

Planning presentation to Audit Committee

Prepared for the Port of Tacoma / 12.31.2026

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Scope of Services and Audit Deliverables

Relationships between Baker Tilly US, LLP and Port of Tacoma:

Annual Audit

- Annual enterprise fund financial statement audit for the year ending December 31, 2026
- Annual post-employment health care benefits trust fund financial statement audit for the year ending December 31, 2026
- Annual report on internal controls in accordance with *Government Auditing Standards*
- Single audit over federal award expenditures
- Agreed-upon procedures (EPA and WA DOE)

Limited Procedures on RSI

- Management's discussion and analysis
- Schedule of net pension asset/liability
- Schedule of net OPEB asset and related ratios
- Schedule of pension contributions



Required Communication

Audit planning considerations

- Approach to assessing risks of material misstatement
- Approach to internal control
 - We do not express an opinion on effectiveness of internal control
- Materiality
- We communicate with management unless otherwise directed

Responsibilities of management and auditor

- Management and governing board responsibilities
 - Responsibility for appropriateness and quality of accounting policies and practices
 - Responsibility for identifying government programs and ensuring compliance with federal regulations
- Auditor responsibilities
 - Form and express opinion on financial statements
 - Reporting on other information included in the financial statements

Significant risks and areas of audit emphasis

Risks	Procedures
Revenues	Analyze significant lease transactions, test real estate revenue based on current and prior year revenue benchmarks such as square footage; marine revenue based on container counts; and joint venture income.
Environmental Liability	Obtain management's evaluation of environmental liabilities, hold meetings with responsible parties, evaluate estimates.
Interest Rate Swap Agreement	Confirm bond and SWAP agreements, obtain and evaluate POT's interest rate SWAP analysis.



Significant risks and areas of audit emphasis (continued)

Risks	
Internal Controls	Evaluate and test internal controls over financial reporting and major business cycles.
Management Estimates	Analyze management's assumptions in establishing allowance for uncollectible receivables, depreciable lives of capital assets, environmental and legal reserves, as well as actuarial assumption in establishing pension and OPEB liabilities.
Single Audit	Test expenditures of federal grants for compliance with grant agreements.
Post-Employment Health Care Benefit Trust Fund	Ensure participant eligibility, existence of investments and validity of benefit payments to participants.



Audit plan

Planning and interim fieldwork	Final fieldwork	Audit completion
• Identify, assess and respond to risk of material misstatement • Establish materiality level • Update internal controls evaluation and testing • Review board minutes • Perform other procedures as considered appropriate • Conduct IT assessment	• Procedures will be based on analysis of controls and risks identified at interim work • Substantive tests of balances recorded in the financial statements • Evaluate financial statements and footnotes provided by management in accordance with GAAP	• Finalize auditor reports • Draft other deliverables • Obtain attorney's response letters, if applicable • Review management's evaluation of subsequent events • Obtain management representation letter • Meet with management and TCWG

What's Materiality?

- It's the amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements.



It's calculated using certain **quantitative** (total assets, total revenues, and total net position) and **qualitative** factors (covenants, expectations, or industry factors).

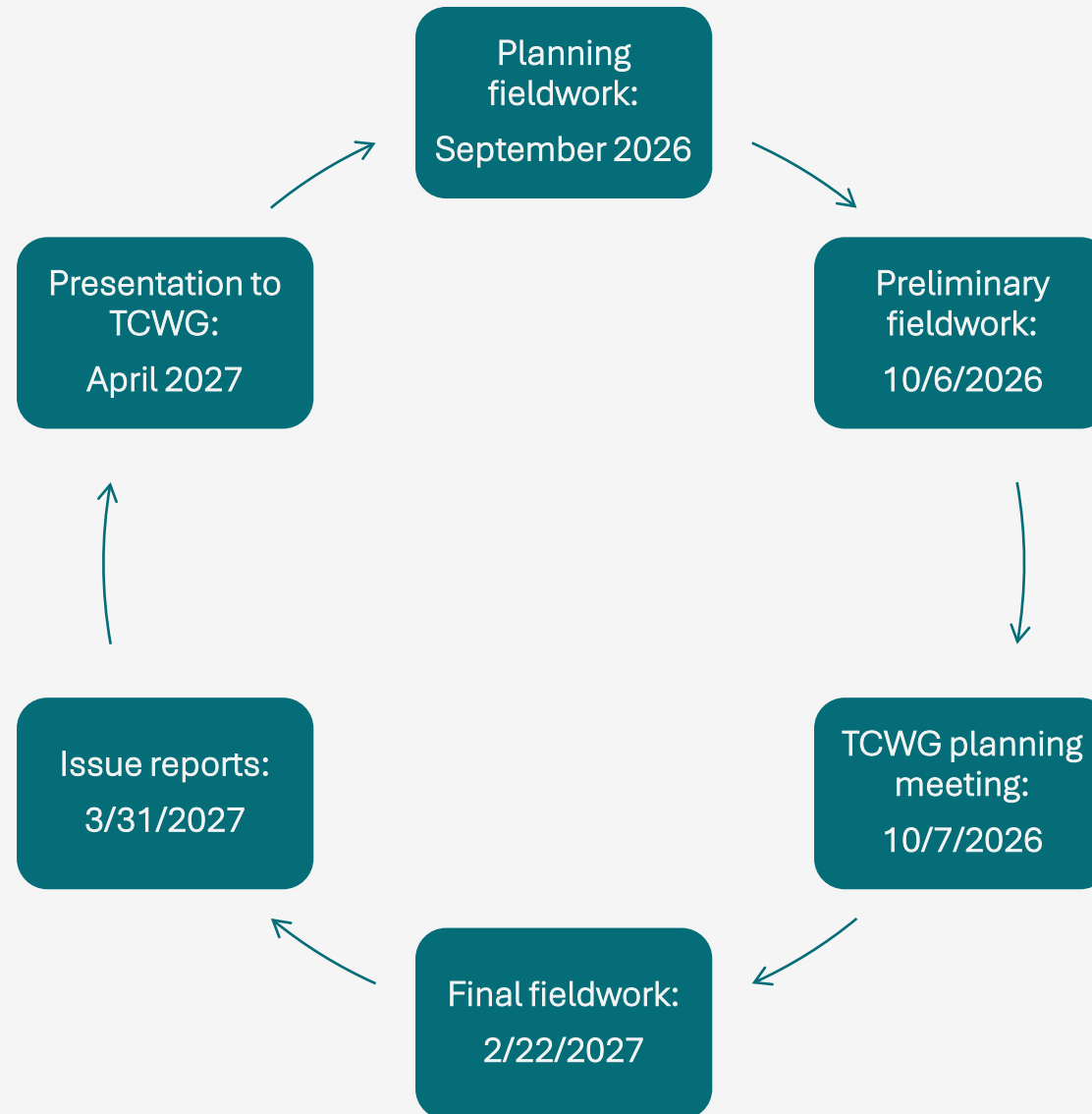
- It identifies:

**SIGNIFICANT
RISK AREAS**

**NATURE,
TIMING, EXTENT,
AND SCOPE OF
TEST WORK**

**FINDINGS OR
MISSTATEMENTS**

Audit timeline



Recent Accounting Developments

Standards to Adopt in 2026

GASB 103, Financial Reporting Model Improvements

- The objective of 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 104, Disclosure of Certain Capital Assets

- The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosure required by Statement 34. This statement also requires additional disclosures for capital assets held for sale.

Standard to Adopt in 2027

GASB 105, *Subsequent Events*

- The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

Thank you.



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