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years COUNTS
1913-2013

Agenda

- Reports Issued
- Areas of Audit Effort
- Required Communications
- Other Communications

Port of Seattle

Results of 2012 Audit

June 11, 2013

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORTS ISSUED

- Unmodified opinion on financial statements for the Enterprise Fund and the Warehousemen's Pension Trust Fund
- Audit and report on the schedule of net revenue available for revenue bond debt service
- Audit and report on internal control and compliance over financial reporting in accordance with *Government Auditing Standards*
 - No findings of noncompliance noted
- Audit and report on compliance related to the major Federal Award Programs (AIP and Port Security Grant), the Schedule of Expenditures of Federal Awards and related internal control in accordance with Federal Circular OMB A-133
 - No findings of noncompliance noted
- Audit and report on the schedule of Passenger Facility Charge (PFC) receipts and expenditures and related internal controls
 - One finding of noncompliance noted

PASSENGER FACILITY CHARGE (PFC) PROGRAM AUDIT

- Audit of Schedules of Passenger Facility Charge Program Receipts and Expenditures
- Tested internal controls and compliance with PFC requirements
- No questioned costs were noted
- One compliance finding was noted related to reporting
 - Total Airport Passenger Facility Charge debt service offset payments reported on 4th quarter status report filed with the Federal Aviation Administration (FAA) were overstated by \$3.1 million compared to internal reports generated by the Port
 - Management took corrective action prior to issuance of audit report and re-filed the status report with FAA, noting revised and appropriate debt service offset payment amounts

AREAS OF AUDIT EFFORT

- Internal control environment
- Management estimates
 - Environmental remediation liability, legal and insurance contingencies/ recoveries, depreciation, allowance for doubtful accounts, grant receivables, self insurance liabilities, actuarial valuations for the Warehousemen's Pension Trust amounts and disclosures
- Revenue recognition
 - Operating revenue analysis using business indicators such as landed weight, enplanements, gate usage, crane movements, and boat counts
 - Ad valorem tax levy, investment income, PFC, CFC, and federal grants
 - Consideration of the collectability of related receivables
- Signatory lease and operating agreement
 - Revenue requirements for landing fees and terminal rents according to the agreement
 - Cost elements - debt service allocation and operating and maintenance expense

AREAS OF AUDIT EFFORT (CONTINUED)

- Accounting for leases
 - Airport concessions and fuel system, Seaport, and Real Estate leases
 - Testing of lease terms, payments and appropriate accounting treatment and disclosures
- Bonds and related accounts
 - Arbitrage liability, capitalized interest, discounts and premiums, new debt issuance, debt repayments, compliance with covenants, and audit of Net Revenue Schedule
- Capital assets
 - Consideration of capitalization policies and potential impairment as well as testing of additions, retirements, overhead application, capitalized interest, depreciation
- Net position
 - Consideration of classification for unrestricted, restricted, and net investment in capital assets
- Management's Discussion and Analysis and Notes to Financial Statements

REQUIRED COMMUNICATIONS

- Auditor and Management responsibilities for financial statements under Generally Accepted Auditing Standards
 - Auditor: To form and express an opinion about whether the financial statements are fairly presented; to plan and perform the audit in accordance with generally accepted auditing standards and *Government Auditing Standards*
 - Our audit does not relieve management and the Port Commission of its responsibilities
- Audit was performed according to the planned scope
- Significant accounting policies are summarized in Note 1 to the financial statements
- Financial Statement disclosures were consistent, clear and understandable
- There were no proposed or passed audit adjustments

REQUIRED COMMUNICATIONS (CONTINUED)

- Representations were requested and received from management
- Disagreements with management (none)
- Consultation with other independent auditors (none of which we are aware)
- Difficulties encountered during the audit (none)
- Illegal acts (none noted)
- Ability to continue as a going concern (no disclosure necessary)
- Consideration of fraud in a financial statement audit
 - Procedures performed included journal entry testing and interviews of personnel
- Moss Adams is independent with respect to the Port of Seattle

OTHER COMMUNICATIONS

- Weekly meetings were held between Moss Adams and Port management and staff throughout the audit term
- The audits progressed on time and in an orderly fashion
- All Port personnel were courteous, responsive and fulfilled all of our requests in a timely manner
- As planned, Branch Richards & Co. personnel were an integral part of our audit team. Approximately eight to ten percent of our audit hours are contributed by this small business firm on an annual basis

CELEBRATING A CENTURY OF SERVICE

In 1913 an accountant opened a small practice in Seattle to serve the Pacific Northwest's booming timber industry. Today, that practice is one of the largest accounting and consulting firms in the nation, serving businesses and organizations around the globe.

Yet while we're pleased to celebrate our centennial, we remain focused on what's truly mattered all along: you. Because anniversaries are nice. But providing you with vital insights to help your organization succeed? That counts.