

PORT OF TACOMA AUDIT COMMITTEE POST-AUDIT MEETING MAY 6, 2020

Presented by Lisa T. Wilson, CPA and Kayla Lipston

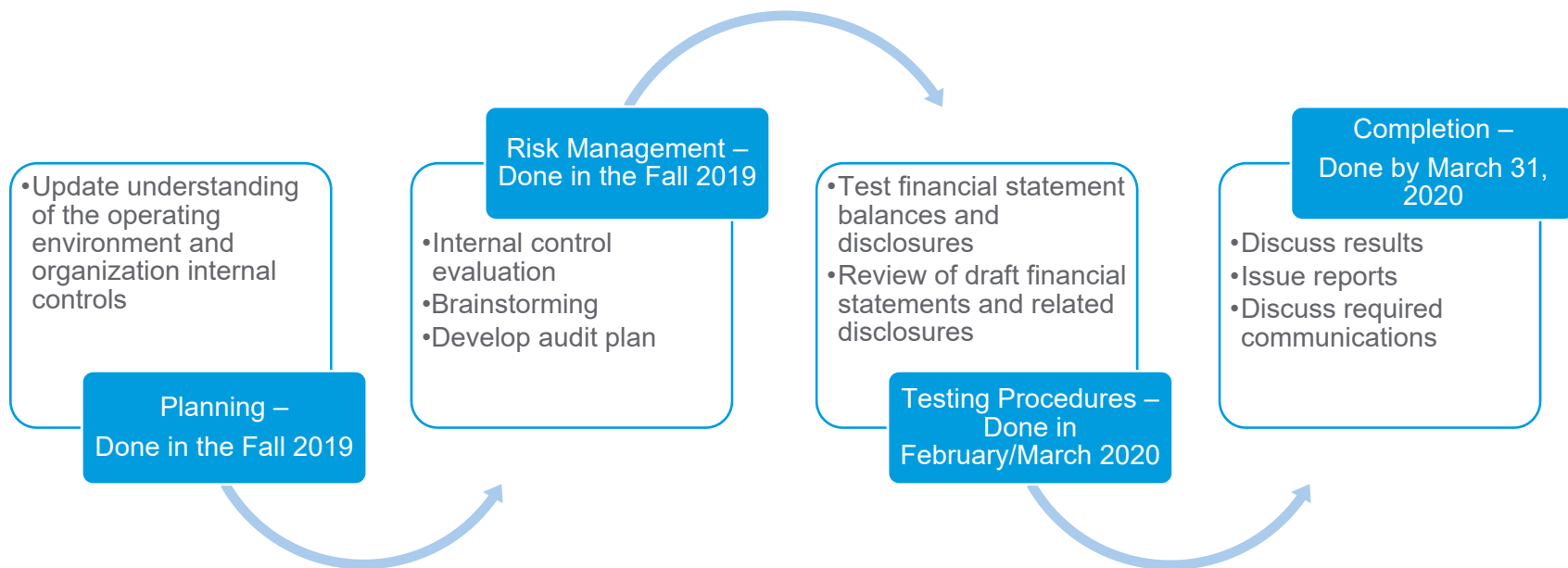
Audit Results

- Financial statements were issued, with an unmodified “clean” opinion dated March 31, 2020
- 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 84 which relates to Fiduciary Activities and GASB 88 which relates to Disclosures of Debt

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, 2019
- 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, GASB 84 and GASB 88), unusual transactions, journal entries and future commitments
- Verified all appropriate disclosures were reflected in the audited financial statements

Significant Transactions for 2019

- Significant transactions discussed with management include the following:
 - Adoption of GASB 83, Certain Asset Retirement Obligations
 - Adoption of GASB 84, Fiduciary Activities
 - Adoption of GASB 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
 - Special item related to SR 167
 - Bond Refundings and Direct Borrowings

Subsequent events:

- Effects of COVID-19 on Port operations

Summary Financial Information

Assets	2019	2018
Current assets	\$241,813	\$232,735
Long-term investments	19,784	30,638
Net capital and intangible assets	936,166	952,435
Investment in Joint Venture	177,197	142,508
Assets held for sale	7,840	7,840
Other assets	7,862	7,022
Total assets	\$1,390,662	\$1,373,178
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	\$65,717	\$51,744
OPEB deferred outflow	305	441
Pension deferred outflow	1,997	1,955
Advance refunding deferred amounts	6,135	6,770
Total deferred outflows of resources	\$74,154	\$60,910

Summary Financial Information

Liabilities/Net Position	2019	2018
Current liabilities	\$69,653	\$68,537
Net long-term debt	609,000	626,610
Forward starting payment agreement	65,717	51,744
Net pension liability	8,176	10,652
Environmental liabilities	28,312	28,803
Other long-term liabilities	54,558	36,127
Total liabilities	\$835,416	\$822,473
Deferred Inflows of Resources		
OPEB deferred inflow	\$496	\$655
Pension deferred inflow	5,590	5,313
Total deferred inflows of resources	\$6,086	\$5,968
Net investment in capital assets	\$295,714	\$310,430
Restricted – bond reserves	17,536	13,251
Unrestricted	310,064	281,966
Total net position	\$623,314	\$605,647

Summary Financial Information

Income Statement	2019	2018
Operating revenues	\$27,372	\$23,607
Joint Venture income	47,979	55,992
Operating expenses	15,099	17,676
Depreciation	26,855	26,922
Operating income	33,397	35,001
Non-Operating income (expenses), net	5,547	1,216
Capital grant contributions	700	3,624
Increase in net position	\$17,667	\$39,841
Special item	21,977	-

Summary Financial Information

Cash Flows	2019	2018
Net cash (used in) provided by operating	\$(4,401)	\$40,393
Net cash provided by noncapital financing	485	607
Net cash used in capital and related financing	(26,988)	(45,109)
Net cash provided by investing activities	30,020	2,696
Net decrease in cash	(884)	(1,413)
Beginning cash balance	2,091	3,504
Ending cash balance	\$1,207	\$2,091

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

- Effective in 2020
 - 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
 - 89: Interest Cost - Accounting requirements for interest cost incurred before the end of a construction period

Next Steps

- Issue the 2019 annual report
- Issue Comprehensive Annual Financial Report



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