

The Northwest Seaport Alliance

Financial Report
December 31, 2024

The Northwest Seaport Alliance Financial Report

**For The Year Ended
December 31, 2024**

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Report of Independent Auditors

Managing Members
The Northwest Seaport Alliance
Tacoma, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Northwest Seaport Alliance (the “NWSA”), which comprise the statements of net position as of December 31, 2024 and 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of The Northwest Seaport Alliance, as of December 31, 2024 and 2023, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NWSA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NWSA’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain 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 NWSA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NWSA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of NWSA's share of net pension asset/liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2025, on our consideration of NWSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NWSA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NWSA's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Tacoma, Washington
April 18, 2025

The Northwest Seaport Alliance

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2024 and 2023

INTRODUCTION

The Northwest Seaport Alliance (NWSA) Management Discussion and Analysis (MD&A) of financial activities and performance introduces the 2024 and 2023 financial statements with comparison to 2022 of the NWSA, a Port Development Authority. NWSA management prepared this MD&A and readers should consider it in conjunction with the financial statements and the notes thereto.

The notes are essential to a full understanding of the data contained in the financial statements. This report also presents information about the formation of the NWSA and certain required supplementary financial information.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The financial statements include: the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows.

The statements of net position present information on the NWSA's assets and deferred outflows and liabilities and deferred inflows, with the difference between the assets and deferred outflows, and liabilities and deferred inflows reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the NWSA is improving or deteriorating. The statements of revenues, expenses and changes in net position show how the NWSA's net position changed during the year. These changes are reported in the period in which the underlying event occurs, regardless of the timing of related cash flows.

Structure of The Northwest Seaport Alliance

The NWSA is a special purpose governmental entity established as a Port Development Authority (PDA), similar to Public Development Authorities formed by cities and counties. The PDA is governed by the Ports of Seattle and Tacoma ("home ports") as equal members (each a "Managing Member" and collectively, "Managing Members") with each home port acting through its elected commissioners. As approved, the charter for the NWSA ("Charter") may be amended only by mutual agreement of the Managing Members. Each home port will remain a separate legal entity, independently governed by its own elected commissioners. Each home port has granted to the NWSA a license for the NWSA's exclusive use, operation, and management of certain facilities, but ownership of the licensed facilities remains with the home ports, not with the NWSA.

Membership Interests

The home ports made an initial contribution of certain cargo terminals and related marine cargo business activities to the NWSA through license agreements ("Licensed Properties"). Under these agreements, the NWSA is charged with managing the properties as an agent on behalf of the Managing Members.

The initial contribution of each home port to the NWSA was 50% (based on the value of the contributed facilities using cash flow forecasts for each parcel that went to the NWSA) with a revaluation review that was settled in 2019 by the Managing Members.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

The revaluation review determined that a material change in cash flows from Licensed Properties had occurred since the initial valuation and the Port of Seattle agreed to contribute up to an additional \$32 million to the NWSA. This additional contribution was in recognition that certain forecasted revenue streams not secured by long-term contractual agreements in the initial valuation may not be achieved due to the redevelopment of Terminal 5. This additional contribution by the Port of Seattle is being paid to the NWSA in three installments. The first and second installments of \$11 million were made in March 2020, and 2021, respectively. The final installment will be made in 2025. The Managing Members also authorized the distribution of these affirmation payments to the home ports equally after the NWSA receives the funds from the Port of Seattle; hence, there is no impact on NWSA’s net position.

The 2020 and 2021 contributions were distributed to the home ports in 2020 and 2021, respectively, and the final contribution will be distributed to the home ports in 2025.

Financial Framework

The NWSA supports the credit profiles of both home ports, and its financial framework will preserve both ports’ commitment to financial strength and fiscal stewardship. The NWSA distributes cash to each home port based on cash flow from operations, calculated pursuant to generally accepted accounting principles (GAAP). Cash distributions based on cash flow from operations and capital grant contributions are made no less than quarterly based on each Managing Member’s Membership Interest and interest income is distributed equally (“50/50”) to each home port annually. Cash flow from operations is being distributed to home ports and not retained by the NWSA for funding capital investments.

The NWSA is responsible for capital investments, including renewal and replacement projects and new development. Such capital investments, or post-formation assets, will be treated as tenant improvements owned by the NWSA. Both home ports work cooperatively with the NWSA to develop an annual capital investment plan for approval by each Managing Member. Capital funding will be provided by joint contributions from the home ports. Each Managing Member must approve its capital contributions.

The Charter recognizes that each home port’s respective share of revenues received by the NWSA with respect to the Licensed Properties has been or may be pledged in connection with the home port’s bond obligations. Under the Charter, the Managing Members instruct the Chief Executive Officer (CEO) to manage the PDA in a prudent and reasonable manner in support of the home ports’ respective bond covenants. The home ports shall keep the CEO and the NWSA management informed of their respective bond obligations and shall each notify the other home port of any proposed change to such home port’s governing bond resolutions as soon as practical before adoption. The Charter does not modify or alter the obligations of each home port with respect to its own bond obligations. The NWSA does not assume any obligations to the home ports’ bondholders.

Funding

Working capital cannot be redirected to fund capital construction as defined in the Charter. Future funding needs are evaluated during the annual budget process or if the working capital reserve should decline below a target minimum established by the Managing Members. Managing Members each must vote affirmatively to approve additional working capital contributions. The NWSA has generated enough cash from operations to cover its working capital requirements through 2024 and the 2025 NWSA budget does not anticipate additional funding needs. Capital funding is provided by joint contributions from the home ports and is typically received from the home ports in the month following NWSA’s spending

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Position Summary

The statements of net position present the financial position of the NWSA. The statements include the NWSA's assets and deferred outflows, and liabilities and deferred inflows. Net position serves as an indicator of the NWSA's financial position. The NWSA's current assets consist primarily of cash and cash equivalents, restricted cash, current portion of investments, grants receivable, current portion of lease receivable, related party receivable, accounts receivable, and prepayments. Current liabilities consist of accounts payable, accrued liabilities and related-party payables to the homeports. Noncurrent liabilities consist primarily of customer rent deposits and lease liability.

Statements of Net Position (dollars in thousands):

	2024	2023	2022
Current assets	\$ 233,848	\$ 149,637	\$ 126,837
Capital assets, net	602,878	578,784	549,488
Long-term investments	11,159	15,729	20,499
Leases receivable	1,764,592	1,390,949	1,434,819
Other assets	1,768	2,200	920
Total assets	\$ 2,614,245	\$ 2,137,299	\$ 2,132,563
Deferred outflows of resources	\$ 2,332	\$ 1,766	\$ 2,207
Current liabilities	\$ 106,280	\$ 40,189	\$ 46,425
Noncurrent liabilities	10,468	11,440	11,669
Total liabilities	\$ 116,748	\$ 51,629	\$ 58,094
Deferred inflows of resources	\$ 1,839,670	\$ 1,458,802	\$ 1,497,928
Investment in capital assets	\$ 599,482	\$ 572,689	\$ 540,841
Restricted net position for customer deposits	2,260	2,306	2,266
Restricted net position for investments	-	191	1,662
Restricted net position for pension	1,681	2,102	2,137
Unrestricted	56,736	51,346	31,683
Total net position	\$ 660,159	\$ 628,634	\$ 578,589

The NWSA's total net position was \$660.2 million at December 31, 2024. Of this amount, \$599.5 million was invested in capital assets, \$2.3 million was a restricted customer cash deposit, \$1.7 million was the restricted net pension asset, and \$56.7 million was unrestricted and available to finance operating activities. Investment in capital assets increased by \$26.8 million over the prior year primarily for terminal development investments at Terminal 5 of \$18.8 million, facility and building improvements of \$14.2 million, and Shore Power investments of \$6.2 million, offset by depreciation and amortization; see capital asset section below for additional information.

The NWSA's total net position was \$628.6 million at December 31, 2023. Of this amount, \$572.7 million was invested in capital assets, \$2.3 million was a restricted customer cash deposit, \$0.2 million was restricted by grant and federal restrictions, \$2.1 million was the restricted net pension asset, and \$51.3 million was unrestricted and available to finance operating activities. Investment in capital assets increased by \$31.8 million over the prior year primarily from terminal development investments at Terminal 5 of \$32.5 million and stormwater improvements at

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

north and south harbor terminals of \$10.6 million, offset by depreciation and amortization; see capital asset section below for additional information.

The following summary compares operating results for 2024, 2023 and 2022.

Statements of Revenues, Expenses and Changes in Net Position (dollars in thousands):

	2024	2023	2022
Operating revenues	\$ 207,618	\$ 180,499	\$ 149,380
Operating expenses	150,904	127,914	112,043
Operating income	56,714	52,585	37,337
Non-operating revenues (expenses):			
Interest income	3,924	2,794	978
Lease Interest Income, net	64,067	57,877	58,855
Net increase (decrease) in the fair value of investments	468	750	(1,937)
Other net non-operating income (expense)	(5,279)	(4,872)	9,531
Total non-operating revenues, net	63,180	56,549	67,427
Capital grant contributions	4,904	6,236	5,941
Increase in net position before Managing Members (distributions), net	\$ 124,798	\$ 115,370	\$ 110,705
Managing Members (distributions), net	(93,273)	(65,484)	(69,587)
Increase in net position	31,525	49,886	41,118
Net position, beginning of year	628,634	578,748	537,630
Net position, end of year	<u>\$ 660,159</u>	<u>\$ 628,634</u>	<u>\$ 578,748</u>

The NWSA operates three major business lines (LOB):

Container business: International and domestic container cargo is a core business for the NWSA. As one of the northernmost gateways on the U.S. West Coast, the Pacific Northwest has long been the primary hub for waterborne trade with Alaska, as well as a major gateway for trans-pacific trade. The gateway's on-dock and near-dock intermodal rail yards, along with international and domestic rail services to the U.S. Midwest, are an integral part of the container business. The NWSA also has on-dock intermodal yards that generate revenue from loading containers to and from rail cars.

Non-container business: This line of business is comprised of breakbulk and automobiles (roll-on and roll-off, also known as Ro-Ro) and Lift on Lift off breakbulk cargo (Lo-Lo). Aside from handling construction, agricultural and mining equipment as well as other rolling stock, the NWSA's South Harbor serves as a strategic military port for transport of military cargoes. Auto customers include GLOVIS America (Kia), Mazda, Mitsubishi and GM. Auto Warehousing Company (AWC), a tenant, is one of the largest auto processors in the United States.

Real estate business: This line of business is focused on non-terminal industrial and commercial properties and facilities that complement the container and non-container businesses and offer a broad range of services for the NWSA's international and domestic customers, including warehousing, distribution, manufacturing and marine services.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

A summary of revenues and expenses by LOB for the years ended December 31, is presented in the following table (dollars in thousands):

	2024	2023	2022
Total Revenues by LOB (operating revenues plus lease interest)			
Container	\$ 214,723	\$ 186,724	\$ 164,215
Non-container	37,362	33,424	28,277
Real estate	19,653	18,290	15,816
Total LOB Revenues	271,738	238,438	208,308
Less: Operating Expenses	150,904	127,914	112,043
Net LOB Revenues and Expenses	\$ 120,834	\$ 110,524	\$ 96,265

2024 Revenues, Expenses and Changes in Net Position versus the Prior Year

Total LOB revenues of \$271.7 million were \$33.3 million and 14% above the prior year.

Container business revenue of \$214.7 million increased \$28.0 million, as the Terminal 5 phase II expansion resulted in a larger lease footprint and additional lease revenue of \$11.6 million and crane and straddle revenues increased over the prior year by \$6.4 million due to increased container volumes of 12%. Additionally, Intermodal revenue increased by \$8.4 million as lift volumes rose by 20%. Non-container business revenue increased by \$3.9 million as breakbulk activities produced an additional \$2.9 million of revenues, primarily driven by increased military cargoes, and auto revenues rose by \$1.0 million, primarily due to increased service charges of \$0.6 million for yard bunching. Real estate business revenues increased \$1.4 million, due to routine leasing activities, including annual escalations of existing leases, new leases, and lease renewals.

Total operating expenses of \$150.9 million exceeded the previous year by \$23.0 million. This was driven by operations expenses, which were \$17.8 million higher compared to the prior year and included: increased rail operational incentives of \$7.2 million and Intermodal business operation expenses increased by \$1.8 million due to higher longshore labor charges to support increased intermodal lift volumes; higher Auto business operations expenses of \$3.9 million, largely due to increased rent expense of \$2.5 million for leases of additional space for auto storage and \$1.3 million in additional drayage costs to accommodate the increased bunching necessary due to lot congestion; and increased breakbulk business operation expenses of \$1.7 million for longshore costs and other operating, security, and direct expenses incurred to support increased military cargoes. Administration expenses rose by \$3.2 million, primarily due to legal and consulting expenses of \$0.9 million and \$0.7 million, respectively.

Depreciation expenses increased by \$3.6 million compared to the prior year, primarily due to the asset additions at Terminal 5.

Net LOB revenues and expenses of \$120.8 million were \$10.3 million, or 9%, more than the prior year.

Net non-operating expense, excluding lease interest income (included in LOB revenues above) was \$0.5 million below the prior year as Interest income grew by \$0.9 million due to rising rates, but was offset by higher spending of \$0.4 million on non-capital projects.

Capital grant contributions of \$4.9 million were \$1.3 million less than the prior year and included \$3.7 million for various projects at Terminal 5, \$0.7 million for Shore Power projects and \$0.4 million of environmental grants for zero-emission and clean truck programs.

This resulted in an increase in net position before managing members contributions and distributions of \$124.8 million, which was \$9.4 million and 8% above the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2023 Revenues, Expenses and Changes in Net Position versus the Prior Year

Total LOB revenues of \$238.4 million were \$30.1 million and 14% above the prior year.

Container business revenue of \$186.7 million increased \$22.5 million as container terminal revenues were up \$16.5 million, primarily due to higher equipment rental revenues of \$6.1 million. Minimum volume guarantee revenues increased \$4.8 million and rent increases of \$3.9 million for annual escalations and new lease; and intermodal revenues were up \$5.7 million. Non-container revenue increased by \$5.1 million, or 18% over the prior year due to a 96% increase in automobile volumes resulting in a \$3.4 million increase in revenue and additional breakbulk revenues of \$1.8 million primarily due to additional military vessel calls compared with the prior year. Real estate revenue increased over the prior year by \$2.5 million or 16% from new leases, lease renewals, and rent escalations.

Operating expenses of \$127.9 million were \$15.9 million above the prior year; operating expenses before depreciation and amortization were \$15.6 million or 17% above the prior year and depreciation and amortization was above the prior year by \$0.3 million due to new asset additions. The increase in operating expenses before depreciation and amortization was driven by maintenance costs, which rose \$6.9 million due to significant crane rehabilitation and facility repairs of \$1.8 million at Terminal 46, Pier 16/17 repairs of \$0.7 million, vault repairs at East Blair Terminal of \$0.6 million, overall increased facility and equipment maintenance costs of \$3.9 million. Operations and security expenses increased by \$6.5 million primarily to support the higher auto, breakbulk and intermodal activity. Administration costs were \$1.6 million more than the prior year as support services increased by \$1.3 million primarily due to higher allocations from homeports (Port of Tacoma IT costs and filling of open positions). Environmental expense increased by \$0.9 million driven by higher air quality spending. Depreciation and amortization increased by \$0.3 million primarily due to Terminal 5 asset additions.

Net LOB revenues and expenses of \$110.5 million were \$14.3 million, or 15%, more than the prior year.

Net non-operating expense, excluding lease interest income (included in LOB revenues above) of \$1.4 million was \$9.9 million more than the prior year primarily due to other net non-operating expense was \$4.9 million in 2023, compared with income of \$9.5 million in 2022, a year-over-year increase of \$14.4 million.

Significant current year non-operating expense items were:

- (\$3.6) million of public expense related to Rail Quiet Zone construction, utility improvements and pedestrian paths and access roads
- (\$1.3) million write-off of preliminary project costs
- (\$0.3) million for Diesel Emission Reduction Act (DERA) funded scrap bonus program

Significant prior year non-operating income items included:

- \$3.0 million tenant's contribution for the Terminal 30 substation construction
- \$2.6 million of storm water assets contributed by the Terminal 18 tenant
- \$1.8 million reduction in estimate for Terminal 5 public expenses (contribution to Seattle City Light)
- \$1.7 million settlement from former West Sitcum tenant.

This was offset by an increase in interest income of \$4.5 million as higher rates resulted in a higher non-cash gain on the market value of investments of \$2.7 million and higher earnings of \$1.8 million compared with the prior year.

Grant income of \$6.2 million exceeded the prior year by \$0.3 million and included \$3.0 million for shore power systems at multiple locations, \$2.6 million for the Terminal 5 storm water system, and \$0.5 million for emission reduction programs. Prior year grant income of \$5.9 million included \$4.8 million for the Terminal 5 storm water system and \$1.1 million for Terminal 5 shore power infrastructure.

This resulted in an increase in net position before managing members contributions and distributions of \$115.4 million, which was \$4.7 million and 4% above the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)

Net Position

The net position reflects the investments received from the home ports, and the NWSA's earnings and distributions to Managing Members. The net position is presented as follows (dollars in thousands):

Description	2024	2023
Net Position, beginning of year	\$ 628,634	\$ 578,748
Capital construction contributions	51,729	60,102
Increase in net position	124,798	115,370
Distributions to Managing Members	(145,002)	(125,586)
Net position, end of year	\$ 660,159	\$ 628,634

Capital Assets

The home ports fund the NWSA's capital investment plan through capital construction contributions. The capital investment plan is reviewed at least annually as part of the budget process or may occur during the year when major projects are authorized by the Managing Members. The investments in capital assets, also referred to as post-formation assets, may include buildings, improvements, machinery and equipment, and construction in process. The Charter does not contain a provision for NWSA to purchase land.

Major capital spending for the years ended December 31, is summarized by major project/category in the table below (dollars in thousands):

	2024	2023	2022
Terminal 5 modernization	\$ 18,833	\$ 32,515	\$ 37,836
Facility and building improvements	14,247	6,154	5,475
Shore Power	6,240	-	-
Husky Terminal expansion	5,464	-	198
Customs and Border Protection facility	5,237	2,018	243
N. and S. Harbor terminal stormwater improvements	2,208	10,616	13,968
Other	1,081	407	544
Total	\$ 53,310	\$ 51,710	\$ 58,264

The NWSA's capital assets, net of depreciation and amortization, for its business activities as of December 31, 2024, 2023 and 2022, amounted to \$602.9 million, \$578.8 million, \$549.5 and million, respectively. These investments in capital assets include building and land improvements, machinery and equipment, and construction in process. See Note 3 for additional information.

REQUEST FOR INFORMATION

The Northwest Seaport Alliance designed this financial report to provide our citizens, customers, investors and creditors with an overview of the NWSA's finances. If you have questions or need additional information, please visit our website at <http://www.nwseaportalliance.com> or contact: Chief Financial Officer, P.O. Box 2985, Tacoma, Washington, 98401-2985, Telephone 800-657-9808.

Financial Statements

The Northwest Seaport Alliance

Statements of Net Position

December 31, 2024 and 2023

(Dollars in Thousands)

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,783	\$ 4,191
Restricted cash	2,260	2,306
Investments, at fair value	112,157	45,369
Trade accounts receivable, net of allowance for doubtful accounts	20,721	13,824
Grants receivable	3,757	817
Leases receivable - current	74,429	66,717
Related-party receivable - Managing Members	16,136	14,274
Prepayments and other current assets	2,605	2,139
Total current assets	233,848	149,637
Noncurrent assets:		
Long-term investments:		
Restricted investments, at fair value	-	191
Other long-term investments, at fair value	11,159	15,538
Total long-term investments	11,159	15,729
Capital and intangible assets:		
Buildings	149,518	86,237
Improvements	412,757	311,488
Machinery and equipment	106,000	103,830
Intangible leased assets	1,874	2,033
Construction in process	46,835	164,629
Total capital and intangible assets	716,984	668,217
Less accumulated depreciation and amortization	114,106	89,433
Net capital and intangible assets	602,878	578,784
Leases receivable	1,764,592	1,390,949
Pension asset	1,681	2,102
Other assets	87	98
Total noncurrent assets	2,380,397	1,987,662
Total assets	\$ 2,614,245	\$ 2,137,299
Deferred outflows of resources:		
Pension deferred outflows	\$ 2,332	\$ 1,766

See notes to financial statements.

The Northwest Seaport Alliance

Statements of Net Position December 31, 2024 and 2023 (Dollars in Thousands)

	2024	2023
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 28,745	\$ 23,971
Related-party payable - Managing Members	75,742	14,279
Payroll and taxes payable	1,793	1,939
Total current liabilities	106,280	40,189
Noncurrent liabilities:		
Security deposits	7,500	7,702
Lease liability, net of current portion	1,155	1,330
Pension liability	699	908
Other noncurrent liabilities	1,114	1,500
Total noncurrent liabilities	10,468	11,440
Total liabilities	\$ 116,748	\$ 51,629
Deferred inflows of resources:		
Leases deferred inflows	\$ 1,839,020	\$ 1,457,666
Pension deferred inflows	650	1,136
Total deferred inflows	\$ 1,839,670	\$ 1,458,802
Net position:		
Net investment in capital assets	\$ 599,482	\$ 572,689
Restricted net position for customer deposits	2,260	2,306
Restricted net position for investments	-	191
Restricted net position for pension	1,681	2,102
Unrestricted	56,736	51,346
Total net position	\$ 660,159	\$ 628,634

See notes to financial statements.

The Northwest Seaport Alliance

Statements of Revenues, Expenses and Changes in Net Position December 31, 2024 and 2023 (Dollars in Thousands)

	2024	2023
Operating revenues	\$ 207,618	\$ 180,499
Operating expenses:		
Operations	71,253	53,461
Maintenance	25,981	26,766
Administration	22,313	19,146
Security	4,116	4,635
Environmental	2,409	2,629
Total operating expense before depreciation and amortization	126,072	106,637
Depreciation and amortization	24,832	21,277
Total operating expenses	150,904	127,914
Operating income	56,714	52,585
Nonoperating revenues (expenses):		
Lease interest income, net	64,067	57,877
Interest income	3,924	2,794
Net increase (decrease) in the fair value of investments	468	750
Other non-operating (expense) income, net	(5,279)	(4,872)
Total nonoperating revenues, net	63,180	56,549
Increase in net position, before capital contributions	119,894	109,134
Capital grant contributions	4,904	6,236
Increase in net position before Managing Members contributions and distributions	124,798	115,370
Capital construction contributions	51,729	60,102
Distributions to Managing Members	(145,002)	(125,586)
Total Managing Members investment, net	(93,273)	(65,484)
Total change in net position	31,525	49,886
Net position, beginning of year	628,634	578,748
Net position, end of year	\$ 660,159	\$ 628,634

See notes to financial statements.

The Northwest Seaport Alliance

Statements of Cash Flows

Years Ended December 31, 2024 and 2023

(Dollars in Thousands)

	2024	2023
Cash flows from operating activities:		
Cash received from customers	\$ 203,240	\$ 180,399
Cash paid to suppliers, longshore labor and employees	(72,204)	(74,082)
Cash paid to home ports for support services	(50,434)	(41,491)
Cash (paid) received for net non-operating income (expense) income	(594)	(1,864)
Cash received from customer deposits	(203)	(1,658)
Net cash provided by operating activities	79,805	61,304
Cash flows from noncapital financing activities:		
Cash distributions to Managing Members	(84,014)	(130,950)
Net cash used in noncapital financing activities	(84,014)	(130,950)
Cash flows from capital and related financing activities:		
Cash received from Managing Members for capital construction	49,866	58,010
Acquisition and construction of capital assets	(56,185)	(51,710)
Cash received from federal grants	1,781	5,715
Lease interest income, net	64,120	57,878
Net cash provided by capital and related financing activities	59,582	69,893
Cash flows from investing activities:		
Purchases of investments	(171,997)	(175,668)
Proceeds from sales and maturities of investment securities	110,300	173,165
Interest received on investments	3,870	2,816
Net cash (used in) provided by investing activities	(57,827)	313
Net (decrease) increase in cash	(2,454)	560
Cash and cash equivalents:		
Beginning of year	6,497	5,937
End of year	\$ 4,043	\$ 6,497

(Continued)

The Northwest Seaport Alliance

Statements of Cash Flows (Continued) **Years Ended December 31, 2024 and 2023** **(Dollars in Thousands)**

	2024	2023
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 56,714	\$ 52,585
Adjustments to reconcile operating income to net cash provided by operating activities:		
Nonoperating income	(5,718)	(2,985)
Depreciation and amortization	24,832	21,277
Changes in assets and liabilities and deferred inflows/outflows:		
(Increase) Decrease in trade accounts receivable	(6,809)	(1,769)
(Increase) Decrease in prepayments and other current assets	(455)	379
Increase (Decrease) in accounts payable and other accrued payables	10,795	(7,426)
(Decrease) Increase in related-party payable - Managing Members	1,625	1,756
(Decrease) Increase in security deposits	(203)	(1,658)
(Decrease) Increase in payroll and taxes payable	(136)	(29)
(Decrease) Increase in pension related accounts	(840)	(826)
Total adjustments and changes	23,091	8,719
Net cash provided by operating activities	\$ 79,805	\$ 61,304
Noncash investing and financing activities:		
Capital asset additions and other purchases financed with accounts payable	\$ 3,525	\$ 6,095
Contributions receivable from Managing Members for capital construction	\$ 10,938	\$ 8,920
Distributions payable to Managing Members	\$ (71,644)	\$ (10,656)
Increase (Decrease) in fair value of investments	\$ 468	\$ 750

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Reporting entity: The ports of Seattle and Tacoma (the home ports) formed The Northwest Seaport Alliance (NWSA), a special purpose governmental entity established as a Port Development Authority (PDA), with an effective date of August 4, 2015 (the Effective Date). The PDA was formed pursuant to a provision in Title 53 Revised Code of Washington (RCW) that grants ports that meet certain criteria the authority to create a separate PDA, similar to public development authorities created by Washington cities and counties. Each Port Commission is a Managing Member of the NWSA. Each port will remain a separate legal entity, independently governed by its own elected commissioners. As formed, the NWSA is to continue for an indefinite term until dissolution. As approved, the Charter for the NWSA may be amended only by mutual agreement of both ports as the NWSA's Managing Members. On January 1, 2016, the NWSA became a separate legal entity.

The State Legislature granted qualifying ports the authority to create a PDA for the management of maritime activities and to allow ports to act cooperatively and use financial resources strategically, while remaining separate entities and complying with federal regulations. Pursuant to the PDA statute, if a PDA is created jointly by more than one port district, the PDA must be managed by each port district as a member, in accordance with the terms of the statute and the Charter. Any port district that creates a PDA must oversee the affairs, operations, and funds of the PDA to correct any deficiency, and ensure the purposes of each program undertaken are reasonably accomplished. The statute permits a PDA, in managing maritime activities of a port district or districts, to own and sell real and personal property; to enter into contracts; to sue and be sued; to loan and borrow funds; to issue bonds, notes, and other evidences of indebtedness; to transfer funds, real or personal property, property interests, or services; and to perform community services related to maritime activities managed by the PDA. As previously discussed, the statute allows, but the Charter prohibits, the NWSA to issue bonds, borrow funds, or enter into other debt instruments. By statute, PDAs do not have the power of eminent domain or the power to levy taxes or special assessments. In transferring real property to a PDA, the port district or districts creating the PDA must impose appropriate deed restrictions necessary to ensure the continued use of the property for the public purpose for which the property is transferred.

The NWSA is governed by its Managing Members, with each Managing Member acting pursuant to the Charter through its elected commissioners. In addition, both Managing Members provide services through support service agreements with a portion of staff time allocated to and reimbursed by the NWSA.

Effective January 1, 2016, the revenues and expenses associated with Licensed Properties were accounted for and reported by the NWSA. The initial funding of working capital and capital construction and subsequent earnings and distributions are presented on the statements of net position. Additional information about the formation of the NWSA is presented in the MD&A.

The home ports agreed to share investments, earnings and distributions on a 50/50 basis. The home ports' initial contribution of Licensed Properties to the NWSA was 50% (based on the value of the contributed facilities using cash flow forecasts for each parcel that went to the NWSA). The initial cash investments funded working capital and capital construction projects, were shared equally.

The NWSA distributes cash to each home port based on cash flow from operations, calculated pursuant to generally accepted accounting principles (GAAP), capital grant contributions and lease interest income. Distributions of cash flow from operations and capital grant contributions are to be made no less than quarterly based on each Managing Member's percentage of total shares; however, distributions have generally been made in the following month after the amount due was determined. Investment interest income is distributed annually.

Note 1. Summary of Significant Accounting Policies (Continued)

Nature of business: The PDA is used to account for the general operations of the NWSA as more fully described below. The NWSA is authorized by Washington law to provide and charge rentals, tariffs and other fees for docks, wharves and similar harbor facilities, including associated storage and traffic handling facilities, for waterborne commerce. The NWSA may also provide freight and passenger terminals and transfer and storage facilities for other modes of transportation, including air, rail and motor vehicles.

Measurement focus, basis of accounting and presentation: The financial statements of the NWSA have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The NWSA is accounted for on a flow of economic resources measurement focus and the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The accounting records of the NWSA are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09, RCW. The NWSA also follows the Uniform System of Accounts for Port Districts in the State of Washington.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes to the financial statements. Significant estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the NWSA include estimates associated with pensions. Actual results could differ from those estimates.

Significant risks and uncertainties: The NWSA is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, collective bargaining disputes, federal, state and local government regulations, and changes in law.

The formation of the NWSA is intended to reduce pricing competition between the home ports by creating a unified gateway, to allow for coordination regarding customer relationships, to improve capacity utilization between the home ports, and to rationalize strategic capital investments. The formation of the NWSA may or may not successfully address these risks, and may create new risks, including the risks associated with a new joint venture funded by the Managing Members with equal Membership Interests, and reliance on the financial strength of the home ports to fund future capital expenditures and shortfall in working capital. The Charter required that the NWSA maintain the Bond Income Calculation and not to take any action that would reasonably reduce its income below this minimum net operating income level unless each Managing Member votes separately to approve that action. This minimum net operating level was established based on the amount required at formation of the NWSA for the Managing Members to meet their then current bond rate covenants. Due to the refunding of all Port of Tacoma bonds and most of the Port of Seattle bonds outstanding at the time of formation, in 2022 the minimum Bond income requirement was eliminated.

Note 1. Summary of Significant Accounting Policies (Continued)

If net operating income before depreciation and amortization of the NWSA is not sufficient for either home port to be in compliance with a rate covenant (as described in each Managing Member's governing bond resolutions in effect as of the Effective Date), then: (i) upon that Managing Member's request, the NWSA shall hire an independent third-party consultant to perform analysis and make recommendations for actions needed to achieve bond covenant compliance; (ii) if the consultant recommends an action that the NWSA is unwilling, unable or refuses to undertake, either Managing Member can require dissolution of the NWSA following the dispute resolution process even if within the "Initial Period" (as defined in the Charter, "the expiration of 20 years following the NWSA's formation"); and (iii) the NWSA shall have at least four months to respond, act and or dissolve following its receipt of the consultant's recommended action, unless a shorter time is required by the applicable bond covenants.

Cash and cash equivalents: Cash and cash equivalents represent cash and demand deposits. The NWSA maintains its cash in bank deposit accounts, which are covered by the Public Deposit Protection Commission (PDPC) of the State of Washington.

Restricted Cash: The NWSA entered into an agreement with a customer which required the customer to maintain a cash security deposit with NWSA as beneficiary, in an amount equal to \$2.3 million, to secure the customer's commitment under the agreement. Therefore, the security provided by the customer is reported as current restricted cash.

Trade accounts receivable: Trade accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying delinquent accounts and by using historical experience applied to an aging of accounts. Trade accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts at December 31, 2024 and 2023, was \$0.1 million.

Investments: Investments except for the investments in the Washington State Local Government Investment Pool (LGIP) are stated at fair value which is the price that would be received in an orderly transaction between market participants at the measurement date. The LGIP is similar to a money market fund recognized by the Securities and Exchange Commission. The investments are limited to high-quality obligations with limited maximum and average maturities. These investments are valued at amortized cost. Interest income on investments is recognized as earned. Interest income and changes in the fair value of investments are recognized on the statements of revenues, expenses and changes in net position. The NWSA's general policy is to not hold more than 20% of its holdings in any one investment. See Note 2 for further information.

Capital assets and depreciation: Capital assets are recorded at cost. The NWSA's policy is to capitalize all asset additions greater than \$20,000 and with an estimated life of more than three years. Depreciation is computed on the straight-line method. The following depreciable lives are used:

	Years
Buildings and improvements	10-75
Machinery and equipment	3-20

Note 1. Summary of Significant Accounting Policies (Continued)

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. As projects are constructed, the project costs are transferred to the appropriate capital asset account; charges that relate to abandoned projects are expensed when the project is abandoned.

Intangible assets and amortization: Intangible assets consist of intangible right to use assets for leases. Intangible right to use assets related to leases, net of amortization were \$1.3 million at December 31, 2024 and \$1.5 million, net of amortization at December 31, 2023. (see Note 5).

Net position: Net position consists of investment in capital assets, restricted and unrestricted net position. Investment in capital assets consists of capital assets, net of accumulated depreciation and amortization and related liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the NWSA or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The unrestricted component of net position is the net amount of the assets and deferred outflows of resources less liabilities and deferred inflows of resources that are not included in the determination of investment in capital assets or the restricted components of net position.

Leases: The NWSA defines a lease as a noncancellable contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The contract must be legally enforceable.

At the commencement of the lease, the NWSA measures the lease receivable (liability) at the present value of payments expected to be received/(paid) over the course of the lease term. Subsequently, the lease receivable (liability) is reduced by the principal portion of lease payments received (paid).

Key estimates and judgements related to leases with the NWSA are as follows:

- The NWSA's incremental borrowing rate is used as the discount rate to measure lease liability and lease receivable.
- Projected lease revenues and expenses included in the measurement of the lease are composed of fixed payments required per lease terms as well as any variable payments that are fixed in substance. All other variable payments are excluded.
- The lease will not be remeasured solely for a change in the variable payments unless there are any required remeasurement events.
- The lease term includes the noncancellable period of the lease in which both the lessee and the lessor have a unilateral option to terminate are excluded from the lease term.
- Only lease incentive payments that are fixed or fixed in substance are included in the initial measurement and subject to remeasurement; variable or contingent lease incentive payments are not included in initial measurement.

The NWSA monitors changes in circumstances that may require remeasurement of a lease receivable or lease liability. When certain changes occur that are expected to significantly affect the amount of the lease, the lease receivable or lease liability is remeasured, and a corresponding adjustment is made to the deferred inflow of resources or capital assets.

SBITAs: SBITAs are contracts that allow the NWSA to use another party's information technology software for a specified period in exchange for payment. These contracts result in the recognition of a right-to-use subscription asset, classified as an intangible asset, and a corresponding subscription liability. The subscription asset is initially measured at the present value of the expected subscription payments over the term, including any capitalizable implementation costs. The subscription liability is

Note 1. Summary of Significant Accounting Policies (Continued)

recognized at the start of the subscription term and amortized over the subscription period, unless payment is made in full at the commencement of the term.

The NWSA uses the Port of Tacoma's incremental borrowing rate (NWSA Charter prohibits NWSA from issuing debt, so there is not a NWSA-specific rate available) as the discount rate to measure lease receivables, lease liabilities, and subscription liabilities, which was 3.37% for both 2024 and 2023.

The NWSA reassesses the subscription liability at subsequent financial reporting dates if any changes, as specified by the Standard, have occurred by those dates. This remeasurement is based on the most recent SBITA contract before the changes, and if these changes, individually or collectively, are expected to significantly impact the subscription liability amount since the last measurement.

Retentions payable: The NWSA enters into construction contracts that may include retention provisions such that a certain percentage of the contract amount is held for payment until completion of the contract and acceptance by the NWSA. The NWSA's policy is to pay the retention due only after completion and acceptance have occurred. Retentions payable totaled \$0.6 million and \$0.4 million at December 31, 2024 and 2023, respectively. Retentions payable are included in accounts payable and accrued liabilities on the accompanying statements of net position.

Federal and state grants: The NWSA may receive federal and state grants as reimbursement for construction of facilities and other capital projects. These grants are included in capital grant contributions on the accompanying statements of revenues, expenses and changes in net position.

Employee benefits: The NWSA accrues unpaid vacation and sick leave benefit amounts as earned and payable upon termination. These benefits are accrued at current rates of compensation. Accrued vacation and sick leave are included in payroll and taxes payable and amounted to \$0.6 million and \$0.1 million, respectively, at December 31, 2024 and \$0.5 million and \$0.1 million, respectively, at December 31, 2023 and are expected to be paid in the following year. Vacation and sick leave paid in 2024 and 2023 totaled \$0.8 million \$0.6 million, respectively.

The NWSA provides health care benefits for eligible employees through the HRA VEBA Trust, which is a nonprofit, multiple employer voluntary employees' beneficiary association (VEBA) authorized under Internal Revenue Code 501(c)(9). The HRA VEBA Trust offers a funded health reimbursement arrangement (HRA) plan available to certain governmental employers in the Northwest (Washington, Oregon, and Idaho). The Trust is managed by a Board of Trustees elected by the plan participants, participating employers, or the Board itself, depending on the Trustee position. The NWSA has two plans, one of which was closed to new employees hired after July 1, 2015, the second plan is open to all eligible employees. The NWSA contributed \$0.1 million to eligible employee VEBA accounts in 2024 and 2023.

The NWSA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all NWSA employees, permits them to defer a portion of their salary until future years. In accordance with GASB authoritative guidance, accounting and reporting for Internal Revenue Code Section 457 deferred compensation plans, employee assets are not reflected in the NWSA's financial statements. This plan is fully funded and plan assets are held in an external trust.

The NWSA established a profit-sharing plan for non-represented employees in accordance with Internal Revenue Code Section 401. The plan provides for an annual contribution to each eligible employee's 401 account based on the NWSA meeting financial targets. The NWSA has not utilized this performance plan and, hence, has not contributed to the plan since its formation in 2016.

Note 1. Summary of Significant Accounting Policies (Continued)

Pensions: The NWSA's full-time and qualifying part-time employees participate in the cost-sharing, multiple-employer public employee defined benefit retirement plans administered by the Washington State Department of Retirement Systems (DRS). The net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense or benefit, information about the fiduciary net position of the Washington State Department of Retirement Systems Plan (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value (see Note 6).

Environmental remediation costs: The NWSA environmental remediation policy requires accrual of pollution remediation obligation amounts when: (a) one of the following specific obligating events is met and (b) the amount can be reasonably estimated. Obligating events include imminent endangerment to the public; permit violation; NWSA named as party responsible for sharing costs; NWSA named in a lawsuit to compel participation in pollution remediation; or commenced or legally obligated to commence pollution remediation. Potential cost recoveries such as insurance proceeds, if any, are evaluated separately from the NWSA's pollution remediation obligation. Costs incurred for pollution remediation obligations are typically recorded as nonoperating environmental expenses unless the expenditures relate to the NWSA's principal ongoing operations, in which case they are recorded as operating expenses. Costs incurred for pollution remediation obligations can be capitalized if they meet specific criteria. Capitalization criteria include: preparation of property in anticipation of a sale; preparation of property for use if the property was acquired with known or suspected pollution that was expected to be remediated; performance of pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment; or acquisition of property, plant and equipment that have a future alternative use not associated with pollution remediation efforts.

The NWSA licenses property from the home ports for its operations. Remediation costs associated with contamination on Licensed Property that occurred before the formation of the NWSA shall remain the responsibility of the home port in which the Licensed Property is located. Remediation costs associated with redevelopment on Licensed Property shall be the responsibility of the NWSA. At December 31, 2024 and 2023, the NWSA determined that there were no environmental remediation liabilities to be recognized.

Leases: The NWSA defines a lease as a noncancellable contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The contract must be legally enforceable.

At the commencement of the lease, the NWSA measures the lease receivable (liability) at the present value of payments expected to be received over the course of the lease term. Subsequently, the lease receivable (liability) is reduced by the principal portion of lease payments received (paid).

Key estimates and judgements related to leases with the NWSA are as follows:

- The Port of Tacoma's incremental borrowing rate is used as the discount rate to measure lease liability and lease receivable (NWSA Charter prohibits NWSA from incurring debt, therefore the NWSA adheres to homeport policies regarding calculation of leases for this purpose).
- Projected lease revenues and expenses included in the measurement of the lease are composed of fixed payments required per lease terms as well as any variable payments that are fixed in substance. All other variable payments are excluded.

Note 1. Summary of Significant Accounting Policies (Continued)

- The lease will not be remeasured solely for a change in the variable payments unless there are any required remeasurement events.
- The lease term includes the noncancellable period of the lease in which both the lessee and the lessor have a unilateral option to terminate are excluded from the lease term.
- Only lease incentive payments that are fixed or fixed in substance are included in the initial measurement and subject to remeasurement; variable or contingent lease incentive payments are not included in initial measurement.

The NWSA monitors changes in circumstances that may require remeasurement of a lease receivable or lease liability. When certain changes occur that are expected to significantly affect the amount of the lease, the lease receivable or lease liability is remeasured, and a corresponding adjustment is made to the deferred inflow of resources or capital assets. If any of the remeasuring circumstances occur, the lease will be remeasured, and the new present value will be calculated using the discount rate and index current at the time of the remeasurement.

Security deposits: Under the terms of certain Licensed Property lease agreements, the NWSA's customers or tenants are required to provide security in the event of delinquencies in rent payment, default, or other events defined in these agreements. The security amounts are determined by lease terms and are included in prepayments and other current assets on the accompanying statements of net position. The NWSA held \$7.5 million and \$7.7 million in cash security deposits at December 31, 2024 and 2023, respectively.

Deferred inflows and outflows of resources: Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period(s). The NWSA records deferred inflows of resources on the statements of net position for its pension plan and leases. Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period(s). The NWSA records deferred outflows of resources on the statements of net position for its pension plan.

Operating and nonoperating revenues and expenses: Property rental revenues are charges for use of the NWSA's facilities and are reported as operating revenue. Grants and similar items are recognized as nonoperating revenue as soon as all eligibility requirements imposed by the provider have been met. Other revenues generated from nonoperating sources are classified as nonoperating.

Operating expenses are costs primarily related to the property rental activities. Interest expense and other expenses incurred not related to the normal operations of the NWSA's terminal and property rental activities are classified as nonoperating.

Recent accounting pronouncements adopted: In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The statement provides guidance on the requirements related to the extension of the use of London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, as well as terminology updates which were effective immediately upon issuance. The adoption of these requirements did not have a material effect on the Port's financial statements. Additionally, the Statement provides guidance related to leases, PPPs, and SBITAs which are effective for reporting periods beginning after June 15, 2022 and guidance related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 which is effective for reporting periods beginning after June 15, 2023. The adoption of these requirements did not have a material effect on the NWSA's financial statements.

Note 1. Summary of Significant Accounting Policies (Concluded)

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The statement defines accounting changes and prescribes the accounting and financial reporting for each type of accounting change and error corrections. The requirements of this statement are effective for reporting periods beginning after June 15, 2023. The adoption of these requirements did not have a material effect on the NWSA's financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The statement updates the recognition and measurement guidance for compensated absences to better meet the information needs of financial statement users. The requirements of this statement are effective for reporting periods beginning after December 15, 2023. The adoption of these requirements did not have a material effect on the NWSA's financial statements.

Note 2. Deposits and Investments

Discretionary deposits: The NWSA's cash of \$4.0 million and \$6.5 million at December 31, 2024 and 2023, respectively, were deposited in qualified depositories as required by state statute. Deposits in excess of federal depository insurance coverage are covered by the PDPC of the State of Washington. The PDPC is a statutory authority under Chapter 39.58 RCW. Currently, all public depositories with the state fully collateralize uninsured public deposits at 50%.

Investments: State of Washington statutes authorize the NWSA to invest in direct obligations of the U.S. Government, certificates of deposit, bankers' acceptances, repurchase agreements, commercial paper, supranationals and certain municipal bonds. These investments must be placed with or through qualified public depositories of the State of Washington.

Restricted cash and investments: Cash and investments that are limited as to the manner in or purpose for which they may be used as imposed on by external persons or bodies, through constitutional provision, or via enabling legislation. The NWSA's restricted cash and investments include restrictions from federal, state and local agencies for the funding port development and environmental projects and customer deposits.

Risks:

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The NWSA's investment guideline is to maximize investment return while preserving liquidity. To the extent possible, the NWSA will attempt to match its investments with anticipated cash flow requirements using the specific-identification method. The NWSA does not have a formal interest rate risk policy.

Concentration risk: Concentration risk is defined as holdings greater than 5% as noted in the table below. The NWSA does not have a formal concentration risk policy.

Credit risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The LGIP is an external investment pool, as defined by the GASB. The NWSA does not have a formal credit risk policy.

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the NWSA will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. To minimize this risk, the NWSA's policy requires that all security

Note 2. Deposits and Investments (Continued)

transactions are settled “delivery versus payment.” This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the NWSA’s safekeeping bank. With the exception of the Washington State LGIP, the NWSA’s investment securities are registered, or held by the NWSA or its agent in the NWSA’s name. The certificates of deposit are covered by the PDPC. The PDPC is a statutory authority under Chapter 39.58 RCW. The PDPC approves which banks and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers’ deposits when they exceed the amount insured by the Federal Deposit Insurance Corporation ([FDIC](#)) by requiring banks and thrifts to pledge securities as collateral.

The LGIP manages a portfolio of securities that meet the maturity, quality, diversification and liquidity requirements set forth by the GASB for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The funds are limited to high quality obligations with regulated maximum and average maturities to minimize both market and credit risk.

The LGIP transacts with its participants at a stable net asset value per share of \$1.00, the same method used for reporting. LGIP participants may contribute and withdraw funds on a daily basis. Participants must inform the Office of the State Treasurer of any contribution or withdrawal over \$1 million no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for \$1 million or less can be requested at any time prior to 10 a.m. on the day of the transaction. However, participants may complete transactions greater than \$1 million when notification is made between 9 a.m. and 10 a.m., at the sole discretion of the Office of the State Treasurer. All participants are required to file with the State Treasurer documentation containing the names and titles of the officials authorized to contribute or withdraw funds.

Restricted investments on the statements of net position were \$0.0 million and \$0.2 million at December 31, 2024 and 2023, respectively and restricted cash was \$2.3 million at December 31, 2024 and \$2.3 million 2023.

The tables below identify the types of investments, concentration of investments in any one issuer, and maturities of the NWSA investment portfolio as of December 31 (dollars in thousands):

The Northwest Seaport Alliance
Notes to Financial Statements

Note 2. Deposits and Investments (Concluded)

Investment Type	2023					Percentage Total Portfolio
	Maturities (in Years)					
	Fair Value	Less than 1	1-3	More than 3		
Federal Home Loan Bank	\$ 1,823	\$ -	\$ -	\$ 1,823	3.0%	
Federal Home Loan Mortgage Corporation	4,813	1,958	2,855	-	7.9%	
Federal National Mortgage Association	1,864	-	1,864	-	3.1%	
Corporates	1,962	-	1,962	-	3.1%	
Municipal Bonds	7,034	-	2,694	4,340	11.5%	
Supranationals	1,958	1,958	-	-	3.2%	
State Local Investment Pool*	41,644	41,644	-	-	68.2%	
Total investments	\$ 61,098	\$ 45,560	\$ 9,375	\$ 6,163	100.0%	
Percentage of total portfolio		74.6%	15.4%	10.0%	100.0%	

* Investments in Washington State Local Government Investment Pool. The investments in the pool are valued at the amortized cost of the pool shares.

The tables below identify the credit risk of the NWSA's investment portfolio as of December 31 (dollars in thousands):

Investment Type	2024				
	Moody's Equivalent Credit Ratings				
	Fair Value	Aa2	Aa1	Aaa	No Rating
Federal Home Loan Bank	\$ 3,874	\$ -	\$ -	\$ 3,874	\$ -
Federal Home Loan Mortgage Corporation	2,959	-	-	2,959	-
Federal National Mortgage Association	1,943	-	-	1,943	-
Corporates	1,989	-	-	1,989	-
Municipal Bonds	7,045	2,960	2,431	1,654	-
United States Treasury Bonds	2,049	-	-	2,049	-
State Local Investment Pool*	103,457	-	-	-	103,457
Total	<u>\$ 123,316</u>	<u>\$ 2,960</u>	<u>\$ 2,431</u>	<u>\$ 14,468</u>	<u>\$ 103,457</u>

Investment Type	2023				
	Moody's Equivalent Credit Ratings				
	Fair Value	Aa2	Aa1	Aaa	No Rating
Corporates	\$ 1,823	\$ -	\$ -	\$ 1,823	\$ -
Federal Home Loan Bank	4,813	-	-	4,813	-
Federal Home Loan Mortgage Corporation	1,864	-	-	1,864	-
Federal National Mortgage Association	1,962	-	-	1,962	-
Municipal Bonds	7,034	2,949	2,439	1,646	-
Supranationals	1,958	-	-	1,958	-
State Local Investment Pool*	41,644	-	-	-	41,644
Total	<u>\$ 61,098</u>	<u>\$ 2,949</u>	<u>\$ 2,439</u>	<u>\$ 14,066</u>	<u>\$ 41,644</u>

* Investments in Washington State Local Government Investment Pool. The investments in the pool are valued at the amortized cost of the pool shares.

See Note 10 for information regarding NWSA's fair value measurement of its investments.

The Northwest Seaport Alliance
Notes to Financial Statements

Note 3. Capital Assets

The following capital asset activity took place during 2024 and 2023 (dollars in thousands):

	2024			
	Beginning of Year	Additions	Transfers	Retirements and Other
End of Year				
Capital assets not being depreciated:				
Construction in process	\$ 164,629	\$ 56,321	\$ (167,673)	\$ (6,442)
Total capital assets not being depreciated	164,629	56,321	(167,673)	(6,442)
Capital assets being depreciated and amortized:				
Buildings	86,237	-	63,281	-
Improvements	311,488	-	102,222	(953)
Machinery and equipment	103,830	-	2,170	-
Intangible lease assets	2,033	-	-	(159)
Total capital assets being depreciated and amortized	503,588	-	167,673	(1,112)
Less accumulated depreciation and amortization:				
Buildings	(12,052)	(4,601)	-	-
Improvements	(48,275)	(14,511)	-	-
Machinery and equipment	(28,582)	(5,540)	-	-
Intangible lease assets	(523)	(180)	-	159
Total accumulated depreciation and amortization	(89,433)	(24,832)	-	159
Net, capital assets being depreciated and amortized	414,155	(24,832)	167,673	(953)
Net, capital assets	\$ 578,784	\$ 31,489	\$ -	\$ (7,395)

The Northwest Seaport Alliance
Notes to Financial Statements

Note 3. Capital Assets (Concluded)

	2023				
	Beginning of Year	Additions	Transfers	Retirements and Other	End of Year
Capital assets not being depreciated:					
Construction in process	\$ 139,173	\$ 53,574	\$ (25,798)	\$ (2,320)	\$ 164,629
Total capital assets not being depreciated	139,173	53,574	(25,798)	(2,320)	164,629
Capital assets being depreciated and amortized:					
Buildings	86,237	-	-		86,237
Improvements	286,734	-	25,330	(576)	311,488
Machinery and equipment	103,619	-	468	(257)	103,830
Intangible lease assets	2,258	-	-	(225)	2,033
Total capital assets being depreciated and amortized	478,848	-	25,798	(1,058)	503,588
Less accumulated depreciation and amortization:					
Buildings	(8,762)	(3,290)	-	-	(12,052)
Improvements	(36,128)	(12,147)	-	-	(48,275)
Machinery and equipment	(23,154)	(5,580)	-	152	(28,582)
Intangible lease assets	(488)	(260)	-	225	(523)
Total accumulated depreciation and amortization	(68,533)	(21,277)	-	377	(89,433)
Net, capital assets being depreciated and amortized	410,315	(21,277)	25,798	(681)	414,155
Net, capital assets	\$ 549,488	\$ 32,297	\$ -	\$ (3,001)	\$ 578,784

Note 4. Risk Management

The NWSA is exposed to various risks of loss related to torts; damage to, theft of, and destruction of assets or cargo; natural disasters; and employee injuries. To limit its exposure, the NWSA purchases a variety of insurance policies. For marine general liability, the NWSA purchases \$150 million in coverage, subject to a \$500,000 deductible. All risk property insurance is purchased by the home ports to include assets owned by the NWSA situated on home port land and the NWSA is listed as a named insured,

Note 4. Risk Management (Concluded)

where its interest applies. For details concerning property insurance, please consult the notes to the year-end financial reports for the respective home ports.

The NWSA is self-insured for its regular medical coverage. The liability for unpaid medical claims is included in payroll and taxes payable on the accompanying statements of net position and is expected to be paid in 2025. Excess loss coverage has been purchased through an outside provider to limit individual loss to \$135,000. Self-insured claim activity for December 31, was as follows (dollars in thousands):

	2024	2023	2022
Claims liability, beginning of year	\$ 503	\$ 362	\$ 390
Claims reserve	1,422	1,620	1,008
Payments on claims	(1,440)	(1,479)	(1,036)
Claims liability, end of year	<u>\$ 485</u>	<u>\$ 503</u>	<u>\$ 362</u>

The NWSA is self-insured for workers compensation losses. These losses are subject to a \$1.25 million self-insured retention as a Named Insured under the Port of Tacoma's excess workers' compensation policy. The estimated liability for workers' compensation is included in payroll and taxes payable on the accompanying financial statements of net position. At December 31, 2024, the estimated self-insurance liability for workers' compensation was \$54,000 and this amount is expected to be paid in 2025. The liability for unpaid claims represents the estimated future indemnity, medical, rehabilitation, and legal costs for all open claims. Workers' compensation claim activity for December 31, were as follows (dollars in thousands):

Workers' Comp	2024	2023	2022
Claims liability, beginning of year	\$ 147	\$ 48	\$ 25
Claims incurred during the year	52	429	92
Changes in estimate for prior year claims	202	2	32
Payments on claims	(347)	(332)	(101)
Claims liability, end of year	<u>\$ 54</u>	<u>\$ 147</u>	<u>\$ 48</u>

Note 5. Leases

The NWSA, as a lessor, leases land and facilities under long-term agreements at market rates with terms ranging from 1 to 50 years. The leases typically include provisions for rent changes based on the consumer price index or other market indexes, resulting in additional variable lease revenues that are not included in the measurement of the lease receivables.

Total operating revenue from long-term leases in 2024 were \$147.7 million, including \$133.6 million of principal and interest and \$14.1 million variable revenues that were not previously included in the lease receivable balance. Total operating revenue from long-term leases in 2023 were \$129.6 million, including \$119.7 million of principal and interest and \$9.9 million variable revenues that were not previously included in the lease receivable balance.

The Northwest Seaport Alliance
Notes to Financial Statements

Note 5. Leases (Continued)

Minimum future rental revenue from long-term leases is as follows (dollars in thousands).

Years ending December 31:	Principal	Interest	total
2025	\$ 74,429	\$ 66,375	\$ 140,804
2026	75,610	63,516	139,126
2027	62,476	60,889	123,365
2028	64,414	58,529	122,943
2029	65,759	56,095	121,854
2030 - 2034	342,890	240,851	583,741
2035 - 2039	297,117	183,198	480,315
2040 - 2044	323,867	126,562	450,429
2045 - 2049	421,464	57,665	479,129
2050 - 2054	110,995	3,445	114,440
Total	<u>\$ 1,839,021</u>	<u>\$ 917,125</u>	<u>\$ 2,756,146</u>

The NWSA, as a lessee, leases building and office space and the agreements under agreements that do not contain variable payments or residual value guarantees. The NWSA's intangible "right to use" lease assets are included in capital and intangible assets as intangible assets and other non-current liabilities on the statements of net position and are presented below as of December 31, (dollars in thousands):

	2024			
	Beginning of Year	Additions	Retirements and Other	End of Year
Leased assets being amortized:				
Building space	\$ 2,033	\$ -	\$ (159)	\$ 1,874
Total leased assets being amortized	<u>2,033</u>	<u>-</u>	<u>(159)</u>	<u>1,874</u>
Less accumulated amortization:				
Building space	(523)	(180)	159	(544)
Total accumulated amortization	<u>(523)</u>	<u>(180)</u>	<u>159</u>	<u>(544)</u>
Net, leased assets	<u>\$ 1,510</u>	<u>\$ (180)</u>	<u>\$ -</u>	<u>\$ 1,330</u>

Note 5. Leases (Concluded)

	2023			
	Beginning of Year	Additions	Retirements and Other	End of Year
Leased assets being amortized:				
Building space	\$ 2,258	\$ -	\$ (225)	\$ 2,033
Total leased assets being amortized	2,258	-	(225)	2,033
Less accumulated amortization:				
Building space	(488)	(260)	225	(523)
Total accumulated amortization	(488)	(260)	225	(523)
Net, leased assets	\$ 1,770	\$ (260)	\$ -	\$ 1,510

Minimum future lease payments for the leases are as follows (dollars in thousands):

Years ending December 31:	Principal	Interest	Total
2025	\$ 175	\$ 47	\$ 222
2026	188	40	228
2027	202	32	234
2028	217	24	241
2029	233	16	249
2030-2033	315	7	322
Total	\$ 1,330	\$ 166	\$ 1,496

Note 6. Pension Plans

The NWSA's full-time and qualifying part-time employees participate in the cost-sharing, multiple-employer public employee defined benefit retirement plans (PERS) administered by the Washington State Department of Retirement Systems. Historical trend and other information regarding each plan are presented in the Washington State Department of Retirement Systems annual comprehensive financial report. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
P. O. Box 48380
Olympia, WA 98504-8380
Internet Address: www.drs.wa.gov

Plan description and benefits: PERS was established in 1947, and its retirement benefit provisions are contained in Chapters 41.34 and 41.40 RCW. PERS is a cost-sharing, multiple-employer retirement system composed of three separate pension plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

Note 6. Pension Plans (Continued)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the Legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs (HERPs).

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as the terms of the plans define. Therefore, Plan 2/3 is considered a single plan for accounting purposes.

PERS Plan 1 is closed to new entrants. PERS Plan 1 members were vested after the completion of five years of eligible service. PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are calculated using 2% of the member's Average Final Compensation (AFC) times the member's years of service. AFC is the average of the member's 24 consecutive highest-paid service credit months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Members retiring from inactive status before the age of 65 may also receive actuarially reduced benefits. Other benefits include duty and nonduty disability payments, an optional Cost-of-Living Adjustment (COLA), and a one-time, duty-related death benefit, if found eligible by the Washington State Department of Labor & Industries.

The PERS Plan 1 member contribution rate is established by statute at 6%. The employer contribution rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.20%.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service or after five years of service if 12 months of that service are earned after age 44. PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits for Plan 2 are calculated using 2% of the member's AFC times the member's years of service. Retirement defined benefits for Plan 3 are calculated using 1% of AFC times the member's years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. PERS Plan 2/3 has no cap on years of service credit.

Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments; a COLA based on the Consumer Price Index, capped at 3% annually; and a one-time, duty-related death benefit, if found eligible by the Washington State Department of Labor & Industries.

Note 6. Pension Plans (Continued)

The PERS Plan 2/3 employer and employee contribution rates are developed by the OSA to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarial accrued liability, currently set at 2.97%, and an administrative expense that is currently set at 0.20%.

PERS Plan 3 members are immediately vested in the defined contribution portion of their plan. PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate when joining membership and can change rates only when changing employers. As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%; members have six rate options to choose from. Employers do not contribute to the defined contribution benefits.

Contributions: The required contribution rates, expressed as a percentage of covered payrolls, as of December 31 were:

2024	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.53%	9.53%	9.53%
Employee	6.00%	6.36%	***

2023	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.53%	9.53%	9.53%
Employee	6.00%	6.36%	***

* The employer rates include the employer administrative expense fee of 0.20%

** Plan 3 defined benefit portion only

*** Rate selected by PERS 3 members, 5% minimum to 15% maximum

The NWSA made contributions of \$0.2 million for PERS 1 and \$0.5 million for PERS 2 during 2024 and \$0.3 million for PERS 1 and \$0.5 million for PERS 2 in 2023. The NWSA employees also made required contributions for 2024 and 2023. The NWSA's contractually required contributions for the years ended December 31, are as follows (dollars in thousands):

Years ending December 31:	PERS Plan 1	PERS Plan 2/3	Total
2024	\$ 234	\$ 505	\$ 739
2023	\$ 272	\$ 452	\$ 724

Note 6. Pension Plans (Continued)

Pension assets (liabilities), pension expense, and deferred inflows and outflows of resources related to pensions: The NWSA's proportion of the net pension asset was based on a projection of the NWSA's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. NWSA's proportionate share of net pension asset (liability) for the years ended December 31, are presented in the following table (dollars in thousands):

	PERS 1	PERS 2/3	Total
NWSA's proportionate share of the net pension (liability)/asset:			
2024	\$ (699)	\$ 1,681	\$ 982
2023	\$ (908)	\$ 2,102	\$ 1,194
		PERS 1	PERS 2/3
asset:			
2024		0.0394%	0.0510%
2023		0.0398%	0.0513%
Change in proportionate share		-0.0004%	-0.0003%

For the years ended December 31, 2024 and 2023, NWSA reported the following pension (expense) benefit (dollars in thousands):

NWSA's net pension (expense)/benefit	PERS 1	PERS 2/3	Total
2024	\$ 21	\$ 38	\$ 59
2023	\$ 44	\$ 54	\$ 98

Note 6. Pension Plans (Continued)

For the years ended December 31, 2024 and 2023, deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources (dollars in thousands):

	2024		
	PERS 1	PERS 2/3	Total
Sources of deferred outflow of resources:			
Net difference between projected and actual earnings on pension plan investments (2)	\$ -	\$ -	\$ -
Changes in assumptions (1)	-	928	928
Differences between expected and actual experience (1)	-	955	955
Changes in proportion and differences between NWSA contributions and proportionate share of contributions (1)	-	57	57
NWSA contributions subsequent to measurement date	111	281	392
Total	<u>\$ 111</u>	<u>\$ 2,221</u>	<u>\$ 2,332</u>
Sources of deferred inflow of resources:			
Net difference between projected and actual earnings on pension plan investments (2)	\$ (56)	\$ (482)	\$ (538)
Changes in assumptions (1)	-	(107)	(107)
Differences between expected and actual experience (1)	-	(4)	(4)
Changes in proportion and differences between NWSA contributions and proportionate share of contributions (1)	-	(1)	(1)
Total	<u>\$ (56)</u>	<u>\$ (594)</u>	<u>\$ (650)</u>

- (1) The recognition period for each plan is equal to the average of the expected remaining service lives of all employees provided with pensions through the pension plan, which was determined at the beginning of the measurement date.
(2) The recognition period is closed, 5-year period for all plans.

The Northwest Seaport Alliance
Notes to Financial Statements

Note 6. Pension Plans (Continued)

	2023		
	PERS 1	PERS 2/3	Total
Sources of deferred outflow of resources:			
Net difference between projected and actual earnings on pension plan investments (2)	\$ -	\$ -	\$ -
Changes in assumptions (1)	-	883	883
Differences between expected and actual experience (1)	-	428	428
Changes in proportion and differences between NWSA contributions and proportionate share of contributions (1)	-	105	105
NWSA contributions subsequent to measurement date	110	240	350
Total	<u>\$ 110</u>	<u>\$ 1,656</u>	<u>\$ 1,766</u>
Sources of deferred inflow of resources:			
Net difference between projected and actual earnings on pension plan investments (2)	\$ (102)	\$ (792)	\$ (894)
Changes in assumptions (1)	-	(192)	(192)
Differences between expected and actual experience (1)	-	(24)	(24)
Changes in proportion and differences between NWSA contributions and proportionate share of contributions (1)	-	(26)	(26)
Total	<u>\$ (102)</u>	<u>\$ (1,034)</u>	<u>\$ (1,136)</u>

(1) The recognition period for each plan is equal to the average of the expected remaining service lives of all employees provided with pensions through the pension plan, which was determined at the beginning of the measurement date.

(2) The recognition period is closed, 5-year period for all plans.

Note 6. Pension Plans (Continued)

As of December 31, 2024, deferred outflows of resources related to pensions resulting from NWSA's contributions subsequent to the measurement date were \$0.4 million and will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

	PERS 1	PERS 2/3	Total
Years ending December 31:			
2025	\$ (93)	\$ (369)	\$ (462)
2026	48	748	796
2027	(5)	336	331
2028	(6)	332	326
2029	-	166	166
Thereafter	-	132	132
Total	\$ (56)	\$ 1,345	\$ 1,289

Actuarial assumptions:

The 2024 total pension asset (liability) for each of the plans was determined using the most recent actuarial valuation completed in 2024 with a valuation date of June 30, 2023. The actuarial assumptions used in the June 30, 2023, valuation were based on the results of the Office of the Actuary's (OSA) 2013-2018 Demographic Experience Study Report and the 2023 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report.

The 2023 total pension asset (liability) for each of the plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022, with the results rolled forward to measurement date of June 30, 2023. The actuarial assumptions used in the June 30, 2022, valuation were based on the results of the Office of the Actuary's (OSA) 2013-2018 Demographic Experience Study Report and the 2021 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report.

Inflation: 2.75% total economic inflation; 3.25% salary inflation (2023: 2.75% for total economic inflation; 3.25% for salary inflation).

Salary increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increases (2023: salaries were expected to grow 3.25%).

Investment rate of return: 7.00% (2023: 7.00%)

Mortality rates: Mortality rates in 2024 were developed using the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status (e.g., active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Note 6 Pension Plans (Continued)

Assumption and method changes:

Actuarial results that OSA provided reflect the following changes in assumptions and methods:

Assumption Changes:

- Assumptions did not change from the prior contribution rate setting date June 30, 2022 Actuarial Valuation report (AVR).

Method Changes:

- OSA adjusted their methods for calculating UAAL contribution rates in PERS 1 and TERS 1 to reflect the delay between the measurement date of calculated Plan 1 rates and when the rates are collected.

Discount rate: The discount rate used to measure the total pension liability was 7.00% for all plans (2023: 7.00%). To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on the assumptions described in OSA's certification letter within the DRS Annual Comprehensive Financial Report, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00% was used to determine the total liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate: The table below presents the net pension liability (asset) of the Port, calculated using the discount rate of 7.00% as well as what the Port's net pension liability (asset) would be if it were calculated using a discount rate 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate (dollars in thousands):

	Pension Trust	1% Decrease	Discount Rate	1% Increase
December 31, 2024:				
Discount rate		6.00%	7.00%	8.00%
Proportionate share of net pension liability	PERS 1	\$ (1,029)	\$ (699)	\$ (410)
Proportionate share of net pension asset / <liability>	PERS 2/3	(3,030)	1,681	5,550
December 31, 2023:				
Discount rate		6.00%	7.00%	8.00%
Proportionate share of net pension liability	PERS 1	\$ (1,268)	\$ (908)	\$ (593)
Proportionate share of net pension asset / <liability>	PERS 2/3	(2,286)	2,102	5,708

Long-term expected rate of return: The OSA selected a 7.00% long-term expected rate of return on pension plan investments using a building-block method (2023: 7.00% long-term expected rate of return). In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The CMAs contain three pieces of information for each class of assets WSIB currently invests in: expected annual return, standard deviation of the annual return, and correlations between the annual returns of each asset class with every other asset class. The WSIB uses the CMAs and their target asset allocation to simulate future investment returns at various future times.

Note 6. Pensions (Concluded)

Estimated rates of return by asset class: Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024 and 2023 are summarized below. The inflation component used to create the table is 2.50% and 2.20% for June 30, 2024 and 2023, respectively, and represents WSIB's long-term estimate of broad economic inflation consistent with their 2023 and 2021 CMAs.

2024

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed income	19%	2.10%
Tangible assets	8%	4.50%
Real estate	18%	4.80%
Global equity	30%	5.60%
Private equity	25%	8.60%
	<u>100%</u>	

2023

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed income	20%	1.50%
Tangible assets	7%	4.70%
Real estate	18%	5.40%
Global equity	32%	5.90%
Private equity	23%	8.90%
	<u>100%</u>	

Detailed information about the pension plan's fiduciary net position is available in the separately issued DRS financial reports. Additional actuarial and pension plan information is included in the DRS 2024 Annual Comprehensive Financial Report, including descriptions of actuarial data, assumptions, methods, and plan provisions relied on for the preparation of GASB No. 67 and GASB No. 68. Additional details regarding this information are included in OSA's 2023 Actuarial Valuation Report on the OSA website leg.wa.gov/osa.

Note 7. Commitments and Contingencies

Commitments: The NWSA has entered into separate contractual agreements for terminal maintenance, infrastructure improvements, environmental projects, and professional services. At December 31, 2024, the remaining commitments are as follows (dollars in thousands).

Description	Remaining Commitments
Terminal projects	\$ 14,229
Environmental	3,523
Consulting and other	5,644
	<u>\$ 23,396</u>

In addition to contracts entered into by the NWSA, both the Port of Tacoma and the Port of Seattle, acting as agents for the NWSA (per support services agreements), issue contracts on behalf of the NWSA. The remaining commitments on these contracts totaled \$11.5 million at December 31, 2024, which related to contracts issued by the Port of Seattle for construction projects at various terminals. Both ports will be reimbursed by the NWSA in accordance with their support service agreements (see note 9, Related-Party Transactions, for additional information).

Contingencies: The NWSA is named as a defendant in various other lawsuits incidental to carrying out its function. The NWSA believes its ultimate liability, if any, will not be material to the financial statements.

Note 8. Major Customers

Operating revenues and lease interest income for the year ended December 31, 2024 were \$271.7 million. Ten customers represented 75% and \$204.8 million of total operating revenues and lease interest income. The top three customers accounted for 52% of operating revenues and lease interest income. Receivables from the ten significant customers totaled \$12.0 million, and 58%, of total trade receivables at December 31, 2024.

Operating revenues and lease interest income for the year ended December 31, 2023 were \$238.4 million. Ten customers represented 72% and \$172.6 million of total operating revenues and lease interest income. The top three customers accounted for 49% of operating revenues and lease interest income. Receivables from the ten significant customers totaled \$7.9 million, and 57%, of total trade receivables at December 31, 2023.

Note 9. Related-Party Transactions

As more fully described in the MD&A, Note 1, Summary of Significant Accounting Policies, and Note 7, Commitments and Contingencies, the NWSA entered into licensing agreements with each home port for the exclusive use, operation and management of certain facilities, or Licensed Properties. These licensing agreements generated 100% of NWSA revenues in 2024 and 2023.

Support services agreements: The NWSA entered into support services agreements with the home ports to receive support services for back-office infrastructure and administrative functions. The support services received by the NWSA include finance, human resources, information technology, public affairs, risk management, capital construction and environmental project management and contracting, equipment and facilities maintenance, security, and office infrastructure. Support services charged to the NWSA from the home ports totaled \$51.1 million and \$46.1 million in 2024 and 2023, respectively. The expenses are included in operating expenses on the accompanying statements of revenues, expenses, and changes in net position.

Note 9. Related-Party Transactions (Concluded)

The NWSA entered into support services agreements with the Port of Tacoma to provide the Port of Tacoma commercial, environmental and planning support services. Support services provided to the Port of Tacoma by NWSA amounted to \$0.9 million and \$1.1 million in 2024 and 2023, respectively. The amount of operating expenses on the accompanying statements of revenues, expenses and changes in net position are net of the charges to the Port of Tacoma. The NWSA did not enter into agreements to provide support services to the Port of Seattle.

Related-party receivable and payable: The NWSA generally repays the home ports for support services and operating costs incurred as agents for the NWSA, in the following month, after the amount due is determined. At December 31, 2024 and 2023, \$4.1 million and \$3.6 million, respectively, were payable to the home ports and are presented on the statements of net position as related-party payable - Managing Members.

The NWSA distributes cash flow from operations calculated pursuant to GAAP, capital grant contributions, and interest income to the home ports. Distributions have generally been made in the following month, after the amount due is determined. During 2024 and 2023, the NWSA recorded distributions of \$145.0 million and \$125.6 million, respectively, which included \$71.6 million and \$10.7 million, respectively, that were payable to the home ports for distributable cash transferred in the following year and are presented on the statements of net position as related-party payable - Managing Members.

The home ports generally fund capital contribution requirements in the following month, after the amount due is determined. During 2024 and 2023, home ports contributed \$51.7 million and \$60.1 million, respectively, of funding for capital construction projects in accordance with the capital investment plan approved by the Managing Members. At December 31, 2024 and 2023, \$16.1 million and \$14.3 million, respectively, were receivable from the home ports and are presented on the statements of net position as related-party receivable - Managing Members.

The Managing Members also serve as commissioners for their respective home ports.

Note 10. Fair Value Measurements

The NWSA's assets that are measured and reported on a fair value basis are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Note 10. Fair Value Measurements (Concluded)

In determining the appropriate levels, the NWSA performs a detailed analysis of the assets and liabilities that are subject to the guidance. The NWSA's fair value measurements are evaluated by an independent third-party vendor. The third-party vendor uses a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. Level 1 inputs are quoted prices in active markets for identical assets assessed at the measurement date. An active market for the asset is a principal market in which transactions for the asset are open to many and occur with sufficient frequency and volume. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there isn't sufficient activity, and/or where price quotations vary substantially either over time or among market makers (some brokered markets, for example), or in which little information is released publicly. The NWSA does not have any Level 3 assets or liabilities at December 31, 2023 and 2022.

The tables below present the balances of assets measured at fair value by level within the hierarchy at December 31, 2024 and 2023 (dollars in thousands):

2024

	Level 1	Level 2	Total
Investments:			
Federal Home Loan Bank	\$ -	\$ 3,874	\$ 3,874
Federal Home Loan Mortgage Corporation	-	2,959	2,959
Federal National Mortgage Association	-	1,943	1,943
Corporates	-	1,989	1,989
Municipal Bonds	-	7,045	7,045
United States Treasury Bonds	-	2,049	2,049
Total investments	\$ -	\$ 19,859	\$ 19,859

2023

	Level 1	Level 2	Total
Investments:			
Corporates	\$ -	\$ 1,962	\$ 1,962
Federal Home Loan Bank	-	1,823	1,823
Federal Home Loan Mortgage Corporation	-	4,813	4,813
Federal National Mortgage Association	-	1,864	1,864
Municipal Bonds	-	7,034	7,034
Supranational Bonds	-	1,958	1,958
Total investments	\$ -	\$ 19,454	\$ 19,454

Schedule of The Northwest Seaport Alliance's Share of Net Pension Asset/Liability (NPA/NPL) and pension contributions
December 31, 2024
(Dollars in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017
PERS Plan 1								
NWSA's proportion of NPL	0.0394%	0.0398%	0.0408%	0.0430%	0.0430%	0.0454%	0.0459%	0.0230%
NWSA's proportionate share of NPL	\$ 699	\$ 908	\$ 1,137	\$ 525	\$ 1,517	\$ 1,746	\$ 2,052	\$ 1,093
NWSA's covered payroll (plan year)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NWSA's proportionate share of the net pension liability (asset) as a percentage of its covered payroll (plan year)	NA	NA	NA	NA	NA	NA	NA	NA
Plan fiduciary net pension position as a percentage of the total pension liability	84.1%	80.2%	76.6%	88.7%	68.6%	67.1%	63.2%	61.2%
Contractually required contribution	\$ 234	\$ 272	\$ 248	\$ 321	\$ 311	\$ 326	\$ 309	\$ 286
Contributions in relation to the contractually required contribution	(235)	(253)	(256)	(283)	(317)	(314)	(326)	(286)
Contribution (excess) deficiency	\$ (1)	\$ 19	\$ (8)	\$ 38	\$ (6)	\$ 12	\$ (17)	\$ -
NWSA's covered payroll (NWSA's fiscal year)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll (NWSA's fiscal year)	0%	0%	0%	0%	0%	0%	0%	0%
PERS Plan 2/3								
NWSA's proportion of NPL	0.0510%	0.0513%	0.0533%	0.0552%	0.0559%	0.0586%	0.0590%	0.0296%
NWSA's proportionate share of (NPA) NPL	\$ (1,681)	\$ (2,102)	\$ (1,975)	\$ (5,503)	\$ 715	\$ 570	\$ 1,007	\$ 1,030
NWSA's covered payroll (plan year)	\$ 7,939	\$ 7,101	\$ 6,672	\$ 6,608	\$ 6,526	\$ 6,371	\$ 6,151	\$ 5,844
NWSA's proportionate share of the net pension liability (asset) as a percentage of its covered payroll (plan year)	-21.2%	-29.6%	-29.6%	-83.3%	11.0%	8.9%	16.4%	17.6%
Plan fiduciary net pension position as a percentage of the total pension liability	105.2%	107.0%	106.7%	120.3%	97.2%	97.8%	95.8%	91.0%
Contractually required contribution	\$ 505	\$ 452	\$ 424	\$ 523	\$ 517	\$ 491	\$ 472	\$ 411
Contributions in relation to the contractually required contribution	(546)	(475)	(433)	(472)	(523)	(502)	(495)	(411)
Contribution (excess) deficiency	\$ (41)	\$ (23)	\$ (9)	\$ 51	\$ (6)	\$ (11)	\$ (23)	\$ -
NWSA's covered payroll (NWSA's fiscal year)	\$ 8,580	\$ 7,469	\$ 6,791	\$ 6,603	\$ 6,526	\$ 6,362	\$ 6,440	\$ 5,844
Contributions as a percentage of covered payroll (NWSA's fiscal year)	6.4%	6.4%	6.4%	7.1%	8.0%	7.9%	7.7%	7.0%

Information presented prospectively beginning with December 31, 2017, prior year reported with Port of Tacoma.

Notes to required supplementary information

See Note 6 of the financial statements for additional information on the plan.

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*

Managing Members
The Northwest Seaport Alliance

We have audited, in accordance with the auditing standards 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, the financial statements of The Northwest Seaport Alliance (the NWSA) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise NWSA's basic financial statements, and have issued our report thereon dated April 18, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NWSA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NWSA's internal control. Accordingly, we do not express an opinion on the effectiveness of NWSA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether NWSA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Tacoma, Washington
April 18, 2025

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

Managing Members
The Northwest Seaport Alliance

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Northwest Seaport Alliance's (the NWSA) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on NWSA's major federal program for the year December 31, 2024. NWSA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, NWSA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of NWSA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of NWSA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to NWSA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on NWSA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about NWSA's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding NWSA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of NWSA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of NWSA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of NWSA as of and for the year ended December 31, 2024, and have issued our report thereon dated April 18, 2025, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Tacoma, Washington
April 18, 2025

The Northwest Seaport Alliance
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Agreement Number</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Transportation				
Port Infrastructure Development Program	693JF72140018	20.823	\$ 1,282,133	\$ 1,282,133
Port Infrastructure Development Program	693JF72344021	20.823	<u>117,509</u>	<u>-</u>
Total U.S. Department of Transportation			<u>1,399,642</u>	<u>1,282,133</u>
U.S. Environmental Protection Agency				
Diesel Emissions Reduction Act of 2010	01J98601	66.039	71,500	-
Diesel Emissions Reduction Act of 2010	02J71101	66.039	<u>111,000</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>182,500</u>	<u>-</u>
U.S. Department of Energy				
Clean Energy Demonstrations	DE-CD0000040	81.255	<u>1,843</u>	<u>-</u>
Total U.S. Department of Energy			<u>1,843</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,583,985</u>	<u>\$ 1,282,133</u>

See accompanying notes to the schedule of expenditures of federal awards.

The Northwest Seaport Alliance
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Northwest Seaport Alliance (the NWSA) under programs of the federal government for the year ended December 31, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the NWSA, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the NWSA.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The NWSA has not elected to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

**The Northwest Seaport Alliance
Summary of Prior Year Findings
Year Ended December 31, 2024**

Section I—Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Auditor's Report Issued on Compliance for Major Federal Program</u>
20.823	Port Infrastructure Development Program	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee ☒ Yes ☐ No

Section II—Financial Statement Findings None reported

Section III—Federal Award Findings and Questioned Costs None reported

**The Northwest Seaport Alliance
Schedule of Findings and Questioned Costs
Year Ended December 31, 2024**

None reported.