

PORT OF TACOMA AUDIT COMMITTEE POST-AUDIT MEETING MARCH 28, 2017

Presented by Lisa T. Wilson, CPA and Bentley Simpson, CPA



Audit Results

- Financial statements were issued, with an unmodified “clean” opinion dated **March 24, 2017**
- No material weaknesses were identified during the course of our audit work
- We identified one significant deficiency related to controls over the accumulation of contract commitments. The Port is currently using a purchase order system to track contract commitments which requires manual manipulation as the system is not designed for this purpose. The original schedule provided incorrectly under-reported outstanding commitments by approximately \$7.3 million
- 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, 2016
- 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

Audit Approach



Summary of Work Performed

- All significant balances were audited through:
 - a mix of outside confirmations, substantive testing over certain transactions, and analytical procedures
- Additional work performed over significant estimates:
 - such as environmental liabilities, unusual transactions, journal entries, and future commitments
- Verified all appropriate disclosures were reflected in the audited financial statements particularly the new joint venture disclosures regarding the Northwest Seaport Alliance investment

Significant Transactions for 2016

- Significant transactions discussed with management include the following:
 - Joint venture accounting, presentation and disclosure including nature of related party activity
 - Adoption of new accounting standards
 - GASB 73, 79 and 82
 - Bonds
 - Refunded the 2006 and 2008A General Obligation Bonds and issued new bonds totaling \$136M
 - Refunded 2006 Revenue bonds and issued new bonds totaling \$140M
 - Terminated one swap contract

Summary Financial Information

Assets	2016	2015
Current Assets	\$ 204,255	\$ 238,301
Long-Term Investments	90,826	9,429
Net Capital Assets	936,265	956,323
Investment in Joint Venture	66,077	-
Assets Held for Sale	7,840	11,200
Other Assets	35,389	34,386
Total assets	\$1,340,652	\$1,249,944
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	\$63,621	\$80,212
Pension deferred outflow	3,842	2,143
Advance refunding deferred amounts	8,188	5,409
Total deferred outflows of resources	\$75,651	\$87,764

Summary Financial Information

Liabilities/Net Position	2016	2015
Current Liabilities	\$67,024	\$114,938
Net Long-Term Debt	675,481	563,710
Forward Starting Payment Agreement	63,621	80,212
Net Pension Liability	22,270	18,368
Other Long-Term Liabilities	50,052	54,235
Total liabilities	\$878,448	\$831,463
Deferred Inflows of Resources		
Pension deferred inflow	\$551	\$3,040
Net Investment in Capital Assets	\$306,879	\$302,092
Restricted – Bond Reserves	13,077	9,429
Unrestricted	217,348	191,684
Total net position	\$537,304	\$503,205

Summary Financial Information

Income Statement	2016	2015
Operating Revenues	\$23,545	\$143,897
Joint Venture Income	61,584	-
Operating Expenses	12,656	73,091
Depreciation	30,300	31,520
Operating income	42,173	39,286
Non-Operating Expenses, Net	(13,931)	(20,769)
Capital Contributions	5,857	1,320
Increase in net position	\$ 34,099	\$ 19,837

Summary Financial Information

Cash Flows	2016	2015
Net Cash Provided by (used in) Operating	\$ (1,606)	\$ 63,125
Net Cash Provided by (Used in) Capital and Related Financing	22,457	(55,162)
Net Cash Used in by Investing	(20,484)	(15,352)
Net increase in cash	367	2,353
Beginning Cash Balance	3,193	840
Ending cash balance	\$ 3,560	\$ 3,193

Required Communications

ITEMS TO BE COMMUNICATED	AUDITOR'S RESPONSE
The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards	<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 Communications

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">• We identified one significant deficiency related to contract commitments.
Significant Audit Adjustments and Uncorrected Misstatements	<ul style="list-style-type: none">• There were no audit adjustments or uncorrected misstatements.

- New Accounting pronouncements
 - GASB 74, to improve the usefulness of information about postemployment benefits other than pensions; effective in 2017
 - GASB 75, Accounting and Financial reporting for Post-employment benefits other than pensions
 - GASB 83, Certain Asset Retirement Obligations
 - GASB 84, Fiduciary Activities
- Future Timing
 - The State Auditors have reviewed our audit workpapers as part of their annual audit
 - Issue Comprehensive Annual Financial Report