

Item: 3A
Date: 4/22/22

PORT OF TACOMA AUDIT COMMITTEE POST-AUDIT MEETING APRIL 22, 2022

Presented by Kevin Smith, CPA and Kayla Lipston, CPA

Audit Results

- Financial statements were issued, with an unmodified “clean” opinion dated April 1, 2022
- 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, 2021
- 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 2021

- Significant items discussed with management include the following:
 - GASB 87 Implementation

Summary Financial Information

Assets	2021	2020
Current assets	\$153,747	\$153,823
Long-term investments	94,058	79,925
Net capital and intangible assets	895,728	914,526
Investment in Joint Venture	258,304	219,655
Lease receivable, net of current portion	203,125	210,321
Other assets	19,004	1,914
Total assets	1,623,966	1,580,164
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	\$65,665	\$80,594
OPEB deferred outflow	179	228
Pension deferred outflow	2,140	2,411
Advance refunding deferred amounts	5,452	5,799
Total deferred outflows of resources	\$73,436	\$89,032

Summary Financial Information

Liabilities/Net Position	2021	2020
Current liabilities	\$44,889	\$44,449
Net long-term debt	565,407	587,449
Other long-term liabilities	157,177	173,151
Total liabilities	\$767,473	\$805,049
Deferred Inflows of Resources		
Leases deferred inflow	\$210,312	\$213,623
OPEB deferred inflow	102	195
Pension deferred inflow	19,966	3,337
Total deferred inflows of resources	\$230,380	\$217,155
Net investment in capital assets	\$315,679	\$317,218
Restricted – bond reserves	18,317	18,227
Restricted – OPEB	2,362	1,947
Unrestricted	363,181	309,600
Total net position	\$699,539	\$646,992

Summary Financial Information

Income Statement	2021	2020
Operating revenues	\$23,175	\$18,179
Joint Venture income	55,998	38,782
Operating expenses	10,526	14,936
Depreciation & amortization	25,549	27,027
Operating income	43,098	14,998
Non-Operating income (expenses), net	\$9,134	\$13,693
Capital grant contributions	315	825
Increase in net position	\$52,547	\$29,516
Net position, beginning of year	\$646,992	\$623,314
Adjustment related to adoption of GASB 87	-	(5,838)
Ending net position	\$699,539	\$646,992

Summary Financial Information

Cash Flows	2021	2020
Net cash provided by operating	\$8,788	\$6,701
Net cash provided by noncapital financing	177	147
Net cash used in capital and related financing	(17,722)	(39,699)
Net cash provided by investing activities	9,233	32,756
Net increase (decrease) in cash	476	(95)
Beginning cash balance	1,112	1,207
Ending cash balance	\$1,588	\$1,112

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">• 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.
Representations the Auditor is Requesting from Management	<ul style="list-style-type: none">• We requested that management provide certain representations relevant to balances and disclosures presented in the financial statements in the management representation.
Significant Difficulties, if any, Encountered in Performing the Audit	<ul style="list-style-type: none">• There were none.

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

New GASB Pronouncements

- 96: Subscription - Based Information Technology Arrangements – Effective 2023
 - Addresses the accounting and financial report for subscription-based information technology arrangements.

Next Steps

- Issue the 2021 annual report
- Issue Annual Comprehensive Financial Report

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