

### ***Port's Response***

*The Port agrees with the Auditor's finding. Port staff had an incorrect belief that a new PFC agreement could be retroactive which was not correct. The Port is actively working with the FAA to establish a new agreement and safeguards have been put in place to ensure this issue does not reoccur in the future.*

### ***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 14 U.S. Code of Federal Regulations (CFR) Part 158, *Passenger Facility Charges (PFC's)*, establishes federal requirements for public agencies operating a PFC program.

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.

Preliminary Draft - Please do not duplicate, distribute, or disclose.

## INDEPENDENT AUDITOR'S REPORT

Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control over Compliance

Port of Port Angeles  
January 1, 2022 through December 31, 2022

Board of Commissioners  
Port of Port Angeles  
Port Angeles, Washington

### REPORT ON COMPLIANCE FOR PASSENGER FACILITY CHARGES

#### Adverse Opinion

We have audited the compliance of the Port of Port Angeles, with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) issued by the Federal Aviation Administration for its passenger facility charge program for the year ended December 31, 2022.

In our opinion, because of the significance of the matter described below, the Port of Port Angeles did not comply, in all material respects, with the compliance requirements applicable to its passenger facility charge program for the year ended December 31, 2022.

#### Basis for Adverse Opinion

We conducted our audit in accordance with professional auditing standards and the Guide applicable to financial audits. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the schedule 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 adverse audit opinion.

#### Matter Giving Rise to Adverse Opinion

As described in Finding 2022-001 in the accompanying Schedule of Passenger Facility Charge Program Findings and Questioned Costs, 80 percent of the PFC fees the Port collected during the fiscal year were unallowable because they were collected after the Port's PFC application expired. As a result, the Port did not comply with the requirements regarding Project Cost Allowability, Eligibility Limitations and Special Tests that are applicable to its passenger facility charge program. Compliance with such requirements is necessary, in our opinion, for the Port to comply with requirements applicable to the program.

### **Port's Response to Findings**

The Port's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Passenger Facility Charge Program Findings and Questioned Costs. The Port's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Responsibilities of Management for the Schedule**

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

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

Our objectives are to obtain reasonable assurance about whether the schedule as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 professional auditing standards and the Guide 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 schedule. Professional auditing standards and the Guide require that we plan the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

Performing an audit in accordance with professional auditing standards and the Guide includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the schedule, 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 schedule;
- 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 schedule; and
- 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.

## **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 the passenger facility charge 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 the passenger facility charge 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 the passenger facility charge 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 consideration of internal control over compliance was for the limited purpose described above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Passenger Facility Charge Program Findings and Questioned Costs as Finding 2022-001 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 Passenger Facility Charge Program Findings and Questioned Costs. The Port's response was not subjected to the 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 Guide. 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.

### **SCHEDULE OF PASSENGER FACILITY CHARGES**

We have audited the financial statements of the Port of Port Angeles, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Port's financial statements, and have issued our report thereon dated December 12, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Port's financial statements as a whole. The accompanying Schedule of Passenger Facility Charges Collected and Expended is presented for purposes of additional analysis as required by the Guide and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of the Port's internal control over financial reporting and on our 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

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**

provide an opinion on 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.



Pat McCarthy, State Auditor

Olympia, WA

December 12, 2023

**FINANCIAL SECTION**

**Port of Port Angeles  
January 1, 2022 through December 31, 2022**

**SUPPLEMENTARY INFORMATION**

Schedule of Passenger Facility Charges Collected, Held and Used and Notes – 2022

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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

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

### Other ways to stay in touch

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



Office of the Washington State Auditor  
Pat McCarthy

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**

## Assessment Audit Report

# Industrial Development Corporation of the Port of Port Angeles

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

*Published (Inserted by OS)*

Report No. 1033736



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



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

Issue Date – (Inserted by OS)

Board of Commissioners  
Industrial Development Corporation of the Port of Port Angeles  
Port Angeles, Washington

**Report on Assessment Audit**

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.

The attached report describes the procedures performed and conclusions for the areas we reviewed. We appreciate the opportunity to work with your staff and value your cooperation during the assessment audit.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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

## AUDIT SUMMARY

### Results in brief

Based on the procedures performed, nothing came to our attention in the areas we reviewed that caused us to believe the Corporation was not in substantial compliance with applicable state laws, regulations, and its own policies, or had not provided adequate controls over the safeguarding of public resources. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### About the assessment audit

This report contains the results of our independent audit of the Industrial Development Corporation of the Port of Port Angeles from January 1, 2022 through December 31, 2022.

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. State law (RCW 43.09.230) also requires local governments to prepare and submit certified annual reports to our Office summarizing such things as revenues received, collections made, amounts receivable or payable, expenditures made, and debt owed.

This assessment 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 at least once every three years. Assessment audits are risk-based, limited-scope reviews of small local governments, generally defined as local governments with less than \$300,000 in annual revenues. To help minimize audit costs, our work for this engagement was conducted off-site primarily using financial and other information provided by the Corporation.

This assessment audit was limited to the following:

- Reviewing meeting minutes for compliance with the Open Public Meetings Act
- Verifying that annual reports submitted to our Office were complete and filed timely in compliance with state law
- Corroborating financial information reported by the Corporation by comparing it to third-party sources

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**



## INFORMATION ABOUT THE CORPORATION

The Industrial Development Corporation of the Port of Port Angeles was formed in 1982. The Corporation is a separate municipal corporation which has the authority, under RCW 39.84 and IRS 103(b), to issue nonrecourse revenue bonds on behalf of private companies. Such bonds are restricted to financing industrial development anywhere (Port or non-Port property) within the port district. These bonds are referred to as Industrial Revenue Bonds. They allow a private company to obtain tax-exempt financing, which carries a lower interest rate. Revenue bonds issued through the Corporation are payable solely by the private company developing industrial facilities. The bonds are neither a liability nor a contingent liability of the Corporation or the Port of Port Angeles. Bonds issued by the Corporation must be approved by the Washington state tax exempt bond cap program which regulates total tax-exempt bond issuances within the state.

The Corporation board is composed of the three current Port commissioners; the board operates under a separate set of bylaws. The Corporation has no employees; all Corporation work is performed by Port staff under a reimbursement agreement between the Port and the Corporation. The only sources of Corporation revenue are bond issuance fees received when Corporation bonds are actually issued. These fees, normally a few thousand dollars, are then transferred to Port accounts to reimburse the Port for time spent by Port staff on Corporation issues.

### Contact information related to this report

Address:	Industrial Development Corporation of the Port of Port Angeles P.O. Box 1350 Port Angeles, WA 98362
Contact:	Jennifer Baker, Manager of Finance & Accounting
Telephone:	(360) 417-3362

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Industrial Development Corporation of the Port of Port Angeles at <http://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](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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

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

### Other ways to stay in touch

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

## LETTER OF REPRESENTATION TO BE TYPED ON CLIENT LETTERHEAD

December 12, 2023

Office of the Washington State Auditor  
3200 Capitol Blvd  
P.O. Box 40031  
Olympia, WA 98504-0031

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audit of Port of Port Angeles for the period from January 1, 2022 through December 31, 2022. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

### **General Representations:**

1. We have provided you with unrestricted access to people you wished to speak with and made available all relevant and requested information of which we are aware, including:
  - a. Financial records and related data.
  - b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.
  - d. Communications from regulatory agencies, government representatives or others concerning possible noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.
  - e. Related party relationships and transactions.
  - f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.
  
2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information, and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.

3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.
4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
5. Except as reported by the audit, we have complied with all material aspects of laws, regulations, contracts and grant agreements.
6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.
7. Except as reported by the audit, we have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.
8. We have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.
9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records.

**Additional representations related to the financial statements:**

10. We acknowledge our responsibility for fair presentation of the financial statements and believe financial statements are fairly presented in accordance with the *Budgeting, Accounting and Reporting Standards Manual* (BARS Manual), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
11. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting.
12. The financial statements properly classify all funds and activities.
13. Revenues are appropriately classified by fund and account in accordance with the BARS Manual.
14. Expenses are appropriately classified by fund and account, and allocations have been made on a reasonable basis.
15. Ending cash and investments are properly classified as nonspendable, restricted, committed, assigned, and unassigned.
16. Significant assumptions we used in making accounting estimates are reasonable.

17. The following have been properly classified, reported and disclosed in the financial statements, as applicable:
  - a. Interfund, internal, and intra-entity activity and balances.
  - b. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - c. Joint ventures and other related organizations.
  - d. Guarantees under which the government is contingently liable.
  - e. All events occurring subsequent to the fiscal year end through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
  - f. Effects of all known actual or possible litigation, claims, assessments, violations of laws, regulations, contracts or grant agreements and other loss contingencies.
18. We have accurately disclosed to you all known actual or possible pending or threatened litigation, claims or assessments whose effects should be considered when preparing the financial statements. We have also accurately disclosed to you the nature and extent of our consultation with outside attorneys concerning litigation, claims and assessments.
19. We acknowledge our responsibility to include all necessary and applicable disclosures required by the BARS Manual, including:
  - a. Description of the basis of accounting, summary of significant accounting policies and how this differs from Generally Accepted Accounting Principles (GAAP).
  - b. Disclosures similar to those required by GAAP to the extent they are applicable to items reported in the financial statements.
  - c. Any additional disclosures beyond those specifically required by the BARS Manual that may be necessary for the statements to be fairly presented.
20. We acknowledge our responsibility for reporting supplementary information such as: the Schedule of Liabilities and the Schedule of Passenger Facility Charges Collected, Held, and Used in accordance with applicable requirements and believe supplementary information is fairly presented, in both form and content in accordance with those requirements.
21. We have disclosed to you all significant changes to the methods of measurement and presentation of supplementary information, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation.
22. We believe there are no uncorrected misstatements that would be material individually and in the aggregate to the financial statements taken as a whole.
23. We acknowledge our responsibility not to publish any document containing the audit report with any change in the financial statements, supplementary and other information

referenced in the auditor's report. We will contact the auditor if we have any needs for publishing the audit report with different content included.

(Signature)

Paul Jarkiewicz  
Executive Director

(Signature)

John Nutter  
Director of Finance and Administration

**LETTER OF REPRESENTATION TO BE TYPED ON ENTITY LETTERHEAD**

December 12, 2023

Washington State Auditor's Office  
451 SW Sedgewick Rd. Ste 200  
Port Orchard, WA 98367

To the Washington State Auditor's Office:

We are providing this letter in connection with your audit of the passenger facility charge (PFC) program of the Port of Port Angeles for the period January 1, 2022 through December 31, 2022.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve a weakness, omission or misstatement of information that, in the light of surrounding circumstances, make it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the weakness, omission or misstatement.

We confirm, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representations, the following representations made to you during your audit:

1. We acknowledge and understand our responsibility for complying with the requirements of 14 Code of Federal Regulations (CFR) Part 158, "*Passenger Facility Charges*" (PFC).
2. We have prepared the schedule of passenger facility charges collected, held and used in accordance with 14 CFR Part 158. We believe that the schedule is fairly stated, in both form and content, in accordance with those requirements.
3. The methods of measurement and presentation of the schedule of passenger facility charges collected, held, and used, are consistent with the prior period. There are no significant assumptions or interpretations underlying the measurement or presentation of the schedule.
4. If the schedule of passenger facility charges collected, held, and used is ever distributed separately from the audited financial statements, we confirm and understand our responsibility to make the audited financial statements and the audit report available to the intended users of that information.
5. We have identified the requirements of laws, regulations, and any PFC Final Agency Decision issued by the Federal Aviation Administration.
6. Except as disclosed by the auditor, we have complied, in all material respects, with the compliance requirements related to the PFC program.
7. Except as disclosed by the auditor, we have maintained internal control over our PFC program sufficient to provide reasonable assurance that revenues are managed and expended in compliance with program requirements.

8. We have disclosed whether any changes in internal controls over the PFC program, including any corrective action taken in response to findings, have occurred subsequent to the audit period.
9. We have made available all program agreements (including amendments, if any), copies of all PFC Final Agency Decisions, and any other correspondence that has taken place with the Federal Aviation Administration related to the PFC program.
10. Except as disclosed to the auditor, we are not aware of any amounts questioned or known noncompliance with requirements of our PFC program occurring during or subsequent to the audit period. Further, we have made available to the auditor the results of any other audits or program reviews.
11. We have provided the auditor with all information regarding management decisions or follow-up work performed by the Federal Aviation Administration on any findings reported in the past.
12. We have made available all documentation related to the compliance requirements, including information related to PFC program financial reports.
13. PFC program financial reports are prepared on a basis consistent with and supported by the books and records from which the basic financial statements have been prepared.
14. The copies of PFC program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the Federal Aviation Administration or air carriers.

\_\_\_\_\_  
(Name and Title)  
(Airport or PFC Program Manager)

\_\_\_\_\_  
(Name and Title)  
(Chief Financial Officer)