



Port of Tacoma

2025 Audit Results

Discussion with Management and
the Audit Committee



Agenda

1. Scope of Services
2. Auditor Reports Issued
3. Areas of Audit Emphasis
4. Matters Required to be Communicated with Those Charged with Governance
5. Upcoming New Accounting Standards
6. Your Service Team



Scope of Services

We have performed the following services for Port of Tacoma:

Annual Audit

- Annual financial statement audit for the Enterprise Fund and Post-Employment Health Care Benefits Trust Fund for the year ended December 31, 2025
- Annual report on internal controls in accordance with *Government Auditing Standards*
- Single Audit over federal award expenditures

Limited Procedures on RSI

- Management's discussion and analysis
- Schedule of Proportionate Share of the Net Pension Asset/Liability
- Post-Employment Health Care Benefits Trust Fund – Schedule of changes in Port of Tacoma's net OPEB assets and related ratios
- Post-Employment Health Care Benefits Trust Fund – Schedule of Port Of Tacoma's contributions



Auditor Reports Issued



Unmodified opinion on financial statements of the Port's Enterprise Fund and Post Employment Health Care Benefits Trust Fund, which are presented fairly and in accordance with US GAAP



Auditors' reports on Internal Control Over Financial Reporting and on Compliance and Other Matters

- No compliance findings noted



Report on Compliance with Requirements that could have a Direct and Material Effect on the Major Federal Program and on Internal Control Over Compliance in accordance with the Uniform Guidance for Federal Awards (2 CFR Part 200)

- No control findings
- No findings of noncompliance noted



Report on Agreed Upon Procedures for Washington Department of Ecology and Environmental Protection Agency

Areas of Audit Emphasis

- **Internal control environment**
 - Capital assets/project management, cash receipts/receivables, cash disbursements/payables, payroll, bond and investment transactions, and general computer controls over IT systems
- **Management estimates**
 - Allowance for doubtful accounts, environmental remediation liability, compensated absences, pension and other post employment benefits
- **Capital assets**
 - Evaluation of capitalization policies and potential impairment, testing of construction in progress additions, asset retirements and depreciation; consideration of timely closing of capital projects to depreciable capital assets
- **Northwest Seaport Alliance (NWS) investment and revenue**
 - Confirmed the Port of Tacoma's share of investment and operating revenue through agreement to NWSA audited financial statements, testing of contributions payments and distribution receipts
- **Net position classification**
 - Invested in Capital Assets;
 - Restricted;
 - Unrestricted;



Areas of Audit Emphasis (continued)

- **Revenue recognition**
 - Operating revenue analysis using business indicators such as number of lifts, number of autos processed, and square footage leased
 - Ad valorem tax levy, investment income, and capital grant contributions
 - Consideration of the collectability of related receivables
- **Fiduciary Activities**
 - Testing of investment balances and plan distributions for the Post-Employment Health Care Benefits Trust Fund
- **Single Audit (Federal Grant Awards)**
 - Total Federal Awards for FY 25 were \$1.5 million; one major program tested
 - U.S. Dept. of Transportation – Federal Railroad Administration – Consolidated Rail Infrastructure and Safety Improvements Program - \$1,259,442



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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*). 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, we exercise professional judgment and maintain professional skepticism throughout the audit.

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 Port's internal control or to identify deficiencies in the design or operation of internal control. Accordingly, we considered the Port'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.

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

The Port adopted Governmental Accounting Standards Board (GASB) Statement 102, *Certain Risk Disclosures*, for the year ended December 31, 2025.

There were no other changes to significant accounting policies in the current year.

Significant Unusual Transactions:

No significant unusual transactions were identified during our audit of the Port's financial statements.



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.

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

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.

Matters Required to be Communicated with Those Charged with Governance

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.

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.

Matters Required to be Communicated with Those Charged with Governance

Uncorrected Misstatements:

No uncorrected misstatements identified.

Material, Corrected Misstatements:

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

Adjusting journal entry to reduce environmental remediation liability for costs recorded as land asset in the amount of \$2,439,491.

Upcoming New Accounting Standards

- ❖ GASB 103, *Financial Reporting Model Improvements* – effective for fiscal year 2026
- ❖ GASB 104, *Disclosure of Certain Capital Assets* – effective for fiscal year 2026
- ❖ GASB 105, *Subsequent Events* – effective for fiscal year 2027

Your Service Team



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**THANK
YOU**

The background features a series of overlapping circles in various shades of gray, creating a layered, tunnel-like effect that recedes into the distance. The circles are centered on the right side of the frame, with the largest and lightest circle at the far right, and smaller, darker circles overlapping it towards the left.