



Presentation to the  
**Port of Seattle**  
Audit Committee

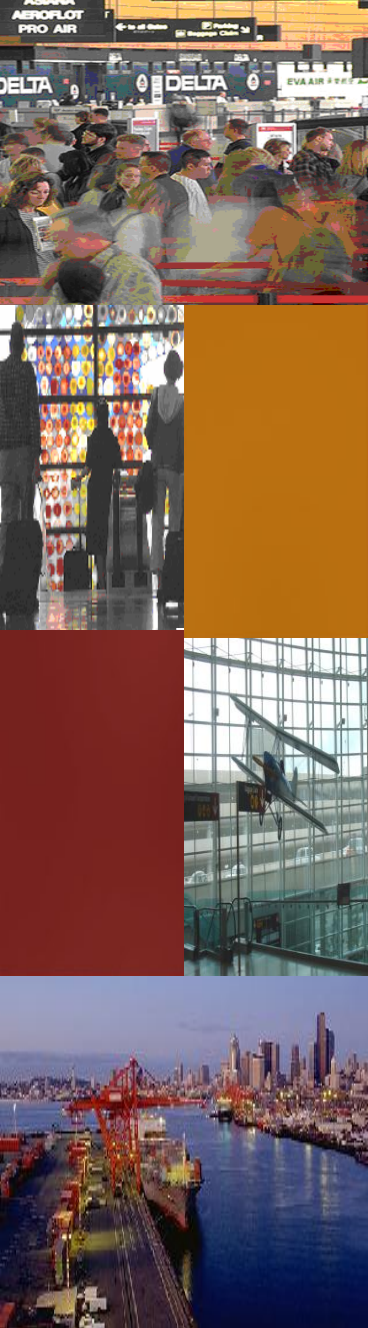
Results of 2008 Audit

May 5, 2009

**MOSS ADAMS LLP**

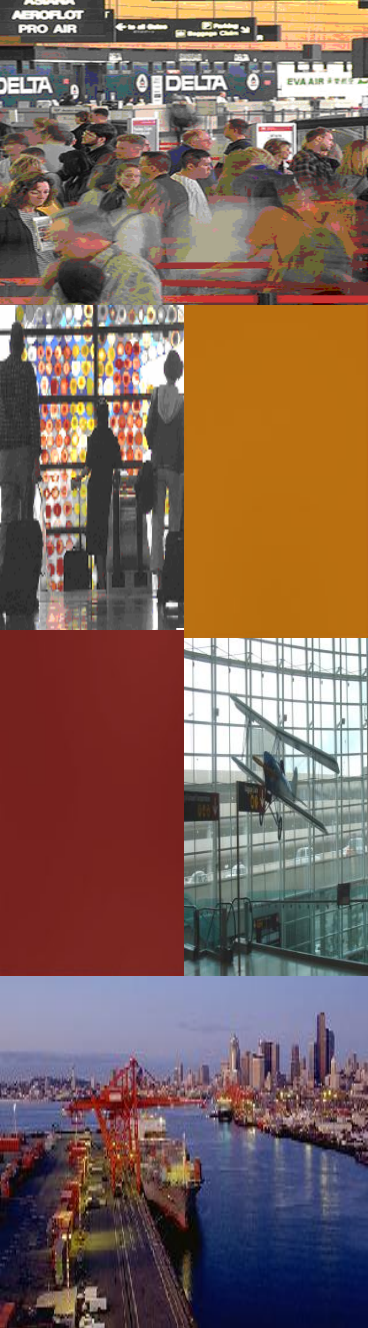
# Reports to be Issued

- Report on financial statements
  - Unqualified opinion on the financial statements
    - Opinion covers separate statements of the Enterprise Fund and the Warehousemen's Pension Trust Fund
    - Report date is April 30, 2009
- Audit and report on Schedule of Net Revenues Available for Revenue Bond Debt Service
  - Same date as financial statements
- Audit and report on Schedule of Passenger Facility Charges (PFC's), receipts and expenditures and related internal controls
  - One finding of noncompliance noted
- Audit and report on Federal Financial Assistance Programs and related internal controls and compliance in accordance with Federal OMB Circular A-133 (Single Audit)
  - To be completed in May 2009
  - No material instances of noncompliance noted to-date
- Letter of recommendations and observations
  - No material weaknesses in internal controls identified
  - Observations and recommendations noted



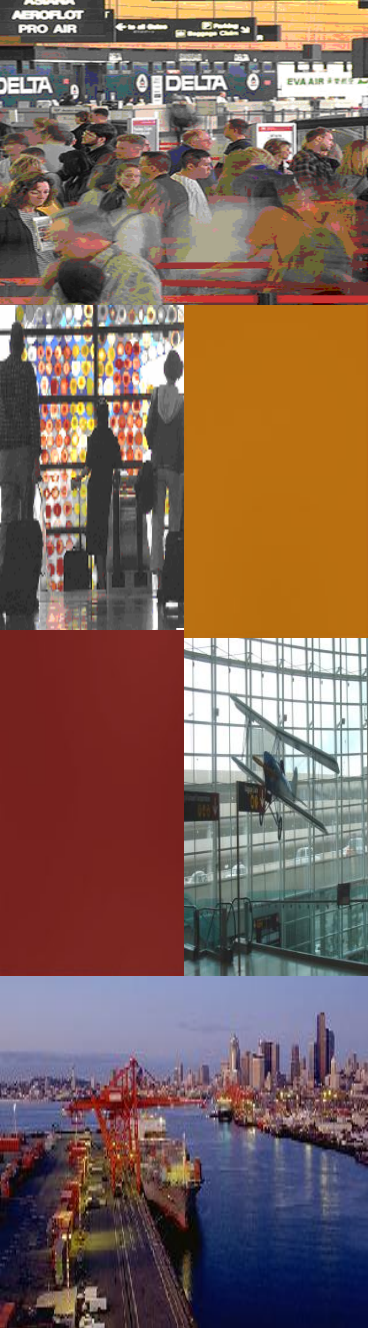
# Areas of Audit Effort

- Internal control environment
  - Understand the design and implementation of key controls surrounding all significant financial statement accounts and business processes
  - Understand the design and implementation of controls over compliance requirements
  - Assess information technology general controls and application controls
  - Test sample transactions of the capital assets related systems, payroll, cash disbursements, leases, and environmental reserve
  - Treasury and investment, debt, cash, budget, third party transactions and financial close and reporting cycles tested through observations, inquiries and walkthroughs
- Management estimates
  - Pollution remediation obligation accruals, legal and insurance reserves, allowance for doubtful accounts, grant-in-aid receivables, arbitrage liabilities, actuarial valuations for OPEB liability and for the Warehousemen Pension Trust amounts and disclosures
- Bonds and related accounts
  - Arbitrage liability, capitalized interest, discounts and premiums, new debt issuance, debt refunding, and compliance with covenants



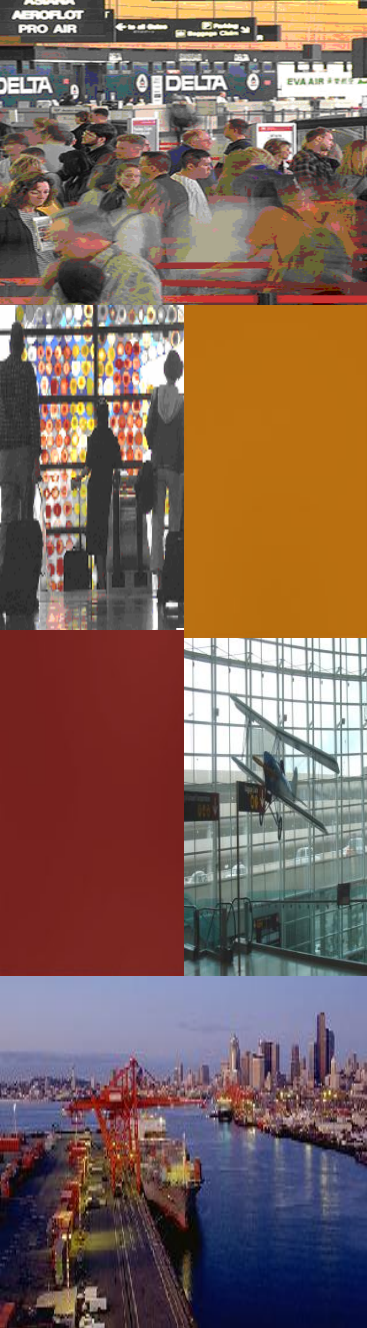
# Areas of Audit Effort - continued

- Revenue recognition
  - Operating revenue analysis using business indicators such as landed weight, enplanements, crane movements, and boat counts
  - Ad valorem tax levy, investment income, CFC, PFC, 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
  
- Accounting for leases
  - Airport concessions and fuel system, Seaport, and Real Estate leases
  - Testing of lease terms, payments, and appropriate accounting treatment and disclosures



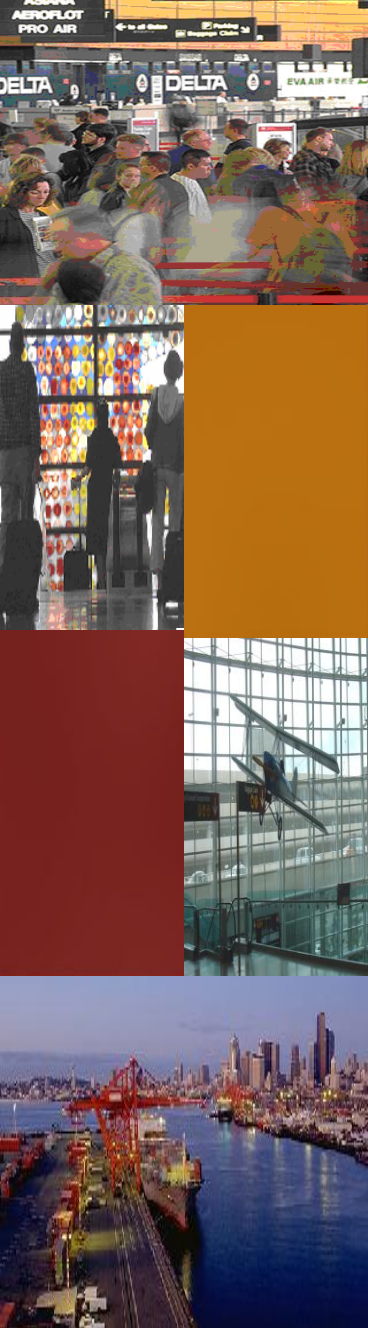
# Areas of Audit Effort - continued

- Net assets
  - Consideration of classification for unrestricted, restricted, and invested in capital assets, net of related debt
  
- Capital assets
  - Consideration of capitalization policies and potential impairment as well as testing of additions, retirements, overhead application, depreciation
  
- Implementation of Government Accounting Standard Statement No. 49, *Pollution Remediation Obligations*
  - Consideration of policies and procedures, estimate for liability and related recoveries, and financial statement disclosures
  - Consideration of components for large environmental sites



# Areas of Audit Effort - continued

- Administration of federal awards and related administrative controls
  - One additional major program added for a total of three
  - Total expenditures \$46,748,591
    - Airport Improvement Program - \$37,184,650
    - TSA Memorandum of Agreement - \$2,084,578
    - Port Security Grant - \$1,630,000
  - Test major programs for compliance with OMB-Circular A-133 requirements
  
- Passenger Facility Charge (PFC) Program Audit
  - Review the Schedules of Passenger Facility Charge Program Receipts and Expenditures
  - Test for compliance with PFC requirements on a sample basis
  - We noted one instance of noncompliance



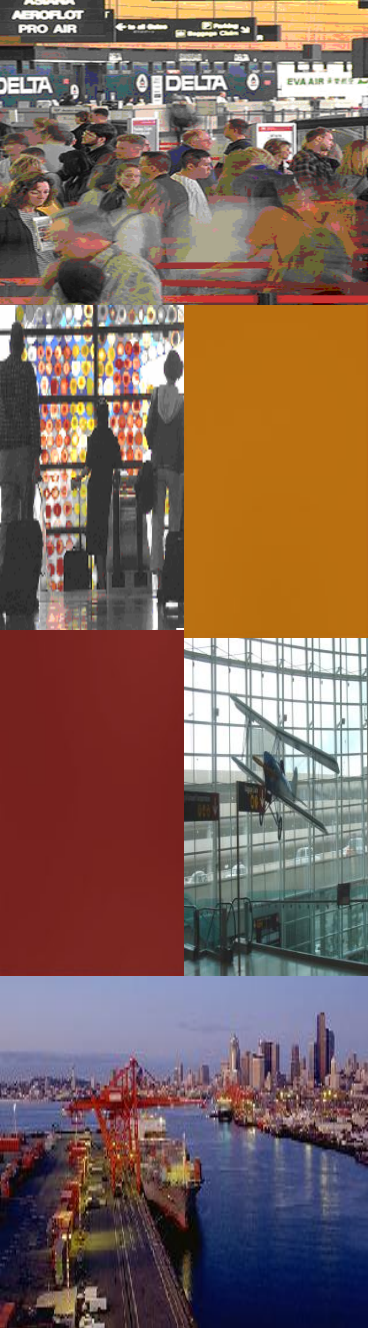
# Letter of Recommendations

- Annual inventory of capital assets should include the oldest depreciating assets
- Several observations related to implementation of GASB 49:
  - Methodology for estimating “bracket costs” should be consistently applied
  - Support documentation of the rationale behind estimating multi-year probabilities and for reducing the estimate should be retained
  - Support documentation of the rationale behind environmental costs meeting the capitalization criteria should be retained
  - Specific policies and procedures pertaining to asbestos remediation should be further refined
- Information technology observations
- Administration of federal awards
  - Enhance written policy and procedures to include monitoring the existence and completeness of federally-funded equipment and property
  - Document review of Noise Program Third Party reports prior to submission

# Federal Awards – Findings and Questioned Costs

- There are no questioned costs noted to date for Single Audit or PFC program
- Current year findings
  - Single Audit – No material findings of noncompliance to-date
  - PFC Program Audit – One finding identified
    - Omission of refunds to an airline from the fourth quarter report
- Status of prior year findings
  - Single Audit – One finding noted in the prior year
    - Selection process for professional services was not appropriately documented in the corresponding contract files as is required by federal regulations
    - The Port has cured the incomplete contract files by documenting the selection process. Additionally, the Port has developed and implemented a central depository of complete sets of contract documents including all supporting documentation
  - PFC – No findings in the prior year





# New Authoritative Literature

- New accounting pronouncement effective in 2008
  - GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*
    - The Port re-measured environmental liability and restated beginning net assets by \$4.7 million
    - Approximately \$11 million charged to expense in 2008
  - FASB 157, *Fair Value Instruments*. The Port expanded investments and debt financial statement disclosures
  
- Upcoming accounting pronouncements
  - GASB 51, *Accounting and Financial Reporting for Intangible Assets* will likely not have a material impact (2010)
  - GASB 53, *Accounting and Financial Reporting for Derivative Instruments* will likely not have a material impact (2010)

# Required Communications

- Auditor's responsibility under Generally Accepted Auditing Standards
- Significant accounting policies
- Management judgments and accounting estimates
- Posted audit adjustments (none)
- Passed audit adjustments (none)
- A letter of representation was provided to management
- Disagreements with management (none)
- Consultations with other independent accountants (none)
- Major issues discussed with management prior to selection (none)
- Difficulties encountered during the audit (none)
- Moss Adams is independent with respect to the Port of Seattle
- All Port personnel, throughout all departments, encountered in the performance of our audit were courteous, responsive, and fulfilled all of our requests in a timely manner