

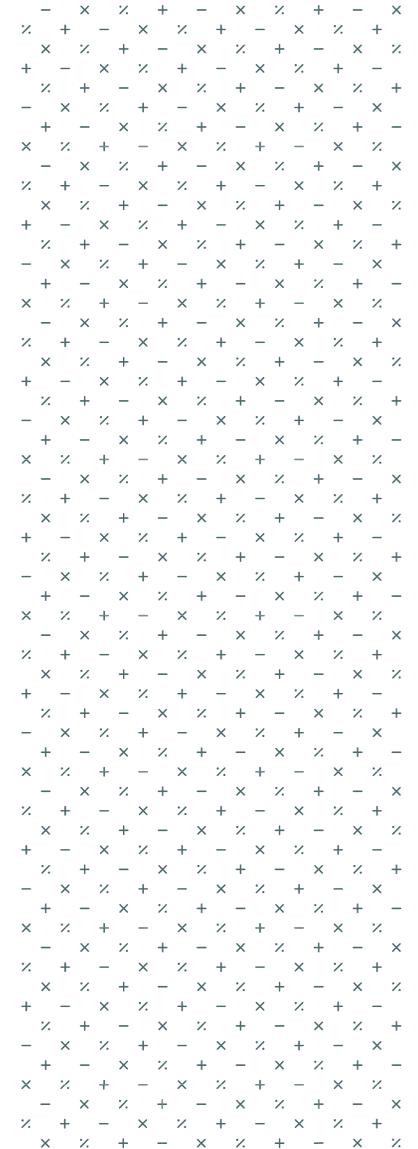


# Port of Seattle

## 2019 Engagement Service Plan

December 9, 2019

---



# Agenda

---

- Moss Adams Service Team
- Services to be Provided & Deliverables
- Responsibilities (Auditor and Management)
- Audit Timeline
- Audit Process
- Areas of Audit Emphasis
- Auditing and Accounting Standards Update



# Your 2019 Audit Service Team Leaders

Team Member	Responsibilities
 <p data-bbox="411 458 711 538">Olga A. Darlington, Assurance Partner</p>	<p data-bbox="737 458 1919 579">Olga will serve as the lead client service partner, overseeing all projects we perform for the Port, and addressing any technical questions/issues with management.</p>
 <p data-bbox="411 659 711 740">Tammy Erickson, Assurance Partner</p>	<p data-bbox="737 659 1902 780">Tammy will serve as the second reviewer of our reports, serving in the QC role, and will consult on technical issues or key elements of the audits, as needed.</p>
 <p data-bbox="457 861 711 942">Tyler Reparuk, Senior Manager</p>	<p data-bbox="737 861 1860 942">Tyler will oversee the engagement team for all services provided to the Port, and will review testing performed by our team during the audits.</p>
 <p data-bbox="396 1063 711 1143">Anna Waldren, Assurance Manager</p>	<p data-bbox="737 1063 1919 1130">Anna will supervise our staff in the field, and manage each of the audits we perform.</p>



# Your 2019 Audit Service Team Leaders

Team Member	Responsibilities
 <p data-bbox="415 475 709 555">Maria Braun, IT Senior Manager</p>	<p data-bbox="737 475 1843 555">Maria will supervise staff and perform audit procedures related to the Port's IT systems, including general computing controls testing.</p>

## The following individuals will also serve on the Port of Seattle engagement team

- **Caroline Mahalitic**, Senior
- **Connor McCauley**, Experienced Staff
- **Michael Corrado**, Experienced Staff
- **Fiona Deng**, Branch Richards & Co., Subcontractor
- **Carmelle Marescot Palomino**, Marescot Palomino & Associates, Subcontractor



# Summary of Our Services and Deliverables

---

- Audit and report on financial statements for both the Enterprise Fund and the Warehousemen's Pension Trust Fund to be included in the Port's Comprehensive Annual Financial Report;
- Audit and report on internal control and compliance over financial reporting in accordance with Government Auditing Standards;
- Audit and report on compliance related to Major Federal Award Program(s), the Schedule of Expenditures of Federal Awards and related internal controls in accordance with the Uniform Grant Guidance;
- Audit and report on the schedule of Passenger Facility Charge (PFC) program receipts and expenditures, and related internal controls;
- Audit and report on the schedule of net revenues available for revenue bond debt service;
- Agreed Upon Procedures and report to State of Washington Department of Ecology relating to Terminal 91 Facility
- Agreed Upon Procedures and report to the Environmental Protection Agency relating to Terminal 117 Facility and East Waterway SRI/FS



# Our Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

1

To express our opinion on whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

2

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and *Government Auditing Standards* issued by the Comptroller General of the United States, and design the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement.

3

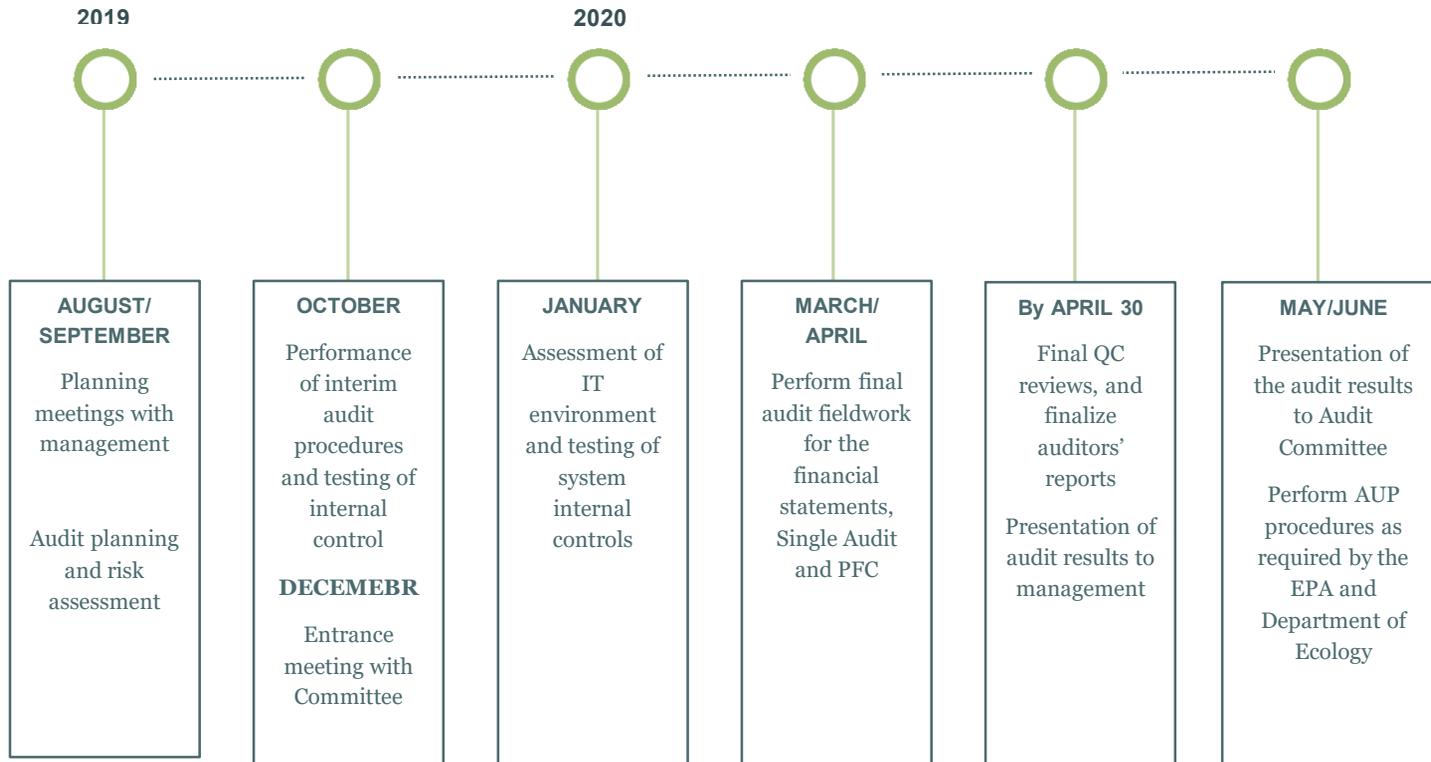
To consider internal control over financial reporting and internal control over compliance as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process and administering federal awards. However, **we** are not required to design procedures for the purpose of identifying other matters to communicate to you.



# Audit Timeline



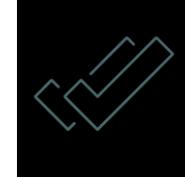
# Audit Process - Planning and Risk Assessment

---

- **Audit risk involves the risk of material misstatement in the financial statements:**
  - Inherent risk, control risk and detection risk;
- **Audit is designed to provide reasonable:**
  - Not absolute – assurance that the financial statements are free of material misstatements;
- **Audit scope and approach is determined based upon results of risk assessment**



# Audit Process – Testing Procedures



## Internal Controls

- IT General & Application Controls
- Revenue Cycle – Leases, Airlines, Grants
- Disbursement Cycle
- Payroll Cycle
- Financial Close & Reporting
- Compliance with Federal Awards & PFC Audit Guide

## Analytical Procedures

- Revenue and expenses
- Accruals
- Trends, comparisons, and expectations

## Substantive Procedures

- Confirm account balances
- Vouch to supporting documentation
- Examine objective evidence
- Tests of details
- Representations from attorneys and management



# What is Materiality?

It's the amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements.

It's calculated using certain **quantitative** (total assets) and **qualitative** factors (covenants, expectations, or industry factors)

It identifies:

- 1 Significant risk areas
- 2 Nature, timing, extent, and scope of test work
- 3 Findings or misstatements



# Areas of Audit Emphasis

---

<b>Internal Control Cycles</b>	<b>Management Estimates</b>	<b>Debt</b>
<b>Accounting for Leases</b>	<b>Revenue Recognition</b>	<b>Capital Assets</b>
<b>Net Position Classification</b>	<b>Pension &amp; OPEB Liabilities</b>	<b>Environmental Remediation Liability</b>
<b>Investments</b>	<b>Northwest Seaport Alliance – Joint Venture</b>	<b>Uniform Grant Guidance (Single Audit)</b>



# Accounting Pronouncements (GASB) – Effective for 2019 Reporting

---

- **GASB 83** – *Certain Asset Retirement Obligations (effective in 2019)*: Addresses accounting and financial reporting for certain asset retirement obligations.
- **GASB 84** – *Fiduciary Activities (effective in 2019)*: Establishes the criteria regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- **GASB 88** – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (effective in 2019)*: Defines debt for purposes of disclosure in notes to financial statements, and improves the information that is disclosed in notes related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.



# Accounting Pronouncements (GASB) – Effective after 2019 Reporting

---

- ***GASB 87 – Leases (effective 2020)***: Addresses the accounting change for the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the underlying contract.
- ***GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period (effective in 2020)***: Establishes accounting requirements for interest cost incurred before the end of a construction period, and requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred.
- ***GASB 91 – Conduit Debt Obligation (effective in 2021)***: Establishes a single method of reporting for conduit debt obligations and commitments extended by issuers, to improve the consistency of accounting and financial reporting requirements associated with conduit debt obligations.



# Communications

---

- What concerns, if any, does the Audit Committee have regarding the audit this year?
  - Are there any areas that the Audit Committee feel present heightened risk this year?
  - What expectations does the Audit Committee have for on-going communications from the audit team prior to the exit conference?
- 



# Questions?

---

## Team Contact Information

**Olga A. Darlington, [olga.darlington@mossadams.com](mailto:olga.darlington@mossadams.com) (425) 551-5712**

**Tammy Erickson, [tammy.erickson@mossadams.com](mailto:tammy.erickson@mossadams.com) (509) 777-0149**

**Tyler Reparuk, [tyler.reparuk@mossadams.com](mailto:tyler.reparuk@mossadams.com) (206) 302-6431**

**Anna Waldren, [anna.Waldren@mossadams.com](mailto:anna.Waldren@mossadams.com) (206) 302-6282**

**Maria Braun, [maria.braun@mossadams.com](mailto:maria.braun@mossadams.com) (206) 302-6295**





The material appearing in this presentation is for informational purposes only and should not be construed as advice of any kind, including, without limitation, legal, accounting, or investment advice. This information is not intended to create, and receipt does not constitute, a legal relationship, including, but not limited to, an accountant-client relationship. Although this information may have been prepared by professionals, it should not be used as a substitute for professional services. If legal, accounting, investment, or other professional advice is required, the services of a professional should be sought. Assurance, tax, and consulting offered through Moss Adams LLP. Investment advisory offered through Moss Adams Wealth Advisors LLC. Investment banking offered through Moss Adams Capital LLC.

THANK  
YOU