

# PORT OF TACOMA AUDIT COMMITTEE POST-AUDIT MEETING APRIL 22, 2021

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# Audit Results

- Financial statements were issued, with an unmodified “clean” opinion dated April 12, 2021
- No material weaknesses or significant deficiencies were identified during the course of our audit work
- We provide reasonable assurance, not absolute that the financial statements are materially stated

# Scope of Work

- To form an opinion on the fairness of presentation of the financial statements of the Port of Tacoma for the year ended December 31, 2020
- To consider internal controls to design audit procedures that are appropriate, but not for the purpose of expressing an opinion on the effectiveness of internal controls
- The audit was performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*

# Audit Approach



# Summary of Work Performed

- All significant balances were audited through a combination of outside confirmations, substantive testing over certain transactions, and analytical procedures
- Additional work performed over significant estimates (environmental liabilities, depreciation, fair value of investments), unusual transactions, journal entries and future commitments
- Verified all appropriate disclosures were reflected in the audited financial statements

# Significant Transactions for 2020

- Significant items discussed with management include the following:
  - Bond Refundings and Direct Borrowings
  - Impact of COVID-19 on Port operations and related estimates
  - Status of implementation status of GASB 87, which will be adopted effective 1/1/2021

# Summary Financial Information

| Assets  | 2020             | 2019             |
|---|------------------|------------------|
| Current assets  | \$205,073        | \$241,813        |
| Long-term investments                                     | 18,227           | 19,784           |
| Net capital and intangible assets                         | 913,337          | 936,166          |
| Investment in Joint Venture                               | 219,710          | 177,197          |
| Other assets  | 15,537           | 15,702           |
| <b>Total assets</b>                                       | <b>1,371,884</b> | <b>1,390,662</b> |
|   |                  |                  |
| <b>Deferred Outflows of Resources</b>                     |                  |                  |
| Accumulated decrease in fair value of hedging derivatives | \$80,594         | \$65,717         |
| OPEB deferred outflow                                     | 228              | 305              |
| Pension deferred outflow                                  | 2,411            | 1,997            |
| Advance refunding deferred amounts                        | 5,799            | 6,135            |
| <b>Total deferred outflows of resources</b>               | <b>\$89,032</b>  | <b>\$74,154</b>  |

# Summary Financial Information

| Liabilities/Net Position                   | 2020             | 2019             |
|--|------------------|------------------|
| Current liabilities                        | \$44,211         | \$69,653         |
| Net long-term debt                         | 587,449          | 609,000          |
| Other long-term liabilities                | 172,200          | 156,763          |
| <b>Total liabilities</b>                   | <b>\$803,860</b> | <b>\$835,416</b> |
|  |                  |                  |
| <b>Deferred Inflows of Resources</b>       |                  |                  |
| OPEB deferred inflow                       | \$195            | \$496            |
| Pension deferred inflow                    | 3,337            | 5,590            |
| <b>Total deferred inflows of resources</b> | <b>\$3,532</b>   | <b>\$6,086</b>   |
|  |                  |                  |
| Net investment in capital assets           | \$316,294        | \$295,543        |
| Restricted – bond reserves                 | 18,227           | 17,536           |
| Unrestricted                               | 319,003          | 310,235          |
| <b>Total net position</b>                  | <b>\$653,524</b> | <b>\$623,314</b> |

# Summary Financial Information

| Income Statement                     | 2020            | 2019            |
|--------------------------------------|-----------------|-----------------|
| Operating revenues                   | \$27,470        | \$27,372        |
| Joint Venture income                 | 38,782          | 47,979          |
| Operating expenses                   | 15,228          | 15,099          |
| Depreciation                         | 26,789          | 26,855          |
| <b>Operating income</b>              | <b>24,235</b>   | <b>33,397</b>   |
|                                      |                 |                 |
| Non-Operating income (expenses), net | \$5,150         | \$5,547         |
| Capital grant contributions          | 825             | 700             |
| <b>Increase in net position</b>      | <b>\$30,210</b> | <b>\$17,667</b> |
|                                      |                 |                 |
| Special item                         | -               | 21,977          |

# Summary Financial Information

| Cash Flows                                     | 2020           | 2019           |
|--|----------------|----------------|
| Net cash provided by (used in) operating       | \$15,298       | \$(4,401)      |
| Net cash provided by noncapital financing      | 147            | 485            |
| Net cash used in capital and related financing | (48,296)       | (26,988)       |
| Net cash provided by investing activities      | 32,756         | 30,020         |
| <b>Net decrease in cash</b>                    | <b>(95)</b>    | <b>(884)</b>   |
|  |                |                |
| Beginning cash balance                         | 1,207          | 2,091          |
|  |                |                |
| <b>Ending cash balance</b>                     | <b>\$1,112</b> | <b>\$1,207</b> |

# Required Communications

| ITEMS TO BE COMMUNICATED   | AUDITOR'S RESPONSE   |
|--|--|
| The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards and <i>Government Auditing Standards</i> | <ul style="list-style-type: none"><li>• Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with the Commission's oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financials statements does not relieve the Commission or management of their responsibilities.</li></ul> |
| Representations the Auditor is Requesting from Management  | <ul style="list-style-type: none"><li>• We requested that management provide certain representations relevant to balances and disclosures presented in the financial statements in the management representation.</li></ul>  |
| Significant Difficulties, if any, Encountered in Performing the Audit  | <ul style="list-style-type: none"><li>• There were none.</li></ul>   |

\*Professional standards established by the American Institute of Certified Public Accountants require independent auditors to communicate certain matters directly to those charged with governance. This report presents a brief explanation of each of the communication requirements and our response as it relates to your organization.

# Required Communication

| ITEMS TO BE COMMUNICATED                                    | AUDITOR'S RESPONSE  |
|---|---|
| Disagreements with Management, if any                       | <ul style="list-style-type: none"><li>• There were no such disagreements.</li></ul>   |
| Major Issues Discussed with Management Prior to Retention   | <ul style="list-style-type: none"><li>• There were none.</li></ul>  |
| Qualitative Aspects of Accounting Practices                 | <ul style="list-style-type: none"><li>• The Port's accounting practices are consistent with accounting practices of other similar entities and are considered reasonable.</li></ul> |
| Internal Control Related Matters Identified in an Audit     | <ul style="list-style-type: none"><li>• There were no internal control deficiency related matters that are required to be reported in writing.</li></ul>                            |
| Significant Audit Adjustments and Uncorrected Misstatements | <ul style="list-style-type: none"><li>• There were no audit adjustments or uncorrected misstatements.</li></ul>   |

# New GASB Pronouncements

- Significant pending pronouncements
  - 87: Leases - Single model for accounting for leases based on the principle that leases are financings of the right of use of an underlying asset
    - Lessor: Recognize a lease receivable and a deferred inflow of resources
    - Lessee: Recognize a lease liability and an intangible right-to-use lease asset
  - 97: Certain Component Unit Criteria and Accounting and Financial Reporting for IRS Section 457 Deferred Compensation Plans
    - Amendment to criteria for reporting fiduciary component units and IRS Section 457 Plans

## Next Steps

- Issue the 2020 annual report
- Issue Comprehensive Annual Financial Report



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