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Port of Seattle  
Report on 2023 Audit Results

Agenda

01 REPORTS ISSUED  
02 AREAS OF AUDIT EMPHASIS  
03 REQUIRED COMMUNICATIONS  
04 OTHER MATTERS  
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Reports Issued

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Auditor Reports Issued  
Auditor Report on Financial Statements • Unmodified opinion  
for the Enterprise Fund and the  
Warehousemen's Pension Trust Fund • Dated April 25, 2024  
Report on Internal Control Over • No internal control or compliance  
Financial Reporting and on Compliance findings  
and Other Matters • Dated April 25, 2024

Report on Compliance for the Major • No internal control or compliance  
Federal Program and on Internal findings  
Control Over Compliance; Report on  
• The Schedule of Expenditures of  
Schedule of Expenditures of Federal  
Federal Awards (SEFA) is presented  
Awards Required by the Uniform  
fairly in all material respects in relation  
Guidance (Single Audit)  
to the financial statements  
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Other Reports Issued  
Audit and report on the schedules of • Unmodified opinion  
Passenger Facility Charge (PFC) • No internal control or compliance  
Receipts and Expenditures and related findings  
internal controls  
• Dated April 25, 2024

Report on the Schedule of Net Revenues • Unmodified opinion  
Available for Revenue Bond Debt • Dated April 25, 2024  
Service

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Agreed Upon Procedures Reports Issued  
• Performed in May  
Report on Agreed Upon Procedures for  
Washington State Department of • No exceptions noted  
Ecology  
  
• Performed in May  
Report on Agreed Upon Procedures for  
Environmental Protection Agency • No exceptions noted

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Areas of Audit Emphasis

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Areas of Audit Emphasis

Internal Control Environment

o IT General Controls o Payroll

o Capital assets/project management o Bond and investment transactions

o Cash receipts/receivables o Administration of federal awards

o Cash disbursements/payables

Management Estimates

o Allowance for doubtful accounts o Compensated absences

o Environmental remediation liability o Actuarial valuations for pension and other

o Legal contingencies and insurance post-employment benefits amounts

recoveries

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Areas of Audit Emphasis (Cont.)

Northwest Seaport Alliance (NWSA) Joint Venture (JV)

o Confirmed the Port of Seattle's share in operating revenue through agreement to NWSA audited financial statements – As of December 31, 2023, investment in JV was \$325 million and income from JV was \$55.8 million

Capital Assets

o Evaluation of capitalization policies

o Testing of additions of \$503.2 million, retirements, overhead application, and depreciation

o Testing of timely closing of capital improvement projects into capital assets

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Areas of Audit Emphasis (Cont.)

Bond Activity

o No new debt issuances in 2023.

o Tested debt repayments, arbitrage liability, discounts and premiums, compliance with covenants, and procedures over information presented in the net revenues schedule

Environmental Remediation Liability

o Reviewed management's estimates by performing predictive analysis as well as testing of processes in place to record the liability. We have selected significant projects to test for potential liabilities.

o Confirmed directly with attorneys for potential impact on environmental remediation liability

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Areas of Audit Emphasis (Cont.)

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

Airline Lease and Operating Agreements

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

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Areas of Audit Emphasis (Cont.)

GASB 87 Leases

o Tested management's assessment of in-scope leasing arrangements for the Port as a Lessor and as a Lessee

o Reviewed significant estimates, Net Present Value (NPV) calculations, and disclosures

- o Selected a sample of lease agreements and reperformed management's calculations

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Areas of Audit Emphasis (Cont.)

Adoption of GASB 96 – Software-Based Subscription Assets

- o Tested assets by reviewing agreements and verifying inputs used to calculate the assets, liabilities, and amortization and verify accurate calculations
- o Reviewed GASB guidance and evaluated disclosures for appropriate application of guidance
- o Overall restatement impact to the Annual Comprehensive Financial Report (ACFR):
- o Reduced other current assets by \$860,000
- o Increased Capital Assets by \$17,434,000
- o Increased liabilities by \$16,083,000
- o Increased net position by \$313,000

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Areas of Audit Emphasis (Cont.)

Fiduciary Activities

- o Consideration of investment balances, plan contributions and distributions for the Warehousemen's Pension Trust Fund

Single Audit

- o Total federal awards reported on schedule of expenditures of federal awards – \$36.3M
- o Major program – FAA Airport Improvement Program – \$36.0M, including COVID Relief funding of \$13.8M

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Required

Communications

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Required Communications and  
Government Auditing Standards

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 is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control or to identify deficiencies in the design or operation of internal control. Accordingly, we considered the entity's internal control solely for the purpose of determining our audit procedures and not to provide assurance concerning such internal control.

Our audit does not relieve Port management and the Port Commission of its responsibilities

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Required Communications (continued)

Audit was performed according to the planned scope and timing

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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Required Communications (continued)

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

Procedures performed included journal entry testing, third-party confirmations, and interviews of personnel

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Required Communications (continued)

There were no uncorrected adjustments identified as part of our audit procedures

Other Information Included in the Annual Comprehensive Financial Report:

Management is responsible for the other information included in the Annual Report. The other information comprises the Introductory information and Statistical information. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

Our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the audited financial statements. We have read the information, and nothing came to our attention that caused us to believe that such information is materially inconsistent with the financial statements.

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Other Matters

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Accounting Pronouncements

Implemented in 2023:

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

GASB Statement No. 99, Omnibus 2022

GASB Statement No. 100, Accounting Changes and Error Corrections

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Upcoming Accounting

Pronouncements:

GASB Statement No. 101, Compensated

Absences

(effective 2024)

GASB Statement No. 102, Certain Risk

Disclosures

(effective 2025)

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- Regular status meetings were held between Moss Adams and Port management and staff throughout the audit
- All Port personnel organization wide were responsive and Acknowledgements fulfilled all 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
- Ryland School Business Consulting and Branch, Richards & Co. personnel were an integral part of our audit team.

- Ryland Consulting: 9% of contract fees and 10% of total hours
  - Branch & Richards: 7% of contract fees and 10% of total hours
  - Total sub participation of 16% of contract fees and 20% of total hours
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