

**PUGET SOUND PILOTS**

**SPECIAL-PURPOSE CONSOLIDATED  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
(MODIFIED ACCRUAL BASIS)**

**FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

**PUGET SOUND PILOTS****TABLE OF CONTENTS**

INDEPENDENT AUDITORS' REPORT	Page 3 - 4
SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Statements of Assets, Liabilities and Pilots' Equity - Modified Accrual Basis	5 - 6
Consolidated Statements of Revenues, Expenses and Changes in Pilots' Equity - Modified Accrual Basis	7
Consolidated Statements of Cash Flows - Modified Accrual Basis	8
Notes to Special-Purpose Consolidated Financial Statements	9 - 22
SUPPLEMENTARY INFORMATION:	
Comments on 2022 Operations	24
Schedule of Days of Service and Distribution of Pilotage Revenue and Expense	25 - 27
Notes to Schedule of Days of Service and Distribution of Pilotage Revenue and Expense	28
Schedule of Retirement Income for Inactive Pilots and Other Eligible Participants	29
Schedule of Seattle Office Operating Expense and Administrative Overhead	30
Schedule of Boat Operating Expense	31
Schedule of Port Angeles Station Operating Expense	32
Schedule of Employees	33



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Puget Sound Pilots  
Seattle, Washington

### **Opinion**

We have audited the accompanying special-purpose consolidated financial statements of Puget Sound Pilots (a voluntary association of sole proprietors and incorporated individuals), which comprise the special-purpose consolidated statements of assets, liabilities and pilots' equity - modified accrual basis as of December 31, 2022 and 2021, and the related special-purpose consolidated statements of revenues, expenses and changes in pilots' equity - modified accrual basis and cash flows - modified accrual basis for the years then ended, and the related notes to the special-purpose consolidated financial statements.

In our opinion, the special-purpose consolidated financial statements referred to above present fairly, in all material respects, the financial position of Puget Sound Pilots as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with the modified accrual basis of accounting described in Note 1.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Puget Sound Pilots and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis of Accounting**

We draw attention to Note 1 of the special-purpose consolidated financial statements, which describes the basis of accounting. The special-purpose consolidated financial statements are prepared on the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the special-purpose consolidated financial statements in accordance with the modified accrual basis of accounting as described in Note 1; this includes determining that the modified accrual basis of accounting is an acceptable basis for preparation of the special-purpose consolidated financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair preparation of special-purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special-purpose consolidated 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 generally accepted 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the special-purpose consolidated 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 special-purpose consolidated 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 Puget Sound Pilots' 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 special-purpose consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Puget Sound Pilots' 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.

#### **Restriction on Use**

This report is intended solely for the information and use of Puget Sound Pilots, the Washington State Board of Pilotage Commissioners, and the Utilities and Transportation Commission and is not intended and should not be used by anyone other than these specified parties.

#### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the special-purpose consolidated financial statements as a whole. The Comments on 2022 Operations, Schedule of Days of Service and Distribution of Pilotage Revenue and Expense, Notes to Schedule of Days of Service and Distribution of Pilotage Revenue and Expense, Schedule of Retirement Income for Inactive Pilots and Other Eligible Participants, Schedule of Seattle Office Operating Expense and Administrative Overhead, Schedule of Boat Operating Expense, Schedule of Port Angeles Station Operating Expense, and Schedule of Employees are presented for purposes of additional analysis and are not a required part of the special-purpose consolidated 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 special-purpose consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the special-purpose consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose consolidated financial statements or to the special-purpose consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the special-purpose consolidated financial statements as a whole.

*Shannon & Associates*

Kent, Washington  
March 23, 2023

**PUGET SOUND PILOTS**  
**CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES**  
**AND PILOTS' EQUITY - MODIFIED ACCRUAL BASIS**  
**DECEMBER 31, 2022 AND 2021**

<u>ASSETS</u>			
	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
1. <b>CURRENT ASSETS</b>			
2. Cash in banks	\$ 2,611,780	\$ 1,215,099	\$ 1,396,681
3. Accounts receivable, net of allowance for doubtful accounts of \$5,500 at each year end	1,821,718	2,175,085	(353,367)
4. Prepaid expenses and other assets	<u>350,201</u>	<u>183,367</u>	<u>166,834</u>
5. <b>TOTAL CURRENT ASSETS</b>	4,783,699	3,573,551	1,210,148
6. <b>PROPERTY, BOATS AND EQUIPMENT</b>			
7. Total building, boats, furnishings, and equipment	11,316,631	9,898,175	1,418,456
8. Less accumulated depreciation and amortization	<u>(9,170,272)</u>	<u>(9,120,143)</u>	<u>(50,129)</u>
9. <b>NET PROPERTY, BOATS, AND EQUIPMENT</b>	<u>2,146,359</u>	<u>778,032</u>	<u>1,368,327</u>
10. <b>TOTAL ASSETS</b>	<u>\$ 6,930,058</u>	<u>\$ 4,351,583</u>	<u>\$ 2,578,475</u>

The accompanying notes are an integral part of these special-purpose consolidated financial statements.

**PUGET SOUND PILOTS**  
**CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES**  
**AND PILOTS' EQUITY - MODIFIED ACCRUAL BASIS**  
**DECEMBER 31, 2022 AND 2021**

**LIABILITIES AND PILOTS' EQUITY**

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
11. <b>CURRENT LIABILITIES</b>			
12. Funds held in trust (See Note 3)	\$ 114,390	\$ 148,926	\$ (34,536)
13. Callback day expense payable (See Note 4)	1,027,684	389,350	638,334
14. Accrued taxes	46,454	43,732	2,722
15. Retirement expense payable	497,138	507,660	(10,522)
16. Contingent UTC liability (See Note 14)	474,035	124,239	349,796
17. Current portion of long-term debt	<u>373,992</u>	<u>-</u>	<u>373,992</u>
18. <b>TOTAL CURRENT LIABILITIES</b>	2,533,693	1,213,907	1,319,786
19. <b>LONG-TERM LIABILITIES, net of current portion</b>	<u>1,044,464</u>	<u>-</u>	<u>1,044,464</u>
20. <b>TOTAL LIABILITIES</b>	3,578,157	1,213,907	2,364,250
21. <b>PILOTS' EQUITY</b>			
22. December distributions payable to pilots	1,067,016	916,282	150,734
23. Reserved for operations	750,000	750,000	-
24. Equity from buy-ins and buy-outs, net	(109,547)	(190,151)	80,604
25. Remainder of pilots' equity	<u>1,644,432</u>	<u>1,661,545</u>	<u>(17,113)</u>
26. <b>TOTAL PILOTS' EQUITY</b>	<u>3,351,901</u>	<u>3,137,676</u>	<u>214,225</u>
27. <b>TOTAL LIABILITIES AND PILOTS' EQUITY</b>	<u>\$ 6,930,058</u>	<u>\$ 4,351,583</u>	<u>\$ 2,578,475</u>

The accompanying notes are an integral part of these special-purpose consolidated financial statements.

**PUGET SOUND PILOTS**  
**CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN PILOTS' EQUITY - MODIFIED ACCRUAL BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>		<u>2021</u>	
	Amount	Percent	Amount	Percent
<b>1. PILOTAGE REVENUE</b>	\$ 36,089,905	100.0 %	\$ 31,954,603	100.0 %
<b>2. OPERATING EXPENSES</b>				
3. Seattle office operating expense and administrative overhead	15,669,500	43.4	13,667,849	42.8
4. Boat operating expense	2,210,672	6.1	2,067,075	6.5
5. Port Angeles station operating expense	<u>304,167</u>	<u>0.8</u>	<u>327,583</u>	<u>1.0</u>
<b>6. TOTAL OPERATING EXPENSES</b>	18,184,339	50.3	16,062,507	50.3
<b>7. NET INCOME FROM POOLED OPERATIONS</b>	17,905,566	49.6	15,892,096	49.7
<b>8. OTHER INCOME</b>				
9. Interest income and finance charges	33,504	0.1	18,827	0.1
10. PPP loan forgiveness	<u>-</u>	<u>-</u>	<u>362,969</u>	<u>1.1</u>
<b>11. TOTAL OTHER INCOME</b>	33,504	0.1	381,796	1.1
<b>12. BALANCE OF REVENUE POOL BEFORE DEDUCTIONS OF DISABILITY INSURANCE</b>	17,939,070	<u>49.7 %</u>	16,273,892	<u>50.9 %</u>
<b>13. LESS PER DETAIL BELOW</b>				
14. Buy-ins and buy-outs, net	(80,604)		(10,106)	
15. All other payments to pilots	<u>(17,644,241)</u>		<u>(16,170,144)</u>	
<b>16. TOTAL DETAIL</b>	<u>(17,724,845)</u>		<u>(16,180,250)</u>	
<b>17. NET INCREASE (DECREASE) IN PILOTS' EQUITY</b>	214,225		93,642	
<b>18. BEGINNING PILOTS' EQUITY</b>	<u>3,137,676</u>		<u>3,044,034</u>	
<b>19. ENDING PILOTS' EQUITY</b>	<u>\$ 3,351,901</u>		<u>\$ 3,137,676</u>	

The accompanying notes are an integral part of these special-purpose consolidated financial statements.

**PUGET SOUND PILOTS**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS - MODIFIED ACCRUAL BASIS**  
**DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
1. Balance of revenue pool before deductions of disability insurance	\$ 17,939,070	\$ 16,273,892
Adjustments to reconcile balance of revenue pool to cash provided by operating activities:		
2. Depreciation and amortization	50,129	82,800
3. PPP loan forgiveness	-	(362,969)
4. Decrease (increase) in net accounts receivable	353,367	312,383
5. Increase in prepaid expenses	(166,834)	(57,580)
6. Increase (decrease) in funds held in trust (see Note 3)	(34,536)	27,181
7. Increase in callback day expense payable (see Note 4)	638,334	389,350
8. Increase in accrued taxes	2,722	5,166
9. Increase (decrease) in retirement expense payable	(10,522)	76,110
10. Increase in UTC contingent liability	349,796	124,239
<b>11. NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>19,121,526</b>	<b>16,870,572</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
12. Principal payments on notes payable	-	(22,997)
13. Payments (to) from buy-ins and buy-outs, net	(80,604)	(10,106)
14. Payments to members	(17,644,241)	(16,170,144)
<b>15. NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(17,724,845)</b>	<b>(16,203,247)</b>
<b>16. NET INCREASE (DECREASE) IN CASH</b>	<b>1,396,681</b>	<b>667,325</b>
17. Cash at beginning of year	1,215,099	547,774
18. Cash at end of year	\$ 2,611,780	\$ 1,215,099
<b>Supplemental disclosure of cash flow information</b>		
19. Interest paid	\$ 27,946	\$ 125
<b>Non Cash Investing and Financing</b>		
20. Purchase of fixed assets with debt	\$ 1,418,456	\$ -

The accompanying notes are an integral part of these special-purpose consolidated financial statements.



**PUGET SOUND PILOTS**  
**NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

---

**NOTE 1.--NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The Puget Sound Pilots (PSP) is a voluntary association of sole proprietors and incorporated individuals. As such, it is an organization made up of independent contractors who pool revenue and expenses and who operate together for administrative purposes in providing regulated pilotage services. They do so for the efficiency of the membership and also, for the benefit of their commercial customers. The association provides centralized dispatch and enables customers to streamline and consolidate pilotage service orders and communications with independent pilotage service providers (“pilots”) in one place rather than relying upon direct contacts of individual pilots who may be providing services at remote locations, distant from those where the customer has pressing service needs and who is also aware of all of the safety and operating protocols of an experienced and established pilotage association.

Their abiding mission is to ensure against the loss of lives, loss of or damage to property and vessels, and to protect the marine environment by maintaining efficient and competent pilotage service on our State’s inland waters within the Puget Sound Pilotage District. They pilot vessels under licenses issued by the U.S. Coast Guard and the State of Washington. Customers are international and domestic companies that pay prescribed rates to utilize pilotage services within Puget Sound. Their business is conducted in accordance with the Pilotage Act of the State of Washington and outlined in RCW 88.16. Pilotage revenues are dependent on the tariff historically set by the Washington State Board of Pilotage Commissioners (“BPC”) and the levels of maritime traffic on these waters. The Washington State legislature enacted a bill (SB 6519) revising the procedure for marine pilotage tariffs and that was signed into law on March 15, 2018. That law transferred the function of marine pilotage rate setting from the Board of Pilotage Commissioners to the Washington Utilities and Transportation Commission (“WUTC”), effective July 1, 2019. Effective January 25, 2021, the Washington Utilities and Transportation Commission (WUTC) updated the tariff rates based on the WUTC rate hearing. This was the first rate change under the WUTC.

Principles of Consolidation

The special-purpose consolidated financial statements (also referred to as special purpose financial statements) include the accounts of PSP and Pilot Technology Services II, LLC (PTS), a wholly owned subsidiary. Total PTS expenses are included in Seattle operating expenses. All significant intercompany transactions and balances have been eliminated. Unless otherwise noted, PSP refers to the consolidated entity.

**PUGET SOUND PILOTS**  
**NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

---

**NOTE 1.--NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Principles of Consolidation (Continued)

PSP has an agreement with PTS under which PTS, having expertise in the area of technological assistance and education to marine pilots, can provide equipment, educational, and related services to pilots licensed in the State of Washington. Under the terms of the agreement, PSP pays PTS for providing equipment (PPUs) and related services to the pilots. Further, under a second agreement, PTS pays PSP for the cost of certain administrative services.

	<u>2022</u>	<u>2021</u>
Interest expense	\$ 27,946	\$ -
	<u>\$ 27,946</u>	<u>\$ -</u>

Basis of Accounting

The accompanying special-purpose consolidated financial statements have been prepared on the modified accrual basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. That basis differs from accounting principles generally accepted in the United States of America in that payments to vendors are recognized when paid instead of when goods or services are received. Also, payments to employees and the executive director for compensated absences (sick leave) are recognized when paid instead of when the leave is earned, and payments to pilots for compensated absences ((vacation, unfunded callback (see Note 12) and sick leave)), retirement, major medical and redemption of member ownership interests (buy-outs) are recognized when paid rather than when the leave is earned or liability incurred. See Notes 8 and 12 for unrecorded liabilities.

Revenue Recognition

Pilotage revenue is recognized on the accrual basis of accounting when services are performed. Revenue is based on tariff rates for various services. In 2019, the law transferred the function of the rate setting from the Washington State Board of Pilotage Commissioners to the Washington Utilities and Transportation Commission. However, during 2020 there were no rate changes and the rates in place were those set by the Washington State Board of Pilotage Commissioners. Effective January 25, 2021 a new tariff set by the WUTC became effective. The new tariff substantially changed the rate charging structure to be based upon a tonnage charge based on the vessel's international gross tonnage. In addition, the pilots have a service time charge of \$244.50 in 2021 and \$247.50 per hour in 2022, a pilot boat charge of \$348 for both 2021 and 2022 per trip and a transportation charge of \$168.20 per trip. Other ancillary charges allow for cancellations, delays or additional services provided.

**PUGET SOUND PILOTS**  
**NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

---

**NOTE 1.--NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Pilot Distributable Revenue and Reimbursed Expenses

Puget Sound Pilots passes all revenue and expenses to the individual pilots monthly which is considered a distribution. Puget Sound Pilots is not in the business of retaining profits or providing a return on investment to the individual members (pilots). The objective is to optimize individual member monthly distributions by billing for all pilotage services on behalf of the members and maintaining efficient operations in which to minimize administrative expenses. As a result, each individual pilot receives a monthly distribution which is calculated as an equal share (based on duty days) of all billed revenue net of paid expenses.

In addition, each pilot is reimbursed for travel expenses that they personally incur. Beginning December 2020, TEC and PA travel was no longer paid to pilots through the distributions but was individually reimbursed to the pilots. The amount included in Seattle operating expenses for the years ended 2022 and 2021 was \$1,513,358 and \$1,257,205 respectively.

Cash and Cash Equivalents

Cash and cash equivalents for purposes of the statements of cash flows, includes checking accounts, money market accounts, and certificates of deposit.

Accounts Receivable, Credit Policies, and Allowance For Doubtful Accounts

Accounts receivable are customer obligations due under trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer.

Finance charges are accrued at 1.5% monthly if payment is not made within the normal payment terms. Accounts over 90 days were \$2,030 and \$4,147 at December 31, 2022 and 2021, respectively.

PSP establishes an allowance for uncollectible trade accounts receivable based on historical collection experience and management's evaluation of collectability of outstanding accounts receivable. At both December 31, 2022 and 2021 the allowance was \$5,500.

Property, Boats, and Equipment

Building, boats, equipment (including software) and furnishings are carried at cost. Depreciation and amortization of these assets is provided by the straight-line method over the assets' estimated useful lives which range from 3 to 39 years. Leasehold improvements are amortized over the shorter of the lease term or the assets useful life.

Effective January 1, 2014, PSP instituted a policy under which expenditures of \$5,000 or more representing major improvements, replacements or extension of useful lives of

**PUGET SOUND PILOTS**  
**NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

---

**NOTE 1.--NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property, Boats, and Equipment (Continued)

property, boats, furnishings and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Major boat and engine repairs are expensed as incurred. Upon sale or retirement of property, boats, furnishings and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in the results of operations. Depreciation and amortization for the years ended December 31, 2022 and 2021, was \$50,129 and \$82,800, respectively.

Income Taxes

As a voluntary association of sole proprietors and incorporated individuals, the PSP files a US Partnership Return of Income, which is informational in nature. The income and expense of the PSP includes only items relating to the business of the PSP which pass on to the individual or corporate income tax returns of the pilots. Pilots are responsible for their own income, social security and Medicare taxes. Accordingly, no provision for federal income taxes is represented in the special-purpose consolidated financial statements.

PSP asserts on all filings with the Internal Revenue Service that it is a voluntary association of individual persons and corporations and is not a partnership for any purpose whatsoever, including taxation, per a 1954 IRS directive.

PSP measures and recognizes the implications of positions taken or expected to be taken in its tax returns on an ongoing basis in accordance with income tax guidance. PSP had no unrecognized tax benefits or liabilities and no adjustments to its financial position, results of operations or cash flows related to uncertain tax positions taken for the years ended December 31, 2022 and 2021. PSP is no longer subject to federal, state or local income tax examinations by tax authorities for years prior to 2018. If assessed, PSP recognizes penalties and interest associated with tax matters as part of operating expenses.

Use of Estimates

The preparation of special-purpose consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the special-purpose consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PUGET SOUND PILOTS**  
**NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1.--NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Impacts of COVID-19

The outbreak of the COVID-19 pandemic has severely impacted and continues to severely impact the U.S. and global economies. The full impact of the COVID-19

outbreak continues to evolve as of the date the financial statements were available to be issued. As such, it is uncertain as to the full magnitude that the pandemic will have on PSP's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, industry and workforce.

**NOTE 2.--PROPERTY, BOATS AND EQUIPMENT**

Property, boats and equipment are summarized as follows:

	<u>2022</u>	<u>2021</u>
Port Angeles station building	\$ 2,104,532	\$ 2,104,532
Port Angeles station furnishings and equipment	150,684	150,684
Boat "Juan de Fuca"	3,221,448	3,221,448
Boat "Puget Sound"	3,639,784	3,639,784
Seattle office furnishings, furniture and equipment, including computers	781,727	781,727
Portable pilot equipment (in service 2023)	<u>1,418,456</u>	<u>-</u>
	11,316,631	9,898,175
Less accumulated depreciation and amortization	<u>(9,170,272)</u>	<u>(9,120,143)</u>
	<u>\$ 2,146,359</u>	<u>\$ 778,032</u>

**NOTE 3.--FUNDS HELD IN TRUST - TRAINING SURCHARGE AND SELF-INSURANCE LIABILITY PREMIUM**

Funds held in trust at December 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Pilotage Commission Trust - trainee surcharge	\$ 101,302	\$ 135,502
Pilotage Commission self - insurance premium	<u>13,088</u>	<u>13,424</u>
	<u>\$ 114,390</u>	<u>\$ 148,926</u>

**PUGET SOUND PILOTS**  
**NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 3.--FUNDS HELD IN TRUST - TRAINING SURCHARGE AND SELF-INSURANCE**  
**LIABILITY PREMIUM (Continued)**

Pilotage Commission Trust – Pilot Trainee Surcharge

PSP acts as a fiduciary agent for the Washington State Board of Pilotage Commissioners (BPC) and collects a training surcharge on behalf of the BPC. This fee is set by the BPC and is invoiced by PSP on a per trainee and per-assignment basis. The funds are scheduled to be transmitted by PSP to the BPC on a monthly basis.

Pilot Trainee surcharge detail for years ended December 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Pilot Trainee surcharge billed to customers (excluded from Pilotage Revenue on Page 7)	\$ 1,169,374	\$ 1,172,270
Pilot Trainee surcharge collected from customers	1,192,459	1,180,011
Collected and due to the BPC at December 31, 2022 and 2021	88,141	98,553
Billed and uncollected amounts due to the BPC at December 31, 2022 and 2021	25,650	40,994

Pilotage Commission Trust – Self-insurance Liability Premium (SILA)

PSP acts as a fiduciary agent for the Washington State Board of Pilotage Commissioners (BPC) and collects a self-insurance liability account surcharge on behalf of the BPC. This fee was established as a result of the Washington legislative action in 2017.

In order to promptly comply with the provisions described in the Engrossed Senate bill 5096 Sec. 108, effective May 18, 2017, the WUTC filed a new rule under emergency provisions. A public hearing was held in order to permanently adopt the rule, WAC 363-116-301 New Revenue Collection: Effective May 18, 2017 through June 30, 2023, Engrossed Senate Bill No. 5096 Section 108, the board of pilotage commissioners is appropriated \$1,100,000 from the multimodal transportation account solely for self-insurance liability premium expenditures.

This appropriation requires two stipulated conditions: 1) The Puget Sound Pilots shall pay to the board, from its tariffs, \$150,000 annually through July 1, 2022. 2) A self-insurance premium surcharge of \$16 shall be added to each Puget Sound pilotage assignment on all vessels requiring pilotage. The Puget Sound Pilots shall remit the total amount of such surcharge generated to the BPC by the 10<sup>th</sup> of each month. The surcharge is in effect from July 1, 2017 through June 30, 2023.

Self-insurance premium surcharge payable detail for years ended December 31, 2022 and 2021, consisted of the following:

**PUGET SOUND PILOTS**  
**NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 3.--FUNDS HELD IN TRUST - TRAINING SURCHARGE AND SELF-INSURANCE  
LIABILITY PREMIUM (Continued)**

Pilotage Commission Trust – Self-insurance Liability Premium (SILA) (Continued)

	<u>2022</u>	<u>2021</u>
Self-insurance premium surcharge billed to customers (excluded from Pilotage Revenue on Page 7)	\$ 119,728	\$ 111,248
Self-insurance premium surcharge collected from customers	120,064	113,584
Collected and due to the BPC at December 31, 2022 and 2021	10,640	9,488
Billed and uncollected amounts due to the BPC at December 31, 2022 and 2021	2,446	3,934

**NOTE 4.--FUNDED CALLBACK DAYS**

The Utilities and Transportation Commission ordered PSP to use full accrual method accounting to record callback day liabilities. The value of a callback day will be adjusted annually as of May 1 of each year. As of May 1, 2021, the organization began funding all new callback days at a rate of \$1,198 per callback day worked. In May 2022, the rate was \$1,620. As callback days are earned by pilots a liability is recorded and offsetting expense to the pilots. As callback days are used, the liability is reduced and the expense to pilots is reduced. As of May 1, 2021, all callback days that were previously outstanding were considered unfunded and treated the same way they have been historically (see Note 12). As of May 1, 2021, Pilots use callback days on a last in first out basis. As of December 31, 2022 and 2021 there were 752 and 327 funded days and 2,063 and 2,429 unfunded days outstanding, respectively.

**PUGET SOUND PILOTS**  
**NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

---

**NOTE 5.--LONG-TERM LIABILITIES**

Notes payable at December 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Portable pilot unit note payable to US Bank secured by PTS II, LLC equipment, bearing interest at a fixed rate of 6.98%, monthly payments of \$33,861, matures on January 3, 2027.	\$ 1,418,456	\$ -
Less current portion	( 373,992)	( -)
Total long-term liabilities	<u>\$ 1,044,464</u>	<u>\$ -</u>

Total interest expense was \$27,946 and \$125 for the years ended December 31, 2022 and 2021, respectively.

**NOTE 6.--PPP LOAN**

During May 2020, the Company received a Paycheck Protection Program (PPP) loan from U.S Bank for \$362,969. The PPP is a Small Business Administration (SBA) loan designed to provide a direct incentive for small businesses to keep their workers on the payroll during the COVID-19 pandemic. The original note bore an interest rate of 1%. Under the requirements of the CARES Act, as amended by the PPP Flexibility Act and Consolidated Appropriations Act, 2021, proceeds may only be used for the Company's eligible payroll costs, or other eligible costs related to rent, mortgage interest, utilities, covered operations expenditures, covered property damage, covered supplier costs, covered worker protection expenditures, in each case paid during the 24 week period following disbursement. The PPP loan may be fully forgiven if (i) proceeds are used to pay eligible payroll costs or other eligible costs and (ii) full time employee headcount and salaries are either maintained during the 24 week period following disbursement or restored by December 31, 2020. If not maintained or restored, any forgiveness of the PPP loan would be reduced in accordance with the regulations that were issued by the SBA. PSP made a policy election to classify the loan as current debt as of December 31, 2020, on the accompanying special-purpose statements of assets, liabilities, and pilots' equity and to exclude the PPP loan payments from the future minimum payments schedule. Effective July 23, 2021, the Company received full forgiveness of the loan and recognized income from forgiveness of the PPP loan amount of \$362,969 in the accompanying consolidated statements of revenues, expenses and changes in Pilots' equity. The income from loan forgiveness was not included in pilots net income from pooled operations.



**PUGET SOUND PILOTS**  
**NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

---

**NOTE 7.--LINE OF CREDIT**

PSP had a line of credit with a bank in the amount of \$500,000 which expired September 25, 2021, and was renewed with the bank in the amount of \$1,000,000 that expires September 30, 2023. The line of credit bears interest at an annual rate equal to the 1-month LIBOR rate plus 1.35%. The interest rate was 1.48% at December 31, 2021 and 5.78% at December 31, 2022. The balance outstanding at both December 31, 2022 and 2021 was \$0. Accounts, equipment, and other assets are security on the line. The agreement also requires PSP to provide periodic and annual financial statements prepared in accordance with generally accepted accounting principles. The bank has been provided with these special-purpose consolidated financial statements prepared in accordance with the modified accrual basis of accounting.

**NOTE 8.--RETIREMENT PLANS AND UNRECORDED LIABILITY - PILOTS AND FORMER EXECUTIVE DIRECTOR**

A retirement program, identified as Plan 1, was adopted in 1982 and most recently amended in August 2006. The program provides each retired pilot and a former executive director an annual income (paid monthly) of 1.50% of the average of the final three years Target Net Income, as established by the Pilotage Commission (or actual average net income for any year in which there is no target net income) multiplied by the number of years of service.

Pilots who retired between December 31, 1978, and December 31, 1981, participate in a retirement plan known as the "Retirement Agreement of 1978." Members who retired prior to that date participate in a smaller plan known as the "Trust Contract." Surviving spouses of members receive a benefit equal to 50% of the member's entitlement.

Retirement payments to eligible recipients are made from currently earned PSP income. There is no separate, segregated fund for satisfaction of future retirement income. As of December 31, 2022, and 2021, there were no assets earmarked for future benefits. For nearly four decades, from 1967-2006, the BPC recognized the annual ongoing costs of the pilot retirement plans as allowed expenses in revenues generated by the pilotage tariff. An estimate of the unfunded retirement program liability as of December 31, 2022 and 2021, has not been quantified. See Note 12 for further discussion of unrecorded liabilities.

**PUGET SOUND PILOTS**  
**NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

---

**NOTE 9.--RETIREMENT PLANS - EMPLOYEES**

The PSP union employee retirement plan is defined in the collective bargaining agreement between PSP and the Inland boatmen's Union of the Pacific (Union).

The Union sponsors a contributory 401(k) plan so that employees may contribute a portion of their pretax income into a retirement plan. All Union employees are eligible to participate upon commencing employment. PSP does not sponsor or contribute to the Union's 401(k) plan. See Note 13 for Union pension information.

The PSP offers non-union employees a 401(k) retirement plan. In 2021, the plan allowed for employee elective deferrals and provided a safe harbor match and discretionary profit sharing contribution. Effective January 1, 2022, PSP implemented a new 401(k) safe harbor plan which allows for employee elective deferrals, safe harbor matching contributions as well as discretionary employer contributions. Total employer contributions were \$12,012 and \$4,929 for year ended December 31, 2022 and 2021, respectively.

**NOTE 10.--LEASES**

**Port Angeles Station**

A building serving as a boarding and boat station is constructed on tidelands leased from the State of Washington. PSP had a lease with the State of Washington Department of Natural Resources that expired July 2021. Effective July 2021, the lease was renewed for 12 years ending July 2033. Rent expense related to this lease for 2022 and 2021 was \$3,735 and \$3,918, respectively.

**Seattle Office**

The Seattle office lease is for seven years ending November 2026 and has a five-year extension option. The lease has annual increases in rental rate per square foot. Rent is expensed as incurred and not amortized ratably over the lease term. Rent expense related to the Seattle location for 2022 and 2021 was \$103,044 and \$115,880, respectively.

PSP obtained an operating lease for PPU's in 2018. The lease was for 53 units for a period of 36 months effective July 1, 2018 and expired during 2021 and continued on a month to month basis until new units are in use. Rent expense related to this lease for 2022 and 2021 was \$304,189 and \$335,820, respectively.

**PUGET SOUND PILOTS**  
**NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

---

**NOTE 10.—LEASES (Continued)**

The following is a schedule of future minimum lease payments for non-cancelable operating leases as of December 31, 2022:

<u>Years ending December 31,</u>	
2023	\$ 123,118
2024	126,732
2025	130,446
2026	123,045
2027	2,749
Thereafter	<u>13,744</u>
	<b><u>\$ 519,834</u></b>

Total Leases

Total rent expense for all leases including parking, which is on a month-to-month agreement, was \$495,783 and \$528,503 for 2022 and 2021, respectively.

**NOTE 11.—CONCENTRATIONS**

PSP maintains cash balances in certain financial institutions that may, at times, exceed limits insured by the FDIC. PSP does not believe that it is exposed to significant credit risk on cash and cash equivalents as deposits are maintained in high quality financial institutions and PSP has not experienced any losses in such accounts.

One customer accounted for approximately 13% of accounts receivable for the year ended December 31, 2022 and there were no accounts receivable concentrations for the year ended December 31, 2021. One customer accounted for approximately 14% and 12% of revenue for the years ended December 31, 2022 and 2021, respectively.

PSP derives its income from services performed within Puget Sound waters. Any disruption of ship travel within this region may significantly affect revenues and services.

**NOTE 12.—UNRECORDED LIABILITIES**

As noted in Note 1, these special-purpose consolidated financial statements are prepared on the modified accrual basis of accounting. This method of accounting and reporting permits PSP to present these special-purpose consolidated financial statements without recording the related liability for goods and services received but not paid, employee services earned but not paid, and the various pilot services earned but not paid. Thus, PSP is on a “pay-as-you-go” basis for most liabilities.

**PUGET SOUND PILOTS**  
**NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

---

**NOTE 12.--UNRECORDED LIABILITIES (Continued)**

The following are unrecorded liabilities at December 31, 2022 and 2021:

Individual pilots earn respite time in paid days for working engagements during the two-week off part of their two-week on (duty)/two-week off (respite) watch periods. In addition, members earn 1.4 days of vacation for each watch period worked. Whenever the volume of shipping requires, members on respite or vacation may be called back to

perform assignments during their off duty (respite) period and be credited with an unfunded callback day (also known as a “comp day”). For years ended December 31, 2022 and 2021 total unfunded callback days outstanding were 2,063 and 2,429, respectively. The estimated value of those days was approximately \$3,804,175 and \$3,934,980, respectively. See Note 4 for funded callback days.

The value of a callback day is directly related to the earnings of an active pilot (balance of pilotage revenue pooled per pilot) as of the respective year end. If those earnings adjust up or down, the value of the callback day - and the amount of the unrecorded liability associated with it – adjusts up or down by the same amount.

PSP’s major medical plan provides for a continuation of full-share distributions for up to six watches to pilots who, due to illness or injury, are physically unable to pilot. During 2022 and 2021, 31.7 and 4.7 monthly payments, respectively, were made to different pilots under this operating rule. An estimate of the liability for major medical as of December 31, 2022, and 2021, has not been determined.

As pilots retire, PSP buys their membership out over a period of six years. As of December 31, 2022, and 2021, the amount due to retired pilots under the membership buyout is approximately \$3,735,618 and \$5,078,549, respectively.

Redemption of pilot membership interest for pilots being paid out as of December 31, 2022, due for each of the next five years and in the aggregate, are as follows:

<u>Years ended December 31.</u>	
2023	\$1,302,861
2024	971,878
2025	730,878
2026	457,909
2027	272,092
Thereafter	-
	<u>\$3,735,618</u>

Annual unpaid vacation value was approximately \$906,142 and \$751,842 at December 31, 2022 and 2021, respectively. This is estimated based on balance of revenue pool per day and the working pilot roster as of each respective year end.

**PUGET SOUND PILOTS**  
**NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

---

**NOTE 12.--UNRECORDED LIABILITIES (Continued)**

All Union employees earn vacation and sick leave in accordance with the Union contract. Employees are entitled to 6 days of sick leave per year and may only carry forward a maximum of 90 days. Non-union employees earn vacation and sick leave in accordance with their contract. Unused sick leave may carryover from one year to another and may accrue up to a maximum of 90 days. An estimate of the liability for employee and non-union employees compensated absences as of December 31, 2022 and 2021, has not been determined.

**NOTE 13.--COMMITMENTS AND CONTINGENCIES**

Effective January 1, 2018 a collective bargaining agreement between the Puget Sound Pilots (PSP) and the Inland Boatmen's Union of the Pacific was contracted for the period January 1, 2018 through June 30, 2021. A new memorandum of understanding was effective October 1, 2022. Through the date the financial statements were available to be issued, the Puget Sound Pilots (PSP) and the Inland Boatmen's Union of the Pacific remain in negotiations and are operating under the same agreement.

PSP contributes to the Union's Trust, the purpose of which is to provide for hospital, medical, dental, vision care, time loss and life insurance benefits for all Union employees. Contributions to the Trust were \$334,759 and \$288,457 for the years ended December 31, 2022 and 2021, respectively, and are recorded on the cash basis in the accompanying special-purpose consolidated financial statements.

PSP also contributes to the Union's Trust, the purpose of which is to provide pensions and annuities for the benefit of employees who qualify under the provisions of the Union's retirement plan (Inland boatmen's Union of the Pacific National Pension Plan) and to provide benefits to the beneficiaries of the employees.

Contributions to the trust were \$127,529 and \$124,516 for the years ended December 31, 2022 and 2021, respectively, and are recorded on the cash basis in the accompanying special-purpose consolidated financial statements. Contributions include supplemental contributions under the Rehabilitation Plan adopted by the Union not to exceed 6.05% per year.

Under the terms of the Union contract, PSP makes "defined contributions" and not "defined benefits." PSP does not consent to the existence or maintenance of any funding deficiency. Accordingly, PSP's liability is limited to the making of contributions as prescribed by the agreement.

**PUGET SOUND PILOTS**  
**NOTES TO SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

---

**NOTE 14.--CONTINGENT UTC LIABILITY**

On November 25, 2020, the Washington Utilities and Transportation Commission (“WUTC”) entered Order 9 establishing new tariff rates authorizing the Puget Sound Pilots (“PSP”) to collect revenues for pilotage based on a piloted vessel's international gross tonnage regardless of whether the vessel is engaged in international or exclusively coastwise commerce. The new tariff rates became effective on January 25, 2021. In reliance on Order 9, PSP collected revenue for services provided in 2021 to vessels owned by TOTE Maritime Alaska, LLC (“TOTE”). On August 26, 2021, TOTE filed a petition to amend Order 9 to amend PSP’s tariff to establish a lower pilotage fee for TOTE vessels based on registered gross tonnage. On February 24, 2022, the WUTC entered Order 13 requiring PSP create a deferral account retroactive to August 26, 2021 for the incremental difference between the amounts actually charged to TOTE vessels and rates based on registered gross tonnage. As a result, PSP has reserved funds totaling \$474,035 and \$124,239 as a contingent liability for 2022 and 2021 that will be resolved in PSP's next general rate case before the WUTC.

**NOTE 15.--SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 23, 2023 the date which the financial statements were available to be issued.

**S U P P L E M E N T A R Y**

**I N F O R M A T I O N**

PUGET SOUND PILOTS  
COMMENTS ON 2022 OPERATIONS

A. FEATURES OF INDIVIDUAL DISTRIBUTIONS

	2022
1. Total annual duty days	19,172
2. Working Pilot roster (duty days divided by days in year, rounded to nearest tenth)	52.5 *
3. Piloting engagements	7,482
4. Total pilotage revenue per day per pilot	\$ 1,882
5. Expense per day per pilot	\$ 963
6. Balance of revenue pool per day per pilot	\$ 919

B. OPERATING RESULTS, 2022

	2022
1. Total Pilotage Revenue	\$ 36,089,905
2. Seattle	\$ 15,669,500
3. Boats	2,210,672
4. Port Angeles	<u>304,167</u>
5. Operating expense - pooled	(18,184,339)
6. Disability Insurance Expense @ \$5,328	\$ 279,859
7. Expense - other	<u>(279,859)</u>
8. Balance of Pilotage Revenue Pooled	<u>\$ 17,625,707</u>
9. Working Pilot Roster	52.5
10. Balance of Pilotage Revenue Pooled Per Pilot	<u>\$ 335,561</u>

\* The active roster was 55 and 51 pilots at December 31, 2022 and 2021. Based upon days of duty, the 2022 working pilot roster averaged 52.5 pilots as compared with 52.9 pilots in 2021.



PUGET SOUND PILOTS  
SCHEDULE OF DAYS OF SERVICE AND DISTRIBUTION OF  
PILOTAGE REVENUE AND EXPENSE  
Year Ended December 31, 2022

Pilot Handle	(1) Days of Service	(2) Credit for Pilotage Revenue	(3) Charge for Operating Expense	(4) Charge for Other Expense	(5)** Annual earnings after deductions
1. ANA .....	365	\$ 687,086	\$ 346,197	\$ 5,328	\$ 335,561
2. ANT .....	365	687,086	346,197	5,328	335,561
3. BEN .....	365	687,086	346,197	5,328	335,561
4. BOU .....	365	687,086	346,197	5,328	335,561
5. BOZ .....	365	687,086	346,197	5,328	335,561
6. BRU .....	365	687,086	346,197	5,328	335,561
7. BUJ .....	365	687,086	346,197	5,328	335,561
8. CAI .....	365	687,086	346,197	5,328	335,561
9. CAW .....	365	687,086	346,197	5,328	335,561
10. CAJ .....	365	687,086	346,197	5,328	335,561
11. COL .....	365	687,086	346,197	5,328	335,561
12. COR .....	365	687,086	346,197	5,328	335,561
13. EME .....	365	687,086	346,197	5,328	335,561
14. GAL .....	365	687,086	346,197	5,328	335,561
15. GAR .....	365	687,086	346,197	5,328	335,561
16. GRK .....	365	687,086	346,197	5,328	335,561
17. GRD .....	365	687,086	346,197	5,328	335,561
18. HAJ .....	365	687,086	346,197	5,328	335,561
19. HAM .....	365	687,086	346,197	5,328	335,561
20. HED .....	<u>365</u>	<u>687,086</u>	<u>346,197</u>	<u>5,328</u>	<u>335,561</u>
Subtotal Forward.....	7,300	\$ 13,741,720	\$ 6,923,940	\$ 106,560	\$ 6,711,220

\* Pilot is retired as of December 31, 2022

\*\* Pilot started in 2022

\*\*\* Amount does not include individual income and FICA taxes

Formula for column (5) = (2) - (3) - (4)

See notes on page 28

PUGET SOUND PILOTS  
SCHEDULE OF DAYS OF SERVICE AND DISTRIBUTION OF  
PILOTAGE REVENUE AND EXPENSE  
Year Ended December 31, 2022

Pilot Handle	(1) Days of Service	(2) Credit for Pilotage Revenue	(3) Charge for Operating Expense	(4) Charge for Other Expense	(5)*** Annual earnings after deductions
Subtotal Forward.....	7,300	\$ 13,741,720	\$ 6,923,940	\$ 106,560	\$ 6,711,220
21. HUP .....	365	687,086	346,197	5,328	335,561
22. JEN .....	365	687,086	346,197	5,328	335,561
23. KAL .....	365	687,086	346,197	5,328	335,561
24. KEA .....	365	687,086	346,197	5,328	335,561
25. KEN .....	365	687,086	346,197	5,328	335,561
26. KEP .....	365	687,086	346,197	5,328	335,561
27. KLA .....	365	687,086	346,197	5,328	335,561
28. KNU .....	365	687,086	346,197	5,328	335,561
29. KRI .....	365	687,086	346,197	5,328	335,561
30. MAN ** .....	206	387,780	195,388	3,007	189,385
31. MCN .....	365	687,086	346,197	5,328	335,561
32. MCG .....	365	687,086	346,197	5,328	335,561
33. MEL .....	365	687,086	346,197	5,328	335,561
34. MIE** .....	192	361,426	182,109	2,803	176,514
35. MIL .....	365	687,086	346,197	5,328	335,561
36. MOO * .....	353	664,497	334,815	5,153	324,529
37. MOT .....	365	687,086	346,197	5,328	335,561
38. MYE .....	365	687,086	346,197	5,328	335,561
39. NEW .....	365	687,086	346,197	5,328	335,561
40. NIN .....	365	<u>687,086</u>	<u>346,197</u>	<u>5,328</u>	<u>335,561</u>
Subtotal Forward.....	14,256	\$ 26,835,885	\$ 13,521,601	\$ 208,099	\$ 13,106,185

\* Pilot is retired as of December 31, 2022

\*\* Pilot started in 2022

\*\*\* Amount does not include individual income and FICA taxes

Formula for column (5) = (2) - (3) - (4)

See notes on page 28

**Exh. JJN-07**  
**Page 27 of 33**

PUGET SOUND PILOTS  
 SCHEDULE OF DAYS OF SERVICE AND DISTRIBUTION OF  
 PILOTAGE REVENUE AND EXPENSE  
 Year Ended December 31, 2022

Pilot Handle	(1) Days of Service	(2) Credit for Pilotage Revenue	(3) Charge for Operating Expense	(4) Charge for Other Expense	(5)*** Annual earnings after deductions
Subtotal Forward.....	14,256	\$ 26,835,885	\$ 13,521,601	\$ 208,099	\$ 13,106,185
41. ROU .....	365	687,086	346,197	5,328	335,561
42. SCR .....	365	687,086	346,197	5,328	335,561
43. SEA .....	365	687,086	346,197	5,328	335,561
44. SEM .....	365	687,086	346,197	5,328	335,561
45. SES .....	365	687,086	346,197	5,328	335,561
46. SEY .....	365	687,086	346,197	5,328	335,561
47. SID .....	365	687,086	346,197	5,328	335,561
48. SLI .....	365	687,086	346,197	5,328	335,561
49. SOR .....	365	687,086	346,197	5,328	335,561
50. STE** .....	278	523,322	263,667	4,057	255,597
51. THG .....	365	687,086	346,197	5,328	335,561
52. VEL .....	365	687,086	346,197	5,328	335,561
53. VON .....	365	687,086	346,197	5,328	335,561
54. EKE** .....	150	282,364	142,273	2,190	137,901
55. BOS** .....	108	203,302	102,434	1,577	99,292
Total.....	<u>19,172</u>	<u>\$ 36,089,905</u>	<u>\$ 18,184,339</u>	<u>\$ 279,859</u>	<u>\$ 17,625,707</u>

\* Pilot is retired as of December 31, 2022

\*\* Pilot started in 2022

\*\*\* Amount does not include individual income and FICA taxes

Formula for column (5) = (2) - (3) - (4)

See notes on page 28

PUGET SOUND PILOTS

NOTES TO SCHEDULE OF DAYS OF SERVICE AND DISTRIBUTION  
OF PILOTAGE REVENUE AND EXPENSE

Year Ended December 31, 2022

- A. PSP bylaws provide for distribution of revenues for piloting services in proportion to days of duty and distributions of pooled expenses equally, except for certain treatments and dispensations in unusual circumstances at the discretion of the Board of Directors. See columns (2), (3), (4) and (5).
- a. Column (1): Days of Service is the total number of days the pilot was an active pilot on pilot roster.
  - b. Column (2): Credit for Pilotage Revenue is the total gross tariff revenue which represents the annual earnings of individual pilots before deductions for expenses of pilot organization [Ref: RCW 88.16.035 (1)(f)]. Column (2) excludes SILA and Trainee surcharge charges.
  - c. Column (3): Charge for Operating Expense is the deduction from pilotage revenue for operating expenses of the Puget Sound Pilots shared evenly among all pilots based on days of service.
  - d. Column (4): Charge for Other Expense includes the individual out of pocket allowance of \$5,328 per pilot for disability insurance.
  - e. Column (5): Annual earnings after deductions represents the annual earnings of individual pilots after deductions for expenses of pilot organization. [Ref: RCW 88.16.035 (1)(f)].

## PUGET SOUND PILOTS

SCHEDULE OF RETIREMENT INCOME FOR INACTIVE  
PILOTS AND OTHER ELIGIBLE PARTICIPANTS

Year Ended December 31, 2022

1. AWN	\$ 19,223	38. LOW	47,223
2. AND	36,739	39. MAC	144,363
3. ARN	135,942	40. MAR	63,634
4. BLA	61,169	41. MAT	126,912
5. BOW	95,535	42. MAY	196,430
6. BRO	33,985	43. MCC	120,303
7. BUN	124,983	44. MEN	14,718
8. CAA	17,273	45. MIB	133,670
9. COE	150,408	46. MIC	12,682
10. CRA	9,694	47. MOR	88,973
11. ENM	94,908	48. MOS	10,147
12. ENG	125,198	49. MUR	33,855
13. ENF	19,825	50. NIE	111,012
14. ENV	69,510	51. OST	53,105
15. FLA	171,696	52. PEA	35,698
16. FOS	95,535	53. PET	98,544
17. GAV	64,587	54. POO	45,314
18. GIE	139,021	55. ROB	54,173
19. GOO	50,641	56. SAC	11,992
20. HAN	162,491	57. SAN	124,613
21. HAR	190,566	58. SCO	79,299
22. HEN	123,960	59. SHA	209,551
23. HOLS	28,791	60. SHJ	164,180
24. HUN	62,208	61. SHU	118,591
25. HUR	91,754	62. SNY	62,964
26. JAC	125,198	63. STE	107,808
27. JOC	54,173	64. THJ	48,557
28. JOM	52,872	65. THL	39,980
29. JUS	148,218	66. THW	110,204
30. KJE	29,611	67. WAR	63,946
31. KNO	96,242	68. WAJ	45,295
32. KRO	149,304	69. WER	37,383
33. LAC	96,242	70. WLD	62,307
34. LAR	69,672	71. WIL	39,460
35. LIC	131,930	72. WOO	135,884
36. LIN	7,200		
37. LOF	13,442		
			<u>\$ 6,002,516</u>
TOTAL			

## PUGET SOUND PILOTS

SCHEDULE OF SEATTLE OFFICE OPERATING EXPENSE  
AND ADMINISTRATIVE OVERHEAD  
(IN DOLLAR AMOUNT AND AS A PERCENTAGE OF PILOTAGE REVENUE)

Year Ended December 31, 2022

1. Attorney fees	\$ 878,093	2.4%
2. Callback days	638,334	1.8%
3. Commisison - senate bill 5096	150,000	0.4%
4. Computer maintenance	293,689	0.8%
5. Computer programming	7,136	0.0%
6. Conferences	58,380	0.2%
7. Consulting services	317,825	0.9%
8. CPA fees	88,157	0.2%
9. Depreciation and amortization	10,567	0.0%
10. Drug testing	15,094	0.0%
11. Dues	185,580	0.5%
12. Employee benefits	205,783	0.6%
13. Employee salaries	916,244	2.5%
14. Equipment leases	304,189	0.8%
15. Former director retirement	69,502	0.2%
16. Insurance	204,499	0.6%
17. Interest	27,946	0.1%
18. License fees - commission	392,551	1.1%
19. Lobbyist	75,250	0.2%
20. Medical insurance - pilots	1,734,359	4.8%
21. Miscellaneous	27,101	0.1%
22. Office maintenance and repair	9,078	0.0%
23. Office supplies	47,399	0.1%
24. Pilot training	362,321	1.0%
25. Printing and publications	14,876	0.0%
26. Puget Sound retirement	6,002,516	16.6%
27. Rent and parking	187,859	0.5%
28. Taxes on payroll	66,278	0.2%
29. Taxes, other	1,183	0.0%
30. Taxes on revenue	679,681	1.9%
31. Travel and promotion	1,573,385	4.4%
32. Telephone and communications	11,587	0.0%
33. UTC Regulation Fees	<u>113,058</u>	<u>0.3%</u>
 TOTAL	 <u>\$ 15,669,500</u>	 <u>43.2%</u>

## PUGET SOUND PILOTS

SCHEDULE OF BOAT OPERATING EXPENSE  
(IN DOLLAR AMOUNT AND AS A PERCENTAGE OF PILOTAGE REVENUE)

Year Ended December 31, 2022

1.	Depreciation	\$	28	0.0%
2.	Employee benefits		273,446	0.8%
3.	Employee salaries		974,968	2.7%
4.	Fuel of "Juan de Fuca"		326,430	0.9%
5.	Fuel of "Puget Sound"		228,117	0.6%
6.	Insurance		93,545	0.3%
7.	Maintenance and operation of "Juan de Fuca"		99,533	0.3%
8.	Maintenance and operation of "Puget Sound"		132,987	0.4%
9.	Taxes on payroll		76,958	0.2%
10.	Taxes on property		<u>4,660</u>	<u>0.0%</u>
	TOTAL	\$	<u>2,210,672</u>	<u>6.2%</u>

## PUGET SOUND PILOTS

SCHEDULE OF PORT ANGELES STATION OPERATING EXPENSE  
(IN DOLLAR AMOUNT AND AS A PERCENTAGE OF PILOTAGE REVENUE)

Year Ended December 31, 2022

1. Depreciation	\$	39,533	0.1%
2. Food		99,829	0.3%
3. Insurance		5,940	0.0%
4. Lodging		694	0.0%
5. Maintenance and repairs		57,395	0.2%
6. Rent, tideland lease		3,735	0.0%
7. Supplies		25,745	0.1%
8. Taxes on property		13,089	0.0%
9. Telephone and communications		29,784	0.1%
10. Utilities		<u>28,423</u>	<u>0.1%</u>
TOTAL	\$	<u>304,167</u>	<u>0.9%</u>



PUGET SOUND PILOTS  
SCHEDULE OF EMPLOYEES

December 31, 2022

<b>Employee</b>	<b>Position</b>
1. T. Burnell	Dispatcher/Clerk
2. J. Clark	Deckhand/Engineer
3. M. Marvelle	Deckhand/Engineer
4. M. Gregson	Deckhand/Engineer
5. K. Houston	Dispatcher/Clerk
6. P. Jacobsen	Deckhand/Engineer
7. J. Melvin	Deckhand/Engineer
9. J. Rushton	Boat Operator
10. D. Shideler	Deckhand/Engineer
11. C. Costanzo	Executive Director
12. B. Valentine	Dispatcher/Clerk
13. D. Warczak	AP / Controller
14. R. Welch	Lead Boat Operator
15. M. Brooks	Office Manager
16. S. Lutz	AR Clerk