

PORT OF TACOMA AUDIT COMMITTEE POST-AUDIT MEETING APRIL 26, 2019

Presented by Lisa T. Wilson, CPA and Kayla Lipston

Audit Results

- Financial statements were issued, with an unmodified “clean” opinion dated April 5, 2019
- 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
- The Port adopted GASB 75, Post Employment Benefit other than pension which resulted in a restatement of beginning net assets

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, 2018
- 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 and GASB 68 and 75), unusual transactions, journal entries, and future commitments
- Verified all appropriate disclosures were reflected in the audited financial statements

Significant Transactions for 2018

- Significant transactions discussed with management include the following:
 - Adoption of GASB 75 OPEB and related restatement
 - Portac settlement of \$8.6M, for future clean up costs
 - Brown & Hailey settlement of \$1.9M, for future clean up costs
 - Maytown legal settlement of \$8.6M
 - APMT settlement of \$7.2M, to offset future capital costs

Summary Financial Information

Assets	2018	2017
Current Assets	\$232,735	\$ 196,208
Long-Term Investments	30,638	60,230
Net Capital Assets	952,435	955,557
Investment in Joint Venture	142,508	104,273
Assets Held for Sale	7,840	7,840
Other Assets	7,022	4,546
Total assets	\$1,373,178	\$1,328,654
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	\$51,744	\$62,101
OPEB deferred outflow	441	
Pension deferred outflow	1,955	2,197
Advance refunding deferred amounts	6,770	7,513
Total deferred outflows of resources	\$60,910	\$71,811

Summary Financial Information

Liabilities/Net Position	2018	2017
Current Liabilities	\$68,537	\$58,572
Net Long-Term Debt	626,610	643,866
Forward Starting Payment Agreement	51,744	62,101
Net Pension Liability	10,652	16,281
Other Long-Term Liabilities	64,930	52,035
Total liabilities	\$822,473	\$832,855
Deferred Inflows of Resources		
OPEB deferred inflow	\$655	\$0
Pension deferred inflow	5,313	3,225
Total deferred inflows of resources	\$5,968	\$3,225
Net Investment in Capital Assets	\$310,430	\$327,336
Restricted – Bond Reserves	13,251	13,496
Unrestricted	281,966	223,554
Total net position	\$605,647	\$565,806

Summary Financial Information

Income Statement	2018	2017
Operating Revenues	\$23,607	\$21,687
Joint Venture Income	55,992	54,925
Operating Expenses	17,676	16,393
Depreciation	26,922	28,506
Operating income	35,001	31,713
Non-Operating Income (Expenses), Net	1,216	(5,725)
Capital Grant Contributions	3,624	1,093
Increase in net position	\$39,841	\$ 27,081

Summary Financial Information

Cash Flows	2018	2017
Net cash provided by (used in) operating	\$40,393	\$ 10,114
Net cash provided by non-capital financing	607	- -
Net cash provided by (used in) capital and related financing	(45,109)	(55,377)
Net cash provided by (used in) investing	2,696	45,207
Net decrease in cash	(1,413)	(56)
Beginning Cash Balance	3,504	3,560
Ending cash balance	\$2,091	\$ 3,504

Required Communications

ITEMS TO BE COMMUNICATED	AUDITOR'S RESPONSE
The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards and Government 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">• 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

- Effective in 2019
 - 84: Fiduciary activities – Identification of fiduciary activities for accounting and reporting purposes
 - 90: Majority Equity Interests- To improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization.
- Effective in 2020
 - 87: Leases - Single model for accounting for leases based on the principle that leases are financings of the right of use 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
 - 89: Interest Cost- Accounting requirements for interest cost incurred before the end of a construction period.

Next Steps

- Issue the 2018 annual report
- Issue Comprehensive Annual Financial Report