



The Northwest Seaport Alliance

2025 Audit Results

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1

SEATTLE (NORTH) HARBOR

TACOMA (SOUTH) HARBOR

Agenda

1. Scope of Services
2. Areas of Audit Emphasis
3. Matters Required to be Communicated with Those Charged with Governance
4. Recent Accounting Developments
5. Your Service Team

2

Reports Issued

We have issued the following reports for the Northwest Seaport Alliance:

Annual Audit

- Report of independent auditors on the financial statements for the year ended December 31, 2025
 - Unmodified opinion

Single Audit

- Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 - No internal control or compliance findings
- Report of Independent Auditors on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
 - No internal control or compliance findings
 - One major program tested: Port Infrastructure Development Program (20.823) - \$12,771,816

3

Areas of Audit Emphasis

Significant Risks	Procedures
Revenue	Analyzed significant lease transactions, tested container, non-container, and real estate revenue based on current and prior year information of revenue benchmarks such as square footage, auto activity, lifts, and crane hours. Confirmed balances directly with customers, when appropriate.
Capital Assets and Construction in Process	Reviewed capitalization policies, tested significant additions, retirements, overhead application, and depreciation; reviewed for the timely closing of capital projects and operation of project management controls.
Lease Receivables	Assessed management's scoping of applicability of GASB 87 for new and amended leasing agreements. Recalculated lease receivable balances for significant new and amended lease agreements. Tested significant lease termination during the year including financial statement classification.

4

4

Areas of Audit Emphasis

Significant Risks	Procedures
Related Party Receivables	Obtained the schedule of home port contributions and distributions and traced to bank statements as well as the corresponding payables recorded on the Port of Tacoma and Port of Seattle's financial statements. Reviewed the financial statement disclosures to ensure that related party activities between the home ports was clearly disclosed.
Management Override of Controls and Management Estimates	Analyzed management's assumptions in establishing allowance for uncollectible receivables, depreciable lives of capital assets, legal contingencies and insurance recoveries, compensated absences, and actuarial valuations for pension. Reviewed a selection of journal entries for appropriate business purpose and reviewed all post-close adjusting entries and financial statement presentation only entries recorded for appropriate business purpose.

5 

5

Matters Required to be Communicated with Those Charged with Governance

Our responsibility with regard to the financial statement audit under U.S. auditing standards:

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and Government Auditing Standards. As part of an audit conducted in accordance with U.S. GAAS and Government Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

6 

6

Matters Required to be Communicated with Those Charged with Governance

Our responsibility with regard to the financial statement audit under U.S. auditing standards:

Our audit of the financial statements included obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control or to identify deficiencies in the design or operation of internal control. Accordingly, we considered the entity's internal control solely for the purpose of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

7



7

Matters Required to be Communicated with Those Charged with Governance

Significant Accounting Practices:

Our views about qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures

NWSA adopted GASB Statement 102, *Certain Risk Disclosures*, for the year ended December 31, 2025, without significant impact.

The quality of the entity's accounting policies and underlying estimates are discussed throughout this presentation. There were no other changes in the entity's approach to applying the critical accounting policies.

Significant Unusual Transactions:

NWSA received a \$77 million settlement agreement on the early termination of a lease at Terminal 30, recorded as other non-operating income.

No other significant unusual transactions identified.

8



8

Matters Required to be Communicated with Those Charged with Governance

Significant Difficulties Encountered During the Audit:

We are to inform those charged with governance of any significant difficulties encountered in performing the audit. Examples of difficulties may include significant delays by management, an unreasonably brief time to complete the audit, unreasonable management restrictions encountered by the auditor or an unexpected extensive effort required to obtain sufficient appropriate audit evidence.

Significant issues arising from the audit that were discussed, or the subject of correspondence with management:

No significant difficulties or issues were encountered during our audit of the entity's financial statements.

9

9

Matters Required to be Communicated with Those Charged with Governance

Disagreements With Management:

Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the entity's financial statements, or the auditor's report.

There were no disagreements with management.

10

10

Matters Required to be Communicated with Those Charged with Governance

Circumstances that affect the form and content of the auditor's report:

There were no circumstances that affected the form and content of the auditor's report.

Other findings or issues arising from the audit that are, in the auditor's professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process:

There were no other findings or issues arising from the audit to report.

11



11

Matters Required to be Communicated with Those Charged with Governance

Uncorrected Misstatements:

No uncorrected misstatements were identified as a result of our audit.

Material, Corrected Misstatements:

Material, corrected misstatements that were brought to the attention of management as a result of audit procedures.

No material misstatements were identified as a result of our audit.

12



12

Accounting Developments 2026 and beyond

- **GASB Statement No. 103: Financial Reporting Model Improvements-** (effective 2026): This statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.
- **GASB Statement No. 104: Disclosure of Certain Capital Assets-** (effective 2026): This statement provides detailed information about capital assets in notes to financial statements.
- **GASB Statement No. 105: Subsequent Events-** (effective 2027): This statement is to improve financial reporting related to subsequent events by (1) clarifying the time frame and events that constitute recognized and nonrecognized events and (2) specifying the items that are required to be disclosed about those events.

13 

13

Your Service Team



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14 

14



15