Puget Sound Pilots
Protecting Puget Sound Since 1935

Financial Statements Presentation

to
Washington State Board of Pilotage Commissioners
May 19, 2022
Puget Sound Pilots Overview

- Audited Financial Statements on a Modified Accrual Basis (not Generally Accepted Accounting aka GAAP)
- Puget Sound Pilots taxed as a Partnership
Changes in Financial Statements

- Changes to Notes from 2020:
  - Financial Statements Note 1 – removal of TEC/PA Travel as a pass-through item to a direct reimbursement (expense)
  - Financial Statements Note 4 & Note 12 – Funded vs. unfunded callback days
  - Financial Statements Note 6 – PPP forgiveness
  - Note 14 – Contingent UTC Liability (TOTE)
Audit Process & Modified Accrual Basis

**Audit Process**
- Risk Based Audit
- Test tariff rates
- Sample of invoices recalculated and tested
- Sample of bills paid
- Review of process and internal controls

**Modified Accrual Basis**
- Records revenue (income) at the time it is earned (the day job is completed)
- Expenses are recorded when paid (in general)
- Depreciation expense is normal and customary
- Unrecorded Liabilities (Note 12)
Unrecorded Liabilities (Note 12)

- Callback (Comp) Days (Unfunded)– Estimated Value at Dec 31, 2021 is $3,934,980 and 2020 was $3,437,850
- Membership Buy Outs* at December 31, 2021 was $5,078,549 and 2020 was $4,458,770.
- Annual Unpaid Vacation – Value at December 31, 2021 was approximately $751,842 and 2020 was $539,211
- Major Medical – estimated liability not determined
- Pilot’s Retirement Plan – estimated liability not determined

* Retired pilots’ redemption of pilot membership interest
Pilots’ Equity

- Total Pilot’s Equity – page 6 of Financial Statements

<table>
<thead>
<tr>
<th>Page 6</th>
<th>PILOTS’ EQUITY</th>
<th>2021</th>
<th>2020</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25.</td>
<td>Total Pilots’ Equity</td>
<td>3,137,676</td>
<td>3,044,034</td>
<td>93,642</td>
</tr>
</tbody>
</table>

- Less Unrecorded Liabilities (Note 12) creates a negative equity balance. If PSP were to cease operations each pilot would be responsible for a portion of the negative equity to satisfy liabilities in excess of assets.
Pilotage Revenue

- 2017: $32,841,659
- 2018: $33,996,799
- 2019: $33,691,939
- 2020: $25,494,863
- 2021: $31,954,603
Total Operating Expenses

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$12,292,655</td>
</tr>
<tr>
<td>2018</td>
<td>$12,470,372</td>
</tr>
<tr>
<td>2019</td>
<td>$14,266,256</td>
</tr>
<tr>
<td>2020</td>
<td>$13,917,191</td>
</tr>
<tr>
<td>2021</td>
<td>$16,062,507</td>
</tr>
</tbody>
</table>
Total Operating Expenses % of Revenue

- 2017: 37.4%
- 2018: 36.7%
- 2019: 42.3%
- 2020: 54.6%
- 2021: 50.3%
Comparative Operating Expenses

Operating Expense as a % of Total Revenue

- 2017
- 2018
- 2019
- 2020
- 2021

* Includes PA Employee Salaries  
# 2017 includes Major M&R Dock/Barge Ediz Hook  
^ 2019 includes Major M&R Juan de Fuca
### Understanding Distribution of Pilotage Revenue and Expense

<table>
<thead>
<tr>
<th>Column</th>
<th>Source</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Days of Service</td>
<td>Calculated as total days in a year for each individual pilot. If a pilot is new or retires during a year his days of service will be less</td>
<td>19,315</td>
</tr>
<tr>
<td>(2) Credit for Pilotage Revenue</td>
<td>Page 7 of Financial Statements, Line 1</td>
<td>31,954,603</td>
</tr>
<tr>
<td>(3) Charge for Operating Expense</td>
<td>Page 7 of Financial Statements, Line 6</td>
<td>16,062,507</td>
</tr>
<tr>
<td>(4) Charge for Other Expense</td>
<td>Page 7 of Financial Statements, Line 7 plus Disability Insurance (see next slide)</td>
<td>248,714</td>
</tr>
<tr>
<td>(5) Share of Balance of Pilotage Revenue Pooled</td>
<td>Column (2) minus (3) minus (4)</td>
<td>295,616*</td>
</tr>
</tbody>
</table>

* For pilots with 365 days of service. Column (5) total Annual Earnings After Deductions for all pilots = 15,643,382

Does not include individual income and social security taxes
Calculating Pilot Income (Pool Share)

<table>
<thead>
<tr>
<th>Description</th>
<th>Reference</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of Balance of Pilotage Revenue Pooled</td>
<td>Schedule of Days of Service and Distribution of Pilotage Revenue and Expense total Column (5)</td>
<td>$15,643,382</td>
</tr>
<tr>
<td>Total Duty Days</td>
<td>Schedule of Days of Service and Distribution of Pilotage Revenue and Expense total Column (1)</td>
<td>19,315</td>
</tr>
<tr>
<td>Days in Year</td>
<td>Schedule of Days of Service and Distribution of Pilotage Revenue and Expense Column (1)</td>
<td>365</td>
</tr>
<tr>
<td>Rounded Working Pilot Roster</td>
<td>Duty Days / Days in Year</td>
<td>52.9 (rounded)</td>
</tr>
<tr>
<td>Net Distributable Income Per Pilot</td>
<td>Share of Balance of Pilotage Revenue Pooled / Working Pilot Roster</td>
<td>$295,616</td>
</tr>
</tbody>
</table>
Income Per Pilot*

- 2017: $360,987
- 2018: $402,219
- 2019: $369,640
- 2020: $204,580
- 2021: $295,616
Additional analysis PSP
Assignments by Vessel Type

- Bulker
- Car Carrier
- Container
- General
- Naval
- Other
- Passenger
- Reefer
- RO/RO
- Tanker
