



**Agenda:**

- Reports Issued
- Areas of Audit Emphasis
- Matters Required to be Communicated
- Other Communications



# Port of Seattle Report to Audit Committee

2014 Audit Results

May 7, 2015

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

# REPORTS ISSUED

- Unmodified opinion on financial statements for the Enterprise Fund and the Warehousemen's Pension Trust Fund
- Report on the Schedule of Net Revenues Available for Revenue Bond Debt Service
- Single Audit Reports
  - Audit and report on internal control and compliance over financial reporting in accordance with *Government Auditing Standards*
    - One significant deficiency in internal control noted related to a vendor supplied ancillary operating system
  - Audit and report on compliance related to the major Federal Award Programs, the Schedule of Expenditures of Federal Awards and related internal controls 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
  - No findings of noncompliance noted

# AREAS OF AUDIT EMPHASIS

- 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
  - Analysis of revenue requirement by cost center category according to the agreement including landing fees, terminal rents, gate fees, baggage claim rates, preferential and common use rates under the SLOA III agreement
  - Revenue sharing and year-end settlement of amounts on an airline by airline basis

# AREAS OF AUDIT EMPHASIS (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, debt repayments, compliance with covenants, and audit of Net Revenues 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 categories
- Management's Discussion and Analysis and Notes to Financial Statements
- Three major federal programs tested this year – Airport Improvement Program, Law Enforcement Officer Reimbursement Agreement Program, and Highway Planning & Construction

# REQUIRED COMMUNICATIONS

- Auditor and Management responsibilities for financial statements under Generally Accepted Auditing Standards
  - 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
- Representations were requested and received from management
- There were no proposed or passed audit adjustments impacting net position

## REQUIRED COMMUNICATIONS (CONTINUED)

- New accounting pronouncement applied – GASB 67 which modified the note disclosures relating to the Warehousemen’s Pension Trust
- There were no disagreements with management
- 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 requested schedules and draft financial statements were received on a timely basis
- All Port personnel across all departments were courteous, responsive and fulfilled all of our requests in a timely manner
- ‘Tone at the Top’ and attitude from management was one of helpfulness, candor, and openness in response to audit requests and discussion points
- As planned, Branch Richards & Co. personnel were an integral part of our audit team. Approximately eight percent of our audit hours are contributed by this small business firm on an annual basis