The Northwest Seaport Alliance

Financial Report
December 31, 2023

The Northwest Seaport Alliance

Financial Report

For The Year Ended

December 31, 2023

Contents

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, 2023 and 2022, 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, 2023 and 2022, 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 March 29, 2024, 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.

Moss Adams LLP

Tacoma, Washington
March 29, 2024

The Northwest Seaport Alliance
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2023 and 2022

INTRODUCTION

The Northwest Seaport Alliance (NWSA) Management Discussion and Analysis (MD&A) of financial activities and performance introduces the 2023 and 2022 financial statements with comparison to 2021 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.

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 2024. The 2020 and 2021 contributions were distributed to the home ports and the subsequent contribution will also be distributed to the home ports. 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.

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.

With respect to bonds of each home port that were outstanding at the time of the formation of the NWSA, the Managing Members established a requirement for the NWSA to calculate and establish a minimum level of net income from the NWSA equal to the amount required for the home ports to meet their bond rate covenants in effect at the time of formation of the NWSA ("Bond Income Calculation," initially calculated to be $90 million). The Charter required the Bond Income Calculation to be reviewed annually as part of the NWSA budget process. 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.

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 2023 and the 2024 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):

	2023	2022	2021
Current assets	$ 149,637	$ 126,837	$ 102,167
Capital assets, net	578,784	549,488	514,611
Long-term investments	15,729	20,499	25,289
Leases receivable	1,390,949	1,434,819	1,206,296
Other assets	1,292	920	5,071
Total assets	$ 2,136,391	$ 2,132,563	$ 1,853,434
Deferred outflows of resources	$ 1,766	$ 2,207	$ 1,085
Current liabilities	$ 40,189	$ 46,425	$ 40,996
Noncurrent liabilities	10,532	11,669	9,105
Total liabilities	$ 50,721	$ 58,094	$ 50,101
Deferred inflows of resources	$ 1,458,802	$ 1,497,928	$ 1,266,788
Investment in capital assets	$ 572,689	$ 540,841	$ 499,402
Restricted net position for customer deposits	2,306	2,266	-
Restricted net position for investments	191	1,662	4,655
Restricted net position for pension	1,194	838	308
Unrestricted	52,254	32,980	33,265
Total net position	$ 628,634	$ 578,587	$ 537,630

The NWSA's total net position was $628.6 million at December 31, 2023. Of this amount, $572.7 million was the investment in capital assets, $2.3 million was restricted for customer cash deposit, $0.2 million of investment was restricted by grant and federal restrictions, $1.2 million was the restricted net pension asset, and $52.3 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 expenditures at Terminal 5 of $32.5 million and stormwater improvements at north and south harbor terminals of $10.6 million, offset by depreciation and amortization, see capital asset section below for additional information.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

The NWSA’s total net position was $578.8 million at December 31, 2022. Of this amount, $540.8 million was the investment in capital assets, $2.3 million was restricted for customer cash deposit, $1.7 million of investment was restricted by grant and federal restrictions, $0.8 million was the restricted net pension asset, and $33.1 million was unrestricted and available to finance operating activities. Investment in capital assets increased by $41.4 million over the prior year primarily from terminal development expenditures at Terminal 5 of $37.9 million and stormwater improvements at north and south harbor terminals of $14.0 million, offset by depreciation and amortization. See capital asset section below for additional information.

The following summary compares operating results for 2023, 2022 and 2021.

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

	2023	2022	2021
Operating revenues	$ 180,499	$ 149,380	$ 150,320
Operating expenses	127,914	112,043	103,661
Operating income	52,585	37,337	46,659
Non-operating revenues (expenses):			
Interest income	60,733	59,906	52,146
Net increase (decrease) in the fair value of investments	750	(1,937)	(398)
Other net non-operating income (expense)	(4,934)	9,458	7,300
Total non-operating revenues, net	56,549	67,427	59,048
Capital grant contributions	6,236	5,941	5,457
Increase in net position before Managing Members (distributions), net	$ 115,370	$ 110,705	$ 111,996
Managing Members (distributions), net	(65,484)	(69,587)	(23,658)
Increase in net position	49,886	41,118	88,338
Net position, beginning of year	578,748	537,630	449,292
Net position, end of year	$ 628,634	$ 578,748	$ 537,630

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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.

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

	2023	2022	2021
Operating Revenue*			
Container	$ 186,724	$ 164,215	$ 167,812
Non-container	33,424	28,277	20,995
Real estate	18,290	15,816	13,659
Total operating revenue plus lease interest	238,438	208,308	202,466
Operating expenses	127,914	112,043	103,661
Operating income plust lease interest	$ 110,524	$ 96,265	$ 98,805

**GASB No. 87 lease interest is included in operating revenues for the purposes of MD&A presenation, which differes from the financial statement presenation as required by GAAP*

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

LOB revenues (operating revenues plus lease interest) of $238.4 million was $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.

Operating income plus lease interest of $110.5 million was $14.3 million, or 15%, above the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Net non-operating expense, including capital grant contributions, of $5.0 million was $9.5 million below the prior year. Net Interest income was above the prior year by $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 interest income of $1.8 million in current year. Other net non-operating expense was $4.9 million this year compared to income of $9.5 million in prior year.

Significant current year non-operating income (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

Grant income was $0.3 million above prior year, with current grant income of $6.2 million, which 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 was for grant expenditures of $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.

2022 Revenues, Expenses and Changes in Net Position versus the Prior Year

LOB revenue (operating revenues plus lease interest) of $208.3 million was $5.8 million or 3%, above the prior year. Non-Container revenue increased by $7.3 million, or 35% over the prior year due to a 43% increase in tonnage that pushed breakbulk revenue up $7.1 million, and auto revenue increased by $0.2 million. Real estate revenue increased over the prior year by $2.2 million or 16% from new leases, lease renewals, and rent escalations. Offsetting the increases in the Non-Container and Real Estate businesses, was a decrease in Container revenue of $3.6 million compared to the prior year. Container volume decreased by 9% compared to the previous year driven by two issues. First, uncertainty due to the ongoing labor negotiations between Pacific Maritime Association ("PMA") and the International Longshore and Warehouse Union ("ILWU") has caused shippers to move cargo from West Coast Ports to East Coast and Gulf ports. Second, congestion in Vancouver caused blank sailings (shipping lines skip the NWSA ports) so that the ships can get back on schedule. The lower volume negatively impacted volume related revenue by $5.4 million; Husky Terminal crane and strad revenue was down $2.9 million, Terminal 18 revenue volume related lift revenue was below the prior year by $2.2 million, and intermodal lift revenue decreased by $0.3 million with overall lift volume down 1%. The unfavorable impact of the lower volumes was offset by revenue increases of $0.5 million which were comprised of increases from the opening of Terminal 5 of $10.5 million, from new leases at Terminal 46 of $3.6 million, lease escalations of $2.4 million, and were offset by a decrease of $14.7 million from lease termination payment received in the prior year.

Operating expenses of $112.0 million were $8.3 million above the prior year; operating expenses before depreciation and amortization were $2.4 million or 3% above the prior year and depreciation and amortization was above the prior year by $5.8 million from new asset additions at Terminal 5. The increase in operating expenses before depreciation and amortization was driven by revenue related longshore labor and operating costs of $4.4 million that supported the 43% increase in breakbulk revenue, Terminal 5 longshore shuttle costs incurred during the West Seattle bridge shutdown of $1.9 million and BNSF domestic terminal improvements of $0.4 million. In addition, West Sitcum maintenance expenses increased by $1.1 million for crane rail repairs, air quality spending increased by $0.2 million, and security increased by $0.3 million due to changes in support services allocations and higher breakbulk activity, resulting in a total increase over the prior year of $8.3 million. Offsetting lower expenses of $5.8 million were due to lower intermodal and auto operating expenses of $1.1 million due to lower volumes, lower administrative support services costs of $0.6 million and the following prior year expenses not incurred this year: rail incentives of $2.0 million, Terminal 5 gate and intermodal yard improvements of $1.3 million and Terminal 30 generator rentals of $0.8 million.

Operating income plus lease interest of $96.3 million was $2.5 million, or 3%, below the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Net non-operating income, including capital grant contributions, of $14.4 million was $1.3 million above the prior year. Net Interest expense was above the prior year by $1.4 million due to a higher non-cash loss on the market value of investments of $1.5 million, offset by higher interest income of $0.1 million in current year. Other net non-operating income was $9.5 million this year compared to $7.3 million in prior year.

Significant current year non-operating income (expense) items were:

- $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
- $1.7 million settlement from former W. Sitcum tenant
- $1.8 million reduction in estimate for Terminal 5 public expenses (primarily contribution to Seattle City Light)
- ($0.3) million contribution for South Intermodal yard charging station infrastructure

Significant prior year non-operating income (expense) items were:

- $5.5 million of storm water assets contributed by the Terminal 18 tenant
- $4.2 million from the lease termination agreement
- $0.5 million recovery of prior year over assessment of stormwater fees in the South Harbor
- ($2.8) million for public expenses: Terminal 5 public expense ($1.5 million contribution to Seattle City Light, South Intermodal yard charging stations, Customs and Border Protection ("CBP") facility costs and Husky design costs

Grant income was $0.5 million above prior year, with current grant income of $5.9 million from the Terminal 5 stormwater system of $4.8 million and Terminal 5 shore power infrastructure of $1.1 million. Prior year grant income of $5.5 million was from the following projects: Terminal 5 shore power of $2.6 million, Pierce County Flood District for the Wapato Creek culvert project $0.9 million, Terminal 46 TIGER grant of $1.1 million, Terminal 5 stormwater project - Ecology of $0.8 million and truck scrap bonus program of $0.1 million.

This resulted in an increase in net position before managing members contributions and distributions of $110.7 million, which was $1.3 million and 1% below the prior year.

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	2023	2022
Net Position, beginning of year	$ 578,748	$ 537,630
Capital construction contributions	60,102	58,363
Increase in net position	115,370	110,705
Distributions to Managing Members	(125,586)	(127,950)
Net position, end of year	$ 628,634	$ 578,748

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)

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

	2023	2022	2021
Terminal 5 modernization	$ 32,515	$ 37,836	$ 66,921
N. and S. Harbor terminal stormwater improvements	10,616	13,968	11,334
Facility and building improvements	6,154	5,475	3,672
Husky Terminal redevelopment and container cranes	-	198	2,479
Terminal 46 dock rehabilitation	-	7	2,412
CBP facility	2,018	243	1,378
Other	407	537	2,398
	$ 51,710	$ 58,264	$ 90,594

The NWSA's capital assets, net of depreciation and amortization, for its business activities as of December 31, 2023, 2022 and 2021, amounted to $578.8 million, $549.5 million, $514.6 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, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 4,191	$ 3,671
Restricted Cash	2,306	2,266
Investments, at fair value	45,369	37,367
Trade accounts receivable, net of allowance for doubtful accounts	13,824	12,057
Grants receivable	817	296
Leases receivable - current	66,717	61,062
Related-party receivable - Managing Members	14,274	7,586
Prepayments and other current assets	2,139	2,532
Total current assets	149,637	126,837
Noncurrent assets:		
Long-term investments:		
Restricted investments, at fair value	191	1,662
Other long-term investments, at fair value	15,538	18,837
Total long-term investments	15,729	20,499
Capital and intangible assets:		
Buildings	86,237	86,237
Improvements	311,488	286,734
Machinery and equipment	103,830	103,619
Intangible leased assets	2,033	2,258
Construction in process	164,629	139,173
Total capital and intangible assets	668,217	618,021
Less accumulated depreciation and amortization	89,433	68,533
Net capital and intangible assets	578,784	549,488
Leases receivable	1,390,949	1,434,819
Net pension asset	1,194	838
Other assets	98	82
Total noncurrent assets	1,986,754	2,005,726
Total assets	$ 2,136,391	$ 2,132,563
Deferred outflows of resources:		
Pension deferred outflows	$ 1,766	$ 2,207

See notes to financial statements.

The Northwest Seaport Alliance

Statements of Net Position
December 31, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	$ 23,971	$ 26,456
Related-party payable - Managing Members	14,279	18,360
Payroll and taxes payable	1,939	1,609
Total current liabilities	40,189	46,425
Noncurrent liabilities:		
Security deposits	7,702	8,259
Lease liability, net of current portion	1,330	1,510
Other noncurrent liabilities	1,500	1,900
Total noncurrent liabilities	10,532	11,669
Total liabilities	$ 50,721	$ 58,094
Deferred inflows of resources:		
Leases deferred inflows	$ 1,457,666	$ 1,495,881
Pension deferred inflows	1,136	2,047
Total deferred inflows	$ 1,458,802	$ 1,497,928
Net position:		
Net investment in capital assets	$ 572,689	$ 540,841
Restricted net position for customer deposits	2,306	2,266
Restricted net position for investments	191	1,662
Restricted net position for pension	1,194	838
Unrestricted	52,254	33,141
Total net position	$ 628,634	$ 578,748

See notes to financial statements.

The Northwest Seaport Alliance

Statements of Revenues, Expenses and Changes in Net Position
December 31, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Operating revenues	$ 180,499	$ 149,380
Operating expenses:		
Operations	53,461	47,358
Maintenance	26,766	20,127
Administration	19,146	17,565
Security	4,635	4,283
Environmental	2,629	1,718
Total operating expense before depreciation and amortization	106,637	91,051
Depreciation and amortization	21,277	20,992
Total operating expenses	127,914	112,043
Operating income	52,585	37,337
Nonoperating revenues (expenses):		
Lease interest income, net	57,877	58,855
Interest income	2,794	978
Net incresae (decrease) in the fair value of investments	750	(1,937)
Other non-operating (expense) income, net	(4,872)	9,531
Total nonoperating revenues, net	56,549	67,427
Increase in net position, before capital contributions	109,134	104,764
Capital grant contributions	6,236	5,941
Increase in net position before Managing Members contributions and distributions	115,370	110,705
Capital construction contributions	60,102	58,363
Distributions to Managing Members	(125,586)	(127,950)
Total Managing Members investment, net	(65,484)	(69,587)
Net position, beginning of year	578,748	537,630
Net position, end of year	$ 628,634	$ 578,748

See notes to financial statements.

The Northwest Seaport Alliance

Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Cash flows from operating activities:		
Cash received from customers	$ 180,399	$ 146,052
Cash paid to suppliers, longshore labor and employees	(74,082)	(52,549)
Cash paid to home ports for support services	(41,491)	(38,982)
Cash (paid) received for net non-operating income (expense) income	(1,864)	5,136
Cash received from customer deposits	(1,658)	3,220
Net cash provided by operating activities	61,304	62,877
Cash flows from noncapital financing activities:		
Cash distributions to Managing Members	(130,950)	(117,806)
Net cash used in noncapital financing activities	(130,950)	(117,806)
Cash flows from capital and related financing activities:		
Cash received from Managing Members for capital construction	58,010	56,378
Acquisition and construction of capital assets	(51,710)	(58,264)
Cash received from federal grants	5,715	8,991
Lease interest income, net	57,878	58,856
Net cash provided by capital and related financing activities	69,893	65,961
Cash flows from investing activities:		
Purchases of investments	(175,668)	(169,400)
Proceeds from sales and maturities of investment securities	173,165	156,200
Interest received on investments	2,816	965
Net cash (used in) provided by investing activities	313	(12,235)
Net (decrease) increase in cash	560	(1,203)
Cash and cash equivalents:		
Beginning of year	5,937	7,140
End of year	$ 6,497	$ 5,937

(Continued)

The Northwest Seaport Alliance

Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 52,585	$ 37,337
Adjustments to reconcile operating income to net cash provided by operating activities:		
Nonoperating income	(2,985)	7,036
Depreciation and amortization	21,277	20,992
Changes in assets and liabilities and deferred inflows/outflows:		
(increase) in trade accounts receivable	(1,769)	(3,507)
Decrease (Increase) in prepayments and other current assets	379	(1,112)
Increase (decrease) in accounts payable and other accrued payables	(7,426)	418
Increase in related-party payable - Managing Members	1,756	(943)
Increase in security deposits	(1,658)	3,219
Increase (decrease) in payroll and taxes payable	(29)	130
Decrease in pension related accounts	(826)	(693)
Total adjustments and changes	8,719	25,540
Net cash provided by operating activities	$ 61,304	$ 62,877
Noncash investing and financing activities:		
Capital asset additions and other purchases financed with accounts payable	$ 6,095	$ 8,647
Contributions receivable from Managing Members for capital construction	$ 8,920	$ 7,586
Distributions payable to Managing Members	$ (10,656)	$ (16,020)
Increase (Decrease) in fair value of investments	$ 750	$ (1,937)

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.

Noe 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, 2023 and 2022, 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 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 were $1.5 million at December 31, 2023 and were $1.8 million, net of amortization at December 31, 2022. (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. 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 NWSA's total net position was $628.6 million at December 31, 2023. Of this amount, $572.7 million was the investment in capital assets, $2.3 million was restricted for customer cash deposit, $0.2 million was restricted by grant and federal restrictions, $1.2 million was the restricted net pension asset, and $52.3 million was unrestricted and available to finance operating activities. 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.

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 $0.4 million and $0.2 million at December 31, 2023 and 2022, 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 $0.5 million and $0.1 million, respectively, for each year, and are expected to be paid in the following year. Vacation and sick leave paid in 2023 were $0.5 million and $0.1 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 2023 and 2022.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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, 2023 and 2022, 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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.
- 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. The NWSA held $7.7 million and $8.3 million in cash security deposits at December 31, 2023 and 2022, 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncements: 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 NWSA's financial statements. Additionally, the Statement provides guidance related to leases, public-private partnerships (PPP), and subscription-based information technology arrangements (SBITA) 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 NWSA is currently evaluating the effects these provisions will have on its financial statements.

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 NWSA is currently evaluating the effects of this statement on its financial statements and related disclosures.

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 NWSA is currently evaluating the effects of this statement on its financial statements and related disclosures.

Recent accounting pronouncements adopted:

In March 2020, the GASB issued Statement No. 93*, Replacement of Interbank Offered Rates*. The statement removes the LIBOR as an appropriate benchmark interest rate in hedging derivative instruments and leases and addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate. The requirements of this statement are effective for reporting periods beginning after December 31, 2021. The adoption of this statement and related guidance on continuing the use of LIBOR from GASB Statement No. 99, Omnibus, and did not have a material impact to the financial statements and related disclosures.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The statement addresses issues related to public-private and public-public partnership arrangements and provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The adoption of this statement did not have a material impact to the financial statements and related disclosures.

In June 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The adoption of this statement did not have a material impact to the financial statements and related disclosures.

Note 1. Summary of Significant Accounting Policies (Concluded)

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. The statement established the term annual comprehensive financial report and its acronym, ACFR, to replace the term comprehensive annual financial report and its acronym. The requirements of this statement were effective for reporting periods beginning after June 15, 2022. The adoption of this statement did not have a material impact to the financial statements and related disclosures.

Note 2. Deposits and Investments

Discretionary deposits: The NWSA's cash of $6.5 million and $5.9 million at December 31, 2023 and 2022, respectively ($2.3 million is reported on the statements of net position as restricted cash in 2023 and 2022), were deposited in qualified depositories as required by state statute. Deposits in excess of federal depository insurance coverage are covered by the Public Deposit Protection Commission (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 $0.2 million and $1.7 million at December 31, 2023 and 2022, respectively and restricted cash was $2.3 million at December 31, 2023 and $2.3 million 2022.

Restricted investments on the statements of net position were $0.2 million and $1.7 million at December 31, 2023 and 2022, respectively and restricted cash was $2.3 million at December 31, 2023 and $2.3 million 2022. 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):

	2023				
		Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-3	More than 3	Percentage of Total Portfolio
Federal Home Loan Bank	$ 1,823	$ -	$ -	$ 1,823	3.0%
Federal Home Loan Mortage 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%
Supranational	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%	15.3%	10.1%	100.0%

Note 2. Deposits and Investments (Concluded)

Investment Type	2022 Fair Value	Maturities (in Years) Less than 1	1-3	More than 3	Percentage of Total Portfolio
Federal Home Loan Bank	$ 1,772	$ -	$ -	$ 1,772	3.1%
Federal Home Loan Mortage Corporation	4,622	-	4,622	-	8.0%
Federal National Mortgage Association	1,793	-	1,793	-	3.1%
Corporates	1,942	-	1,942	-	3.3%
Municipal Bonds	8,596	1,767	1,751	5,078	14.9%
Supranationals	1,879	-	1,879	-	3.2%
State Local Investment Pool*	37,262	37,262	-	-	64.4%
Total investments	$ 57,866	$ 39,029	$ 11,987	$ 6,850	100.0%
Percentage of total portfolio		67.4%	20.8%	11.8%	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	2023 Fair Value	Moody's Equivalent Credit Ratings A1	Aa3	Aa2	Aa1	Aaa	No Rating
Federal Home Loan Bank	$ 1,823	$ -	$ -	$ -	$ -	$ 1,823	$ -
Federal Home Loan Mortage Corporation	4,813	-	-	-	-	4,813	-
Federal National Mortgage Association	1,864	-	-	-	-	1,864	-
Corporates	1,962	-	-	-	-	1,962	-
Municipal Bonds	7,034	-	-	2,949	2,439	1,646	-
Supranational	1,958	-	-	-	-	1,958	-
State Local Investment Pool*	41,644	-	-	-	-	-	41,644
Total	$ 61,098	$ -	$ -	$ 2,949	$ 2,439	$ 14,066	$ 41,644

Investment Type	2022 Fair Value	Moody's Equivalent Credit Ratings A1	Aa3	Aa2	Aa1	Aaa	No Rating
Corporates	$ 1,942	$ -	$ -	$ -	$ -	$ 1,942	$ -
Federal Home Loan Bank	1,772	-	-	-	-	1,772	-
Federal Home Loan Mortgage Corp	4,622	-	-	-	-	4,622	-
Federal National Mtg Assn	1,793	-	-	-	-	1,793	-
Municipal Bonds	8,596	-	-	4,647	2,400	1,549	-
Supranationals	1,879	-	-	-	-	1,879	-
State Local Investment Pool*	37,262	-	-	-	-	-	37,262
Total	$ 57,866	$ -	$ -	$ 4,647	$ 2,400	$ 13,557	$ 37,262

* 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.

Note 3. Capital Assets

The following capital asset activity took place during 2023 and 2022 (dollars in thousands):

	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)	-	-	(48,276)
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 3. Capital Assets (Concluded)

	2022				
	Beginning of Year	Additions	Transfers	Retirements and Other	End of Year
Capital assets not being depreciated:					
Construction in process	$ 105,033	$ 58,785	$ (18,488)	$ (6,158)	$ 139,173
Total capital assets not being depreciated	105,033	58,785	(18,488)	(6,158)	139,173
Capital assets being depreciated and amortized:					
Buildings	82,052	-	4,185	-	86,237
Improvements	269,805	2,609	13,914	406	286,734
Machinery and equipment	103,234	-	385	-	103,619
Intangible lease assets	2,027	231			2,258
Total capital assets being depreciated and amortized	457,118	2,840	18,484	406	478,848
Less accumulated depreciation and amortization:					
Buildings	(5,519)	(3,243)	-	-	(8,762)
Improvements	(24,502)	(11,626)	-	-	(36,128)
Machinery and equipment	(17,391)	(5,763)	-	-	(23,154)
Intangible lease assets	(128)	(360)			(488)
Total accumulated depreciation and amortization	(47,540)	(20,992)	-	-	(68,533)
Net, capital assets being depreciated and amortized	409,578	(18,152)	18,484	406	410,315
Net, capital assets	$ 514,611	$ 40,633	$ (4)	$ (5,752)	$ 549,488

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 2024. Excess loss coverage has been purchased through an outside provider to limit individual loss to $0.1 million. Self-insured claim activity for December 31, were as follows (dollars in thousands):

	2023	2022	2021
Claims liability, beginning of year	$ 362	$ 390	$ 389
Claims reserve	1,620	1,008	1,053
Payments on claims	(1,479)	(1,036)	(1,052)
Claims liability, end of year	$ 503	$ 362	$ 390

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, 2023, the estimated self-insurance liability for workers' compensation was $0.1 million and this amount is expected to be paid in 2024. 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):

	2023	2022	2021
Claims liability, beginning of year	$ 48	$ 25	$ 57
Claims incurred during the year	429	92	39
Changes in estimate for prior year claims	2	32	(32)
Payments on claims	(332)	(101)	(39)
Claims liability, end of year	$ 147	$ 48	$ 25

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 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. Total operating revenue from long-term leases in 2022 were $121.3 million, including $116.1 million of principal and interest and $5.2 million variable revenues that were not previously included in the lease receivable balance.

Note 5. Leases (Continued)

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

	Principal	Interest	Total
Years ending December 31:			
2024	$ 66,717	$ 55,527	$ 122,244
2025	69,222	52,849	122,071
2026	70,029	50,137	120,166
2027	56,524	47,664	104,188
2028	57,964	45,472	103,436
2029-2033	302,552	191,885	494,437
2034-2038	236,409	140,356	376,765
2039-2043	241,414	92,870	334,284
2044-2048	274,955	40,806	315,761
2049-2053	81,880	2,969	84,849
Total	$ 1,457,666	$ 720,535	$ 2,178,201

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):

	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

Note 5. Leases (Concluded)

	2022			
	Beginning of Year	Additions	Retirements and Other	End of Year
Leased assets being amortized:				
Building space	$ 2,027	$ 231	$ -	$ 2,258
Total leased assets being amortized	2,027	231	-	2,258
Less accumulated amortization:				
Building space	(128)	(360)	-	(488)
Total accumulated amortization	(128)	(360)	-	(488)
Net, leased assets	$ 1,899	$ (129)	$ -	$ 1,770

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

	Principal	Interest	Total
Years ending December 31:			
2024	$ 180	$ 53	$ 233
2025	175	47	222
2026	188	40	228
2027	202	32	234
2028	217	24	241
2029-2033	548	23	571
Total	$ 1,510	$ 219	$ 1,729

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 3.85%, 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:

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

2022	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	10.39%	10.39%	10.39%
Employee	6.00%	6.36%	***

* The employer rates include the employer administrative expense fee that was 0.18% at 12/31/2022 and 0.20% as of 12/31/2023

** Plan 3 defined benefit portion only

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

The NWSA made contributions of $0.3 million for PERS 1 and $0.5 million for PERS 2 during 2023 and $0.3 million for PERS 1 and $0.4 million for PERS 2 in 2022.The Port employees also made required contributions for 2023 and 2022. The NWSA's contractually required contributions for the years ended December 31, are as follows (dollars in thousands):

	PERS Plan 1	PERS Plan 2/3	Total
Years ending December 31:			
2023	$ 272	$ 452	$ 724
2022	$ 248	$ 424	$ 672

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:			
2023	$ (908)	$ 2,102	$ 1,194
2022	$ (1,137)	$ 1,975	$ 838

	PERS 1	PERS 2/3
NWSA's proportionate share of the net pension asset:		
2023	0.0398%	0.0513%
2022	0.0408%	0.0533%
Change in proportionate share	-0.0010%	-0.0020%

For the years ended December 31, 2023 and 2022, NWSA reported the following pension (expense) benefit (dollars in thousands):

NWSA's net pension (expense)/benefit

	PERS 1	PERS 2/3	Total
2023	$ 44	$ 54	$ 98
2022	$ (466)	$ 470	$ 4

Note 6. Pension Plans (Continued)

For the years ended December 31, 2023 and 2022, deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources (dollars in thousands):

	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	$ 110	$ 1,656	$ 1,766
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	$ (102)	$ (1,034)	$ (1,136)

(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)

	2022		
	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)	-	1,101	1,101
Differences between expected and actual experience (1)	-	489	489
Changes in proportion and differences between NWSA contributions and proportionate share of contributions (1)	-	272	272
NWSA contributions subsequent to measurement date	129	216	345
Total	$ 129	$ 2,078	$ 2,207
Sources of deferred inflow of resources:			
Net difference between projected and actual earnings on pension plan investments (2)	$ (188)	$ (1,460)	$ (1,648)
Changes in assumptions (1)	-	(288)	(288)
Differences between expected and actual experience (1)	-	(45)	(45)
Changes in proportion and differences between NWSA contributions and proportionate share of contributions (1)	-	(66)	(66)
Total	$ (188)	$ (1,859)	$ (2,047)

(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, 2023, 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, 2024. 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:			
2024	$ (70)	$ (338)	$ (408)
2025	(88)	(459)	(547)
2026	55	665	720
2027	1	250	251
2028	-	246	246
Thereafter	-	18	18
Total	$ (102)	$ 382	$ 280

Actuarial assumptions:
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. 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. The 2023 total pension liability for each of the plans was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments. Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report and are as follows:

Inflation: 2.75% total economic inflation; 3.25% salary inflation (2022: 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 promotions and longevity (2022: salaries were expected to grow 3.25%).

Investment rate of return*:* 7.00% (2022: 7.00%).

Mortality rates: Mortality rates in 2023 and 2022 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. Mortality rates are applied on a generational basis; meaning, each 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:

- OSA made adjustments to TRS Plan1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022, measurement date.

Method Changes:

- Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR).

Discount rate: The discount rate used to measure the total pension liability was 7.00% for all plans (2022: 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 net pension liability to changes in the discount rate: The table below presents the net pension liability of employers, calculated using the discount rate of 7.00% as well as what employers' net pension liability would be if it were calculated using a discount rate 1 percentage point lower (6.00%) and 1 percentage point higher (8.00%) than the current rate (dollars in thousands):

	Pension Trust	1% Decrease	Discount Rate	1% Increase
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 (liability) asset	PERS 2/3	(2,286)	2,102	5,708
December 31, 2022:				
Discount rate		6.00%	7.00%	8.00%
Proportionate share of net pension liability	PERS 1	$ (1,519)	$ (1,137)	$ (804)
Proportionate share of net pension asset	PERS 2/3	2,326	1,975	5,509

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 (2022: 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 (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). 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, 2023 and 2022 are summarized below. The inflation component used to create the table is 2.20% for June 30, 2023 and 2022 and represents WSIB's most recent long-term estimate of broad economic inflation.

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%
	100%	

2022

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%
	100%	

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 2022 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 2021 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, 2023, the remaining commitments are as follows (dollars in thousands).

Description	Remaining Commitments
Terminal projects	$ 4,996
Environmental	1,634
Consulting and other	3,782
	$ 10,412

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 $26.6 million at December 31, 2023, which related to contracts issued by the Port of Seattle for terminal construction projects at Terminal 5 and Terminal 46. 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, 2023 were $238.4 million. Ten customers represented 72% and $172.6 million of total operating revenues and leases interest income. The top three customers accounted for 49% of operating revenues and leases interest income. Receivables from the ten significant customers totaled $7.8 million, and 57%, of total trade receivables at December 31, 2023.

Operating revenues and lease interest income for the year ended December 31, 2022 were $208.3 million. Ten customers represented 77% and $159.5 million of total operating revenues and leases interest income. The top three customers accounted for 53% of operating revenues and leases interest income. Receivables from the ten significant customers totaled $3.7 million, and 31%, of total trade receivables at December 31, 2022.

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 2023 and 2022.

Note 9. Related-Party Transactions (Concluded)

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 $46.1 million and $40.2 million in 2023 and 2022, respectively. The expenses are included in operating expenses on the accompanying statements of revenues, expenses, and changes in net position.

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 $1.1 million and $1.2 million in 2023 and 2022, 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, 2023 and 2022, $3.6 million and $2.3 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 on investment to the home ports. Distributions have generally been made in the following month, after the amount due is determined. During 2023 and 2022, the NWSA distributed $131.0 million and $117.8 million, respectively. At December 31, 2023 and 2022, $10.7 million and $16.0 million, respectively, were payable to the home ports 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 2023 and 2022, home ports contributed $60.1 million and $58.4 million, respectively, of funding for capital construction projects in accordance with the capital investment plan approved by the Managing Members. At December 31, 2023 and 2022, $14.3 million and $7.6 million, respectively, were receivable from the home ports and are included in the statements of net position in the balance of 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, 2023 and 2022 (dollars in thousands):

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

2022

	Level 1	Level 2	Total
Investments:			
Corporates	$ -	$ 1,942	$ 1,942
Federal Home Loan Bank	-	1,772	1,772
Federal Home Loan Mortgage Corporation	-	4,622	4,622
Federal National Mortgage Association	-	1,793	1,793
Municipal Bonds		8,596	8,596
Supranational Bonds	-	1,879	1,879
Total investments	$ -	$ 20,604	$ 20,604

The Northwest Seaport Alliance

Required Supplementary Information

Schedule of The Northwest Seaport Alliance's Share of Net Pension Asset/Liability (NPA/NPL) and pension contributions
December 31, 2023
(Dollars in Thousands)

	2023	2022	2021	2020	2019	2018	2017
PERS Plan 1							
NWSA's proportion of NPL	0.0398%	0.0408%	0.0430%	0.0430%	0.0454%	0.0459%	0.0230%
NWSA's proportionate share of NPL	$ 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
Plan fiduciary net pension position as a percentage of the total pension liability	80.2%	76.6%	88.7%	68.6%	67.1%	63.2%	61.2%
Contractually required contribution	$ 272	$ 248	$ 321	$ 311	$ 326	$ 309	$ 286
Contributions in relation to the contractually required contribution	(253)	(256)	(283)	(317)	(314)	(326)	(286)
Contribution (excess) deficiency	$ 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%
PERS Plan 2/3							
NWSA's proportion of NPL	0.0513%	0.0533%	0.0552%	0.0559%	0.0586%	0.0590%	0.0296%
NWSA's proportionate share of (NPA) NPL	$ (2,102)	$ (1,975)	$ (5,503)	$ 715	$ 570	$ 1,007	$ 1,030
NWSA's covered payroll (plan year)	$ 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)	-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	107.0%	106.7%	120.3%	97.2%	97.8%	95.8%	91.0%
Contractually required contribution	$ 452	$ 424	$ 523	$ 517	$ 491	$ 472	$ 411
Contributions in relation to the contractually required contribution	(475)	(433)	(472)	(523)	(502)	(495)	(411)
Contribution (excess) deficiency	$ (23)	$ (9)	$ 51	$ (6)	$ (11)	$ (23)	$ -
NWSA's covered payroll (NWSA's fiscal year)	$ 7,469	$ 6,815	$ 6,603	$ 6,607	$ 6,362	$ 6,440	$ 5,844
Contributions as a percentage of covered payroll (NWSA's fiscal year)	6.4%	6.4%	7.1%	7.9%	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.

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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, 2023, and the related notes to the financial statements, which collectively comprise NWSA's basic financial statements, and have issued our report thereon dated March 29, 2024.

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.

Moss Adams LLP

Tacoma, Washington
March 29, 2024

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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, 2023. 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, 2023.

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, 2023, and have issued our report thereon dated March 29, 2024, 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.

Moss Adams LLP

Tacoma, Washington
March 29, 2024

The Northwest Seaport Alliance
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Agreement Number	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Port Infrastructure Development Program	693JF72140018	20.823	$ 2,183,481	$ 2,143,317
Total U.S. Department of Transportation			2,183,481	2,143,317
U.S. Environmental Protection Agency				
Diesel Emissions Reduction Act of 2010	01J65101/01J98601	66.039	737,761	-
Total U.S. Environmental Protection Agency			737,761	-
Total Expenditures of Federal Awards			$ 2,921,242	$ 2,143,317

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

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, 2023. 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% di minimus indirect cost rate allowed under the Uniform Guidance.

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 __X__ No
- Significant deficiency(ies) identified? ______ Yes __X__ None Reported

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified? ______ Yes __X__ None Reported

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

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

Assistance Listing Number(s)	Name of Federal Program or Cluster	Type of Auditor's Report Issued on Compliance for Major Federal Program
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 __X__ Yes ______ No

Section II—Financial Statement Findings None reported

Section III—Federal Award Findings and Questioned Costs None reported

None reported.