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Port of Seattle
Report on 2022 Audit Results

Agenda

- Reports Issued
- Areas of Audit Emphasis
- Internal Control Matters
- Matters Required to be Communicated to the Audit Committee
- Upcoming Accounting Pronouncements
- Other Communications

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Auditor Reports Issued

Auditor Report on Financial Statements for • Unmodified opinion
the Enterprise Fund and the
Warehousemen's Pension Trust Fund • Dated April 28, 2023

Report on Internal Control Over Financial • No internal control or compliance findings
Reporting and on Compliance and Other
Matters • Dated April 28, 2023

- No internal control or compliance findings
- Report on Compliance for the Major • The Schedule of Expenditures of Federal
Federal Program and on Internal Control Awards (SEFA) is presented fairly in all
Over Compliance; Report on Schedule of material respects in relation to the financial
Expenditures of Federal Awards Required statements
by the Uniform Guidance (Single Audit) • One Major Program – Airport Improvement
Program with \$174 million in federal funds
received (of which \$149.4 million in COVID-
19 funding).

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Auditor Reports Issued (continued)

- Audit and report on the schedule of
Passenger Facility Charge (PFC) receipts
and expenditures and related internal
controls
- Report on the Schedule of Net Revenues
Available for Revenue Bond Debt Service
- Report on Agreed Upon Procedures for
Washington State Department of Ecology
(to be completed in May)

- Report on Agreed Upon Procedures for
Environmental Protection Agency (to be
completed in May)

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Areas of Audit Emphasis

- Internal control environment
 - o Capital assets/project management, cash receipts/receivables, cash disbursements/payables, payroll, bond and investment transactions, and administration of federal awards with focus on COVID-19 funding
- Management estimates
 - o Allowance for doubtful accounts, environmental remediation liability, legal contingencies and

insurance recoveries, compensated absences, actuarial valuations for pension and other postemployment benefits amounts

- Northwest Seaport Alliance (NWSA) joint venture
 - o Confirmed the Port of Seattle's share in operating revenue through agreement to NWSA audited financial statements
- Capital assets
 - o Consideration of capitalization policies, testing of additions, retirements, overhead application, and depreciation; consideration of timely closing of capital improvement projects

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Areas of Audit Emphasis (continued)

- Bond activity
 - o Tested the five new bond issuances and four refunding bonds during 2022.
 - o Debt repayments, arbitrage liability, discounts and premiums, compliance with covenants, and procedures over information presented in the net revenues schedule
- Airline lease and operating agreement
 - o Analysis of revenue requirement by cost center category under the Signatory Lease and Operating Agreement (SLOA IV) agreement, including landing fees, terminal rents, gate fees, and baggage claim rates
 - o Confirmations of amounts on an airline-by-airline basis
- Revenue recognition
 - o Operating revenue analysis using business indicators such as landed weight, enplanements, gate usage, and boat counts
 - o Ad valorem tax levy, investment income, PFC, Customer Facility Charges (CFCs), and federal grants
 - o Consideration of the collectability of related receivables

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Areas of Audit Emphasis (continued)

- Adoption of GASB 87
 - o Tested management's assessment of in-scope leasing arrangements for the Port as a Lessor and as a Lessee
 - o Reviewed significant estimates, NPV calculations, and disclosures
 - o Selected a sample of lease agreements and reperformed management's calculations
 - o Tested restated results for the years ended December 31, 2020 and 2021
 - o Overall restatement impact to the ACFR:
 - o Added lease receivables of \$345M
 - o Added deferred inflows from leasing of \$345M
 - o Added intangible leased assets of \$8.5M and accumulated amortization of \$3.8M
 - o Added lease liabilities of \$4.7M
 - o Decrease of \$11M and \$12M of operating revenues in FY20 and FY21, respectively

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Areas of Audit Emphasis (continued)

- Fiduciary activities
 - o Consideration of investment balances, plan contributions and distributions for the Warehousemen's Pension Trust Fund
- Information technology
 - o General Computer Controls
 - One major federal program identified and tested current year –
 - o Total federal awards reported on schedule of expenditures of federal awards – \$175.4M
 - o Major program – FAA Airport Improvement Program – \$174.3M including COVID Relief funding of \$149.4M

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Required Communications

- Auditor and Management responsibilities for financial statements under Generally

Accepted Auditing Standards

- o 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
- o Our audit does not relieve Port 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 disagreements with management or difficulties encountered during the audit

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- There were no uncorrected audit adjustments identified
- Consultation with other independent auditors (none of which we are aware)
- Illegal acts (none noted)
- Ability to continue as a going concern (no disclosure necessary)
- Consideration of fraud in a financial statement audit
- o Procedures performed included journal entry testing, deferred payment plan analysis, and interviews of personnel

10 Port of Seattle 2022 Audit Results**New & Upcoming Accounting Pronouncements**

- New accounting pronouncements implemented in 2022
- o GASB 87 – Leases: Addresses recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.
- o GASB Statement No. 91, Conduit Debt Obligations
- o GASB Statement No. 92, Omnibus 2020 GASB Statement
- o GASB Statement No. 93, Replacement of Interbank Offered Rates
- Upcoming accounting pronouncements
- o GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements (effective 2023)
- o GASB Statement No. 96, Subscription-Based Information Technology Arrangements (effective 2023)
- o GASB Statement No. 99, Omnibus 2022 (effective 2023)
- o GASB Statement No. 100, Accounting Changes and Error Corrections (effective 2024)
- o GASB Statement No. 101, Compensated Absences (effective 2024)

We have been working with management to plan for the implementation of these standards.

11 Port of Seattle 2022 Audit Results**Acknowledgements**

- Regular status meetings were held between Moss Adams and Port management and staff throughout the audit term
- Technical 'whitepapers' were received from Port management throughout the year
- The audits progressed on time and in an orderly fashion, fully in a remote work environment
- All Port personnel organization wide were responsive and fulfilled all our requests in a timely manner
- 'Tone at the Top' and attitude from management was one of openness in response to audit requests and discussion points
- As planned, Branch Richards & Co. personnel and Ryland School Business Consulting personnel were an integral part of our audit team. Over 12% of our audit fee

for the audit was to these small business and minorityowned firms.

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