

October 10, 2016



Port of Seattle

2016 Engagement Service Plan

MOSS ADAMS LLP





Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

AGENDA

- Moss Adams Service Team Leaders
- Services to be Provided
- Responsibilities (Auditor / Management)
- Phases and Timing of the Audit
- Our Audit Approach
- Areas of Audit Emphasis
- Auditing and Accounting Standards Update

YOUR 2016 AUDIT SERVICE TEAM LEADERS

Team Member	Responsibilities
 <p data-bbox="336 462 529 539">Laurie Tish, Partner</p>	<p data-bbox="564 379 1823 472">Engagement Reviewer - Laurie will serve as your lead client service partner, overseeing all projects we perform for the Port.</p>
 <p data-bbox="268 718 529 795">Olga Darlington, Partner</p>	<p data-bbox="564 625 1823 765">Concurring Reviewer - Olga will serve as the second reviewer of the financial statements and our reports and, as necessary, will consult on technical issues or key elements of the audits.</p>
 <p data-bbox="291 972 529 1049">Tyler Reparuk, Manager</p>	<p data-bbox="564 875 1792 968">Manager - Tyler will oversee the engagement team and will review testing performed during the audit.</p>
 <p data-bbox="369 1176 529 1253">Lisa Dion, Manager</p>	<p data-bbox="564 1129 1808 1222">Manager - Lisa will supervise our staff in the field and manage each of the audits we perform.</p>

YOUR 2016 AUDIT SERVICE TEAM LEADERS

Team Member	Responsibilities
 <p data-bbox="144 536 392 615">Kimberly Koch, Partner</p>	<p data-bbox="479 389 1812 529">IT Consulting Partner - Kim will lead our audit procedures covering the Port's Information Technology (IT) systems, including general computer controls.</p>
 <p data-bbox="129 933 407 1012">Kevin Villanueva, Director</p>	<p data-bbox="479 743 1792 883">IT Consulting Director- A Qualified Security Assessor, Kevin will serve as an additional reviewer of our IT procedures and will oversee and perform audit procedures related to IT security and related issues.</p>
 <p data-bbox="150 1288 386 1366">Blake Thomas, Manager</p>	<p data-bbox="479 1098 1808 1238">IT Consulting Manager - Blake will supervise staff and perform audit procedures related to the Port's IT systems, including general computing controls.</p>

YOUR 2016 AUDIT SERVICE TEAM

- The following individuals will also serve on the Port of Seattle Engagement Team:
 - Abigail Barr, *Senior*
 - Anna Waldren, *Senior*
 - Krista Gregory, *Staff*
 - Larry Bussard, *Branch Richards & Co; Subcontractor, Manager*
 - Fiona Deng, *Branch Richards & Co; Subcontractor, Staff*

SUMMARY OF OUR SERVICES

- Audit and report on financial statements for both the Enterprise Fund and the Warehousemen's Pension Trust Fund to be included in the Port's Comprehensive Annual Financial Report
- Audit and report on internal control and compliance over financial reporting in accordance with *Government Auditing Standards*
 - Issue a management letter of recommendations and observations, as necessary
- Audit and report on compliance related to the Airport Improvement Program (AIP) and other Major Federal Award Program(s), the Schedule of Expenditures of Federal Awards and related internal controls in accordance with the OMB Uniform Guidance
- Audit and report on the schedule of Passenger Facility Charge (PFC) program receipts and expenditures and related internal controls
- Audit and report on the schedule of net revenues available for revenue bond debt service
- Perform Agreed Upon Procedures and report to State of Washington Department of Ecology relating to Terminal 91 Facility

OUR RESPONSIBILITIES



Audit – GAAS & GAGAS



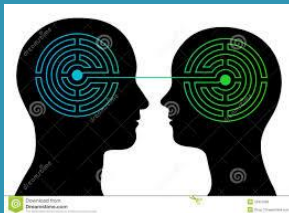
Read Other Information



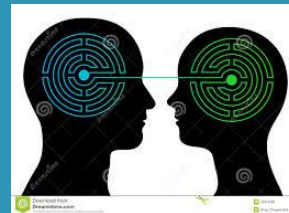
Report Non-Compliance (Single Audit)



Express Opinion / Issue Reports



Communicate – Audit Committee



Communicate – Management

MANAGEMENT'S RESPONSIBILITIES



Prepare Correct FS



Internal Controls



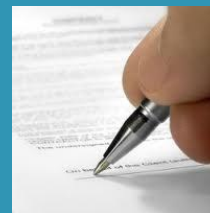
Compliance



Report Fraud



Make Available



Representation Letter

PHASES OF THE AUDIT

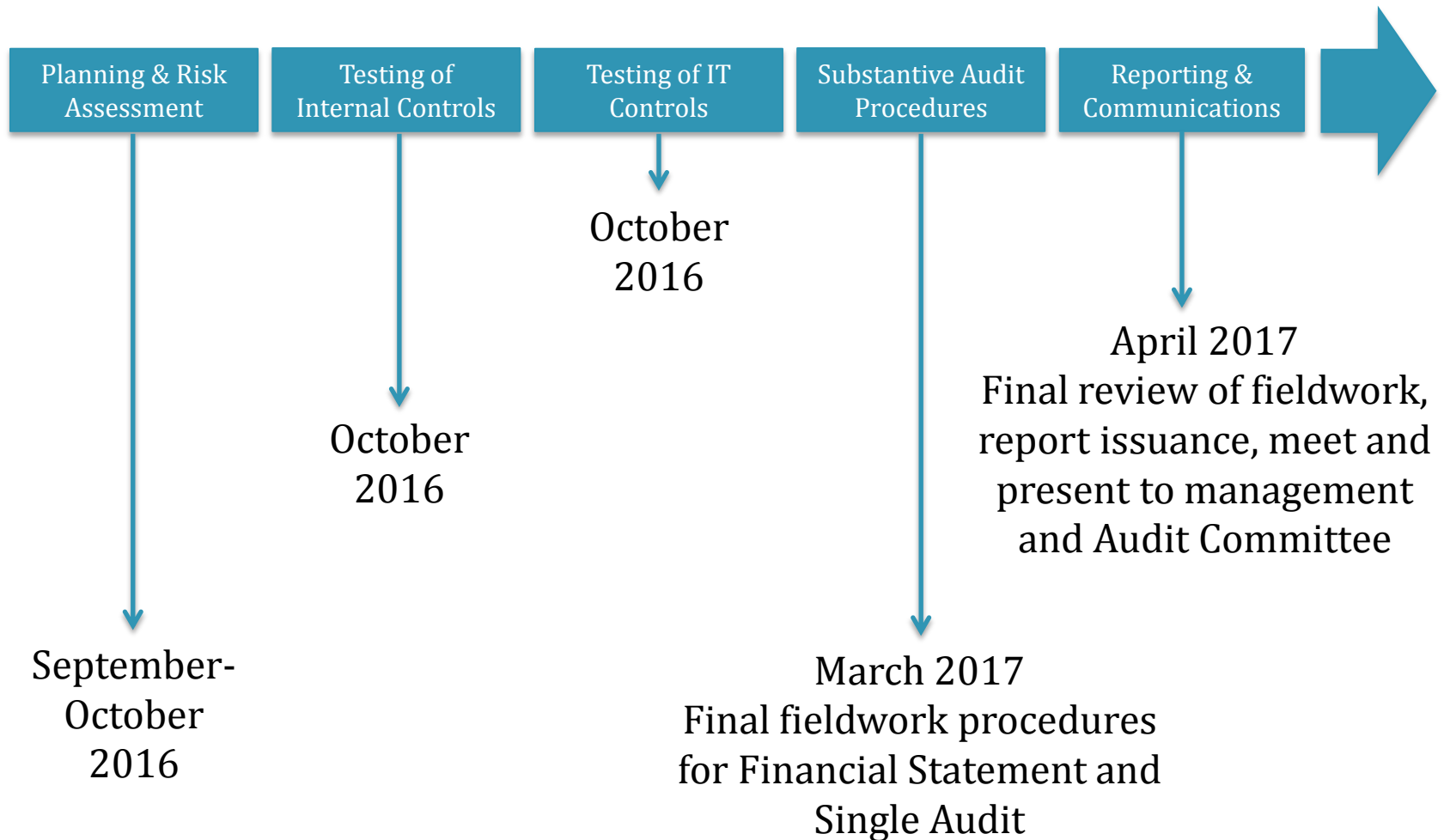
Planning and
Risk
Assessment

Assessment of
Internal
Controls

Substantive
Audit
Procedures

Reporting and
Presenting
Audit Results

AUDIT TIMELINE



PLANNING AND RISK ASSESSMENT

- Audit risk involves the risk of material misstatement in the financial statements
 - Inherent risk, control risk and detection risk
- Audit is designed to provide reasonable – not absolute – assurance that the financial statements are free of material misstatements
- Audit scope and approach is determined based upon results of risk assessment

EVALUATION OF INTERNAL CONTROLS

- Evaluate components of internal controls
- Top-down approach
- Significant Accounts and Processes considered
 - Billings and accounts receivable, leases, capital assets and projects, procurement, cash disbursements, payroll, debt, treasury, environmental remediation liability and contingencies, stormwater utility, financial close and reporting
- IT Controls
 - Application controls
 - General computing controls
- Administration of federal awards (Single Audit)
 - Includes tests of compliance

SUBSTANTIVE AUDIT PROCEDURES

➤ Tests of Details

- Directed testing and audit sampling
- Random and judgmental sampling methods are used
- Compliance with requirements of the major federal awards and the Passenger Facility Charge program

➤ Analytical Procedures

- Comparison of current and prior year results, and actual to budgeted amounts
- Analysis of detailed changes within certain accounts such as capital assets, long term debt and investments
- Predictive analytics for income statement accounts, based upon history, data independent of accounting department, and industry expectations
- Holistic review of overall financial statements

AREAS OF AUDIT EMPHASIS

**Internal Control
Cycles**

**Management
Estimates**

Bond Accounts

**Accounting for
Leases**

Revenue Recognition

Capital Assets

**Net Position
Classification**

Pension Liability

**Environmental
Remediation Liability**

**Other
Postemployment
Benefits**

**Northwest Seaport
Alliance – Joint
Venture**

**Uniform Guidance
(Single Audit)**

ACCOUNTING PRONOUNCEMENTS (GASB)

- **GASB 72** - Fair Value Measurement and Application – (effective for 2016)
- **GASB 74** - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans– (effective Fiscal Year 2017)
- **GASB 75** - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions– (effective for 2018)
- **GASB 76** - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - (effective Fiscal Year 2016)
- **GASB 78** - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans – (effective for 2016)
- **GASB 82** - Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73– (effective for 2017)

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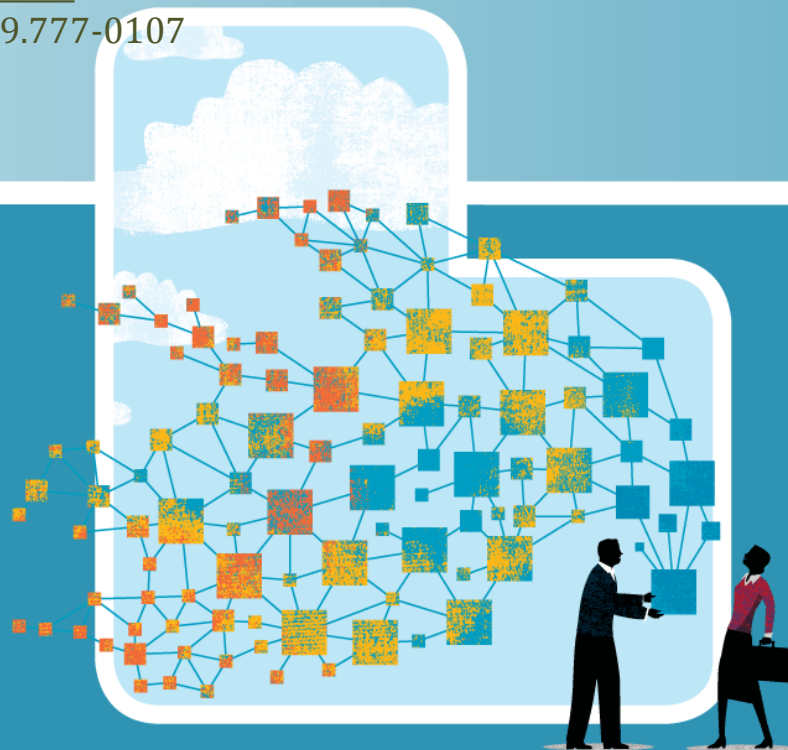
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Questions?



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