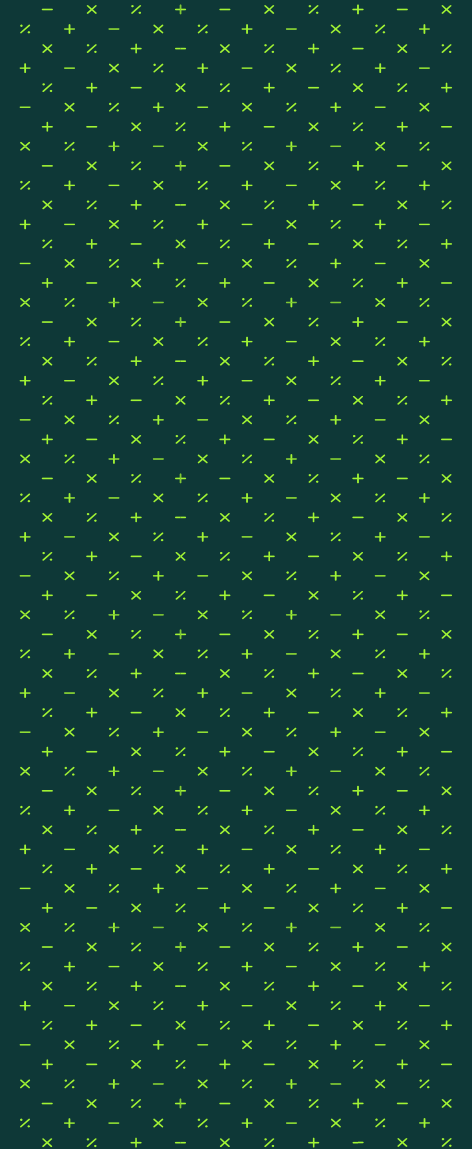


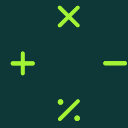


MOSSADAMS

Port of Seattle

Report on 2023 Audit Results





Agenda

01 REPORTS ISSUED

02 AREAS OF AUDIT EMPHASIS

03 REQUIRED COMMUNICATIONS

04 OTHER MATTERS





Reports Issued

Auditor Reports Issued

Auditor Report on Financial Statements for the Enterprise Fund and the Warehousemen's Pension Trust Fund

- Unmodified opinion
- Dated April 25, 2024

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

- No internal control or compliance findings
- Dated April 25, 2024

Report on Compliance for the Major Federal Program and on Internal Control Over Compliance; Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance (Single Audit)

- No internal control or compliance findings
- The Schedule of Expenditures of Federal Awards (SEFA) is presented fairly in all material respects in relation to the financial statements



Other Reports Issued

Audit and report on the schedules of Passenger Facility Charge (PFC) Receipts and Expenditures and related internal controls

- Unmodified opinion
- No internal control or compliance findings
- Dated April 25, 2024

Report on the Schedule of Net Revenues Available for Revenue Bond Debt Service

- Unmodified opinion
- Dated April 25, 2024



Agreed Upon Procedures Reports Issued

Report on Agreed Upon Procedures for
Washington State Department of
Ecology

- Performed in May
- No exceptions noted

Report on Agreed Upon Procedures for
Environmental Protection Agency

- Performed in May
- No exceptions noted





Areas of Audit Emphasis

Areas of Audit Emphasis



Internal Control Environment

- IT General Controls
- Capital assets/project management
- Cash receipts/receivables
- Cash disbursements/payables
- Payroll
- Bond and investment transactions
- Administration of federal awards

Management Estimates

- Allowance for doubtful accounts
- Environmental remediation liability
- Legal contingencies and insurance recoveries
- Compensated absences
- Actuarial valuations for pension and other post-employment benefits amounts



Areas of Audit Emphasis (Cont.)



Northwest Seaport Alliance (NWSA) Joint Venture (JV)

- 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

- Evaluation of capitalization policies
- Testing of additions of \$503.2 million, retirements, overhead application, and depreciation
- Testing of timely closing of capital improvement projects into capital assets



Areas of Audit Emphasis (Cont.)



Bond Activity

- No new debt issuances in 2023.
- Tested debt repayments, arbitrage liability, discounts and premiums, compliance with covenants, and procedures over information presented in the net revenues schedule

Environmental Remediation Liability

- 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.
- Confirmed directly with attorneys for potential impact on environmental remediation liability



Areas of Audit Emphasis (Cont.)



Revenue Recognition

- Operating revenue analysis using business indicators such as landed weight, enplanements, gate usage, and boat counts
- Ad valorem tax levy, investment income, PFC, Customer Facility Charges (CFCs), and federal grants

Airline Lease and Operating Agreements

- 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
- Confirmations of amounts on an airline-by-airline basis



Areas of Audit Emphasis (Cont.)



GASB 87 Leases

- Tested management's assessment of in-scope leasing arrangements for the Port as a Lessor and as a Lessee
- Reviewed significant estimates, Net Present Value (NPV) calculations, and disclosures
- Selected a sample of lease agreements and reperformed management's calculations



Areas of Audit Emphasis (Cont.)



Adoption of GASB 96 – *Software-Based Subscription Assets*

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



Areas of Audit Emphasis (Cont.)



Fiduciary Activities

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

Single Audit

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





Required Communications

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



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



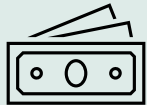
Required Communications (continued)



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



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.





Other Matters

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*

Upcoming Accounting Pronouncements:

▶ GASB Statement No. 101, *Compensated Absences*
(effective 2024)

GASB Statement No. 102, *Certain Risk Disclosures*
(effective 2025)



Acknowledgements

- Regular status meetings were held between Moss Adams and Port management and staff throughout the audit
- All Port personnel organization wide were responsive and 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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**THANK
YOU**

