

Exh. JR-11
Docket TP-220513
Witness: Jordan Royer

**BEFORE THE STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND PILOTS,

Respondent.

Docket No. TP-220513

**EXHIBIT TO TESTIMONY OF
Jordan Royer
ON BEHALF OF
PACIFIC MERCHANT SHIPPING ASSOCIATION**

BPC PSP Financial Reports, 2020

FEBRUARY 10, 2023



PUGET SOUND PILOTS

Protecting Puget Sound Since 1935

1

Financial Statements Presentation

to

Washington State Board of Pilotage Commissioners

May 25, 2021

2

Engagement in Financial Statements



PUGET SOUND PILOTS
Protecting Puget Sound Since 1935



Shannon &
Associates LLP
Certified Public Accountants
Management Consultants

Puget Sound Pilots Station

Port Angeles, Washington



Puget Sound Pilots Overview

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- ❑ 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

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- Changes to Notes from 2019:
 - ▣ Financial Statements Note 1 – Impacts of COVID-19
 - ▣ Financial Statements Note 5 – PPP Loan
 - ▣ Financial Statements Note 13 – Change in tariff rates

Audit Process & Modified Accrual Basis

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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 11)**

Unrecorded Liabilities (Note 10)

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- Callback (Comp) Days – Estimated Value at Dec 31, 2020 is \$3,437,850 and 2019 was \$7,052,506; large decrease due to decrease in value per day.
- Membership Buy Outs* at December 31, 2020 was \$4,458,770 and 2019 was \$ 4,355,105.
- Annual Unpaid Vacation – Value at December 31, 2020 was approximately \$539,211 and 2019 was \$ 903,393
- Major Medical – estimated liability not determined
- Pilot's Retirement Plan – estimated liability not determined

** Retired pilots' redemption of pilot membership interest*

Pilots' Equity

8

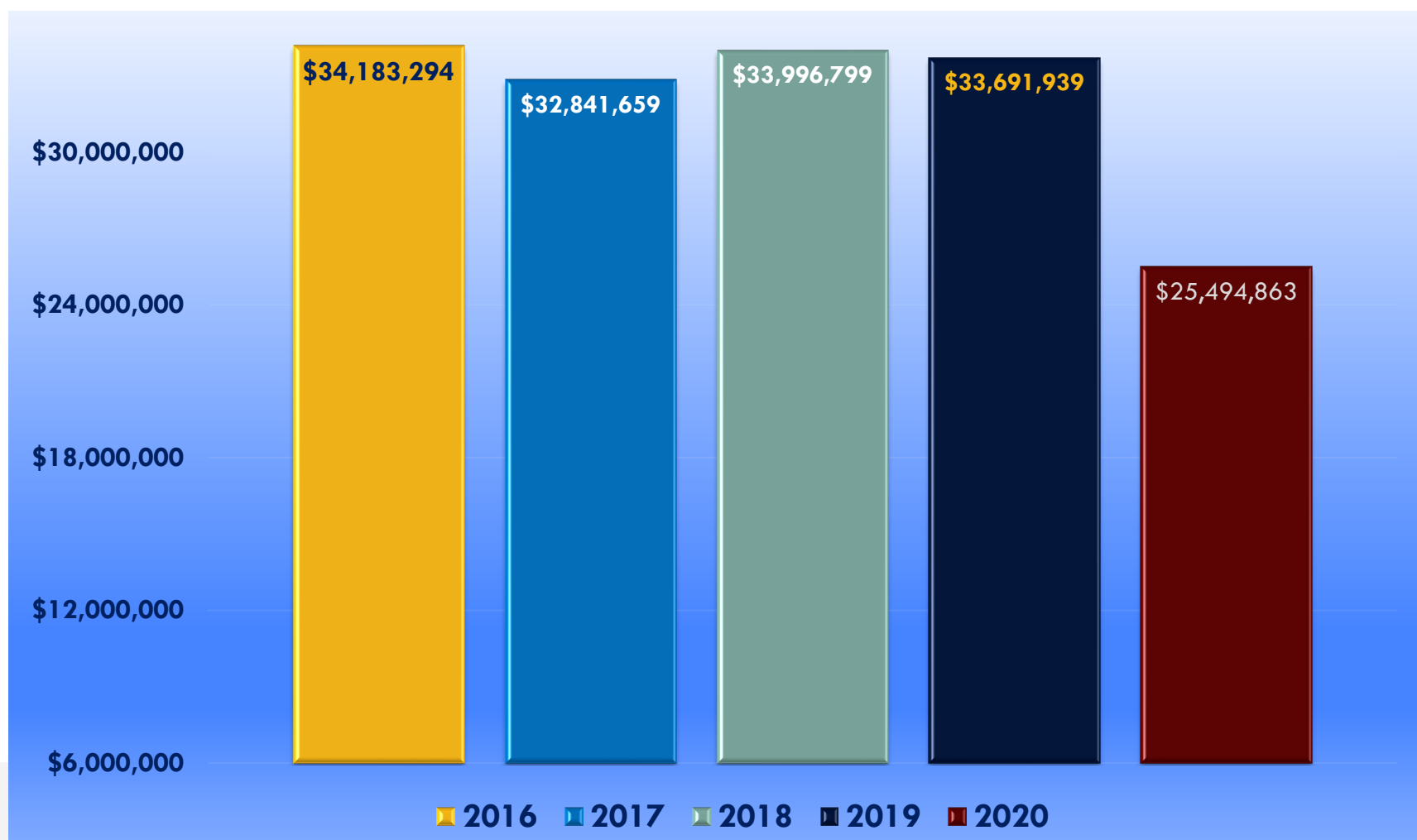
- Total Pilot's Equity – page 6 of Financial Statements

Page 6	PILOTS' EQUITY	2020	2019	Increase (Decrease)
28.	Total Pilots' Equity	3,044,034	3,302,113	(258,079)

- Less **Unrecorded Liabilities (Note 11)** 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.

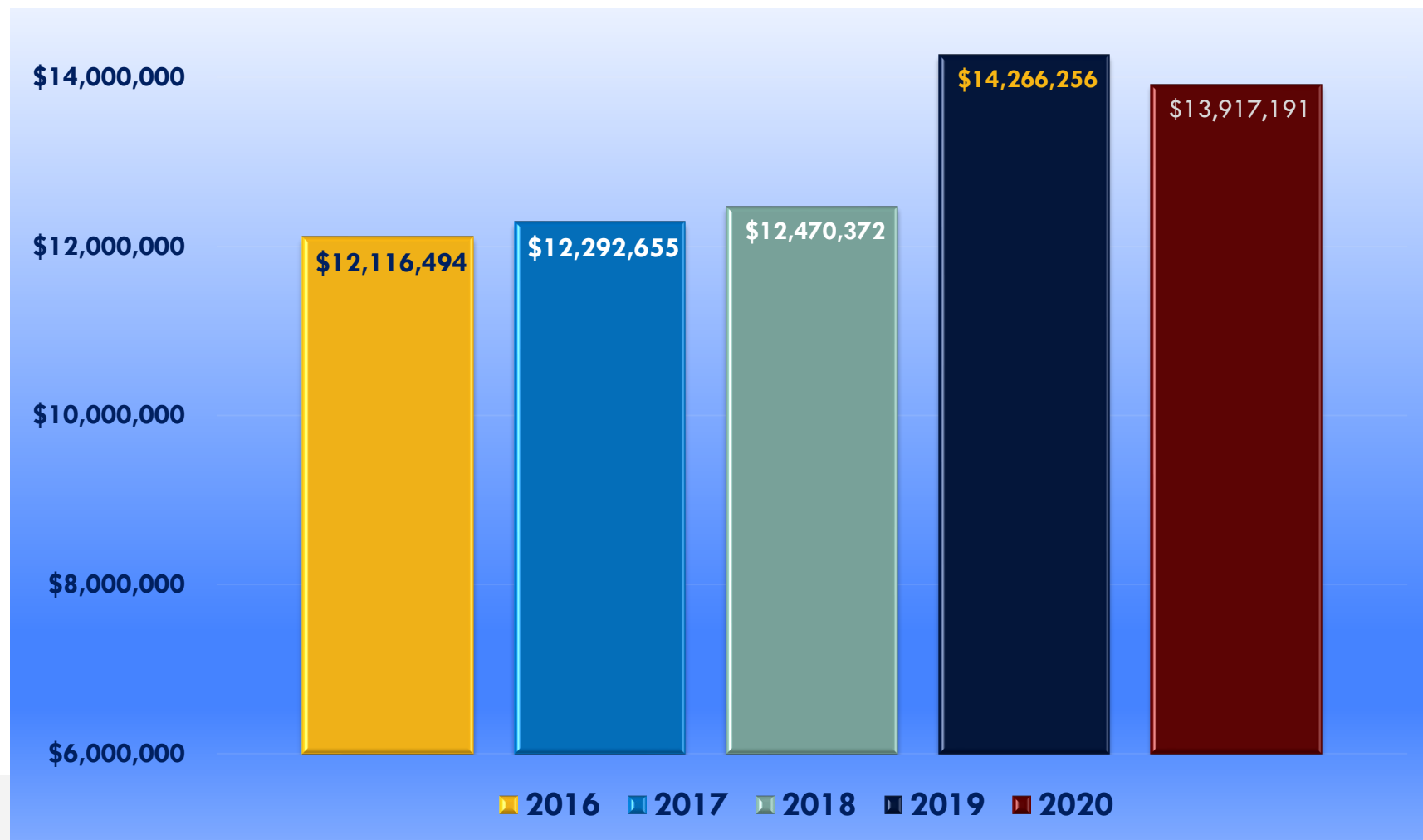
Pilotage Revenue

9



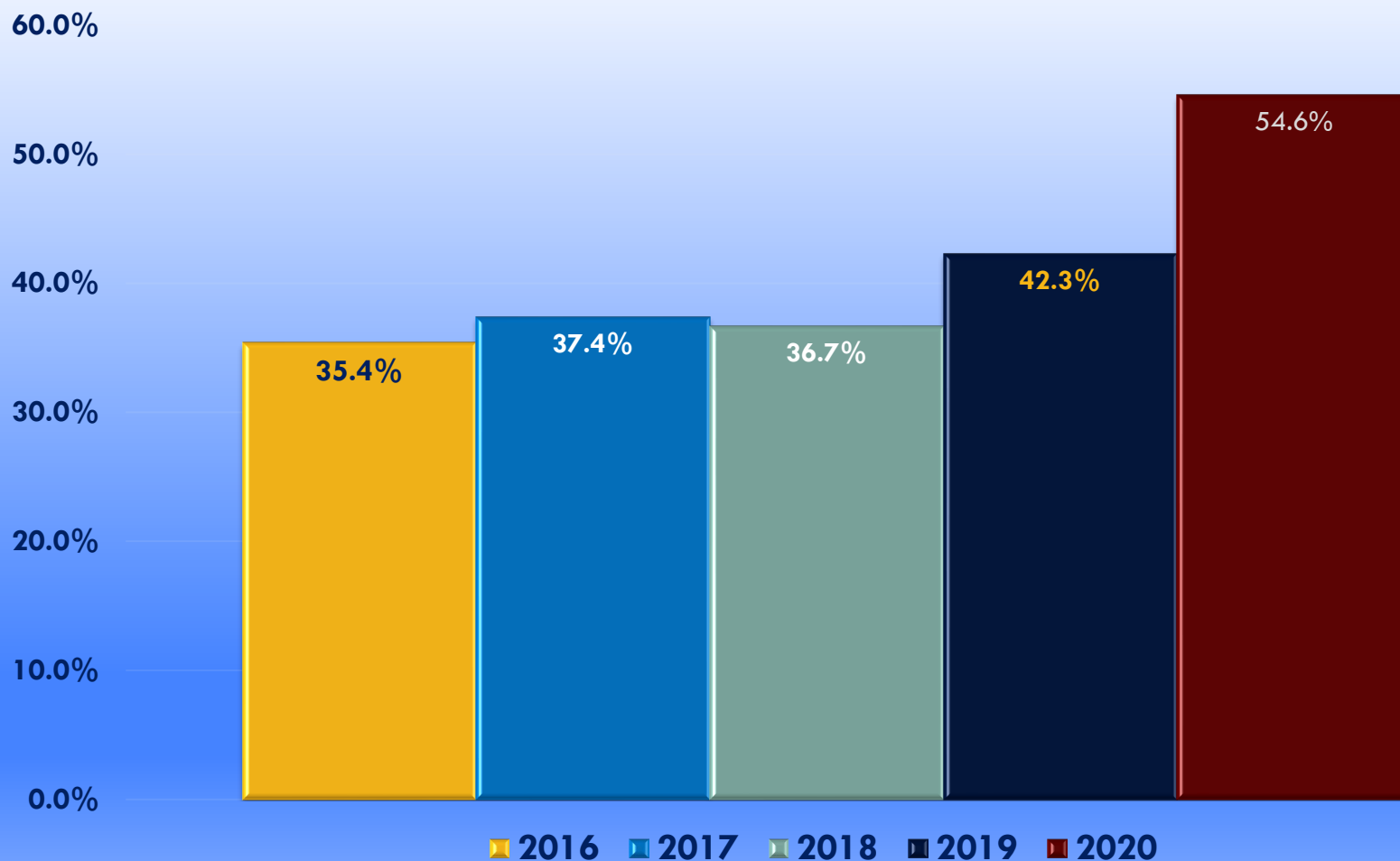
Total Operating Expenses

10



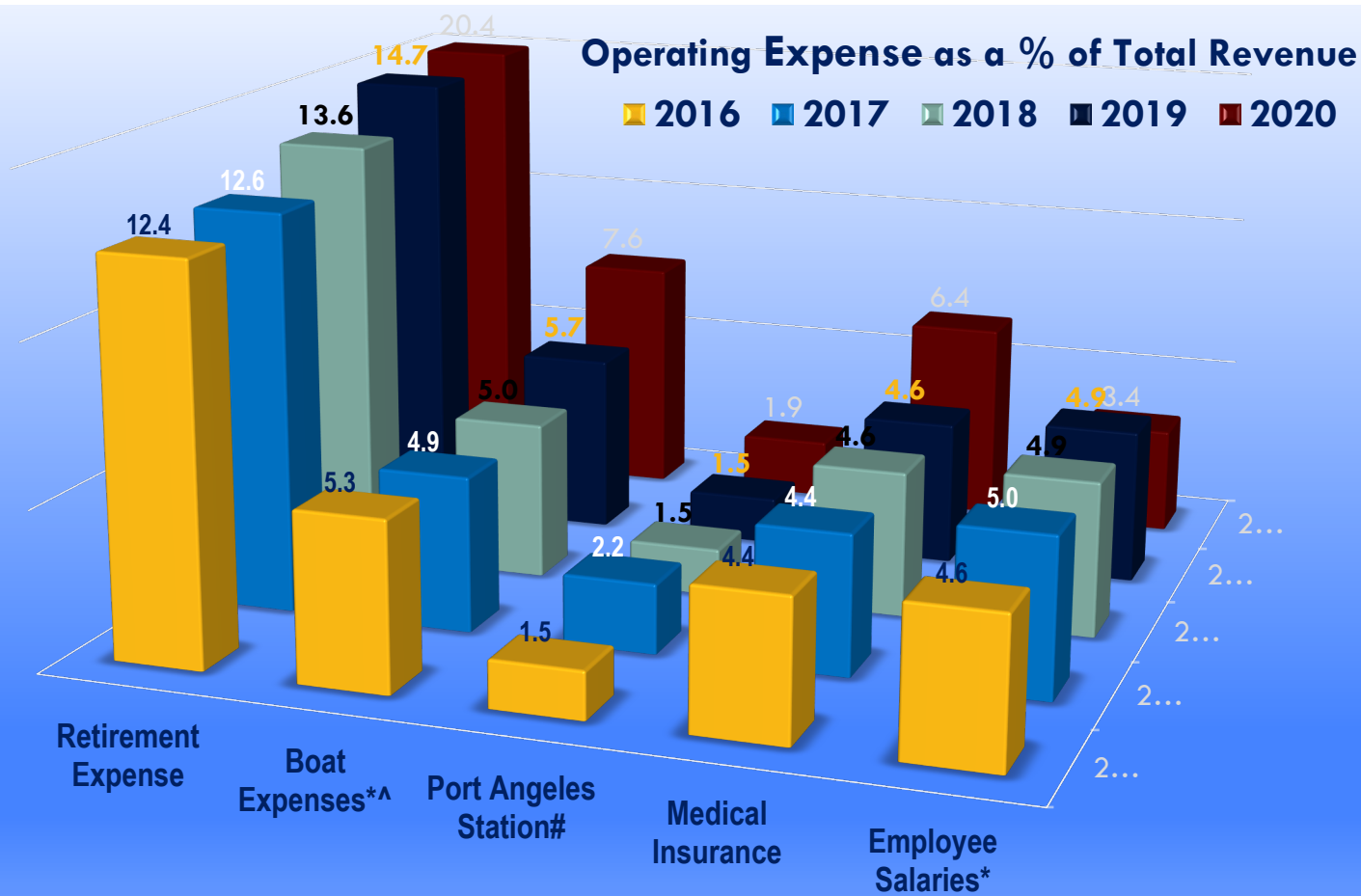
Total Operating Expenses % of Revenue

11



Comparative Operating Expenses

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* 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

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Column	Source	Total
(1) Days of Service	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	18,861
(2) Credit for Pilotage Revenue	Page 7 of Financial Statements, Line 1	25,494,863
(3) Charge for Operating Expense	Page 7 of Financial Statements, Line 6	13,917,191
(4) Charge for Other Expense	Page 7 of Financial Statements, Line 7 plus IBE (see next slide)	1,035,066
(5) Share of Balance of Pilotage Revenue Pooled	Column (2) minus (3) minus (4)	204,580*

* For pilots with 365 days of service. Column (5) total Annual Earnings After Deductions for all pilots = 10,542,606
Does not include individual income and social security taxes; does not include Port Angeles transportation payments

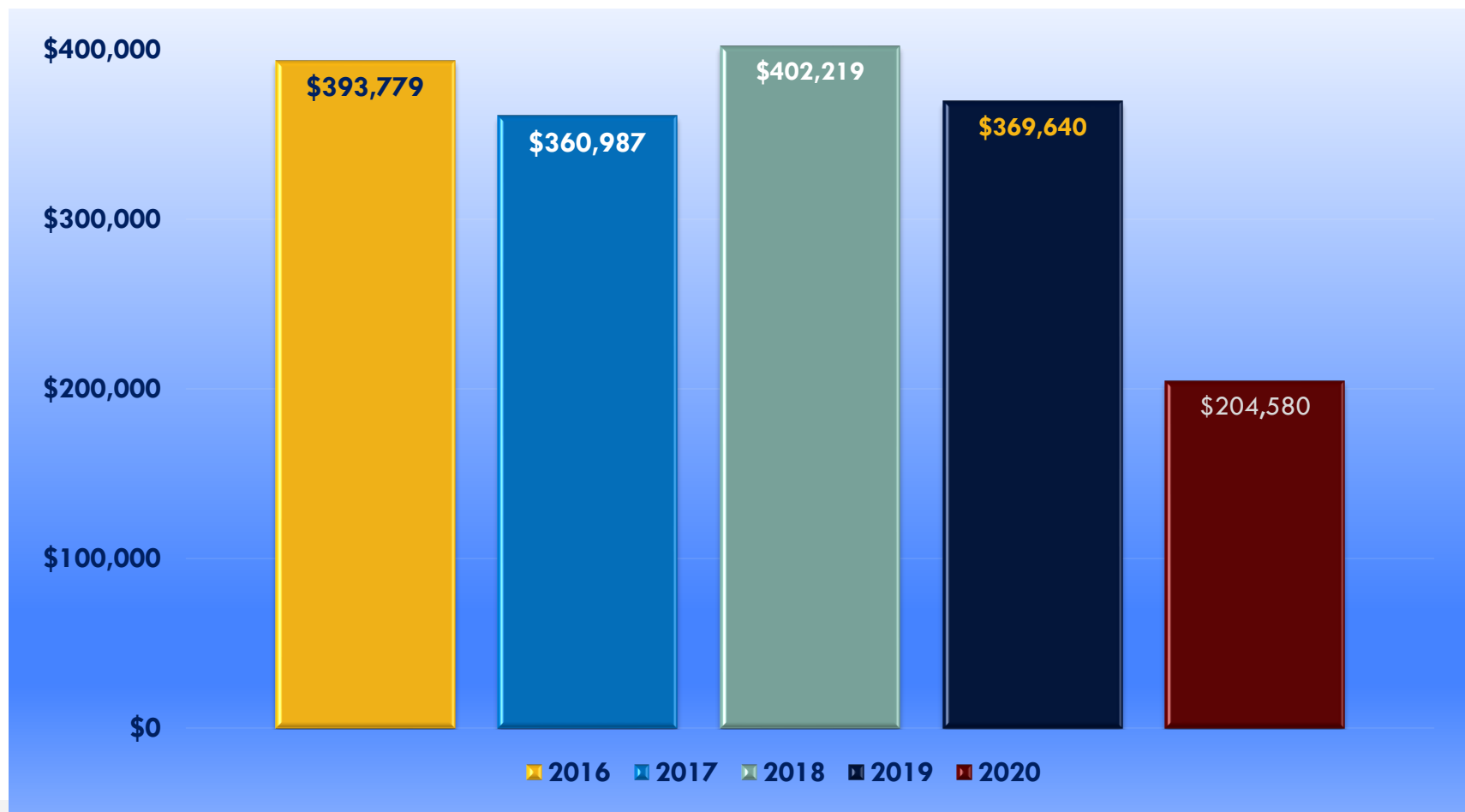
Calculating Pilot Income (Pool Share)

14

Description	Reference	Amount
Share of Balance of Pilotage Revenue Pooled	Schedule of Days of Service and Distribution of Pilotage Revenue and Expense total Column (5)	\$10,542,606
Total Duty Days	Schedule of Days of Service and Distribution of Pilotage Revenue and Expense total Column (1)	18,861
Days in Year	Schedule of Days of Service and Distribution of Pilotage Revenue and Expense Column (1)	366
Rounded Working Pilot Roster	Duty Days / Days in Year	51.5 (rounded)
Net Distributable Income Per Pilot	Share of Balance of Pilotage Revenue Pooled / Working Pilot Roster	\$204,580

Income Per Pilot*

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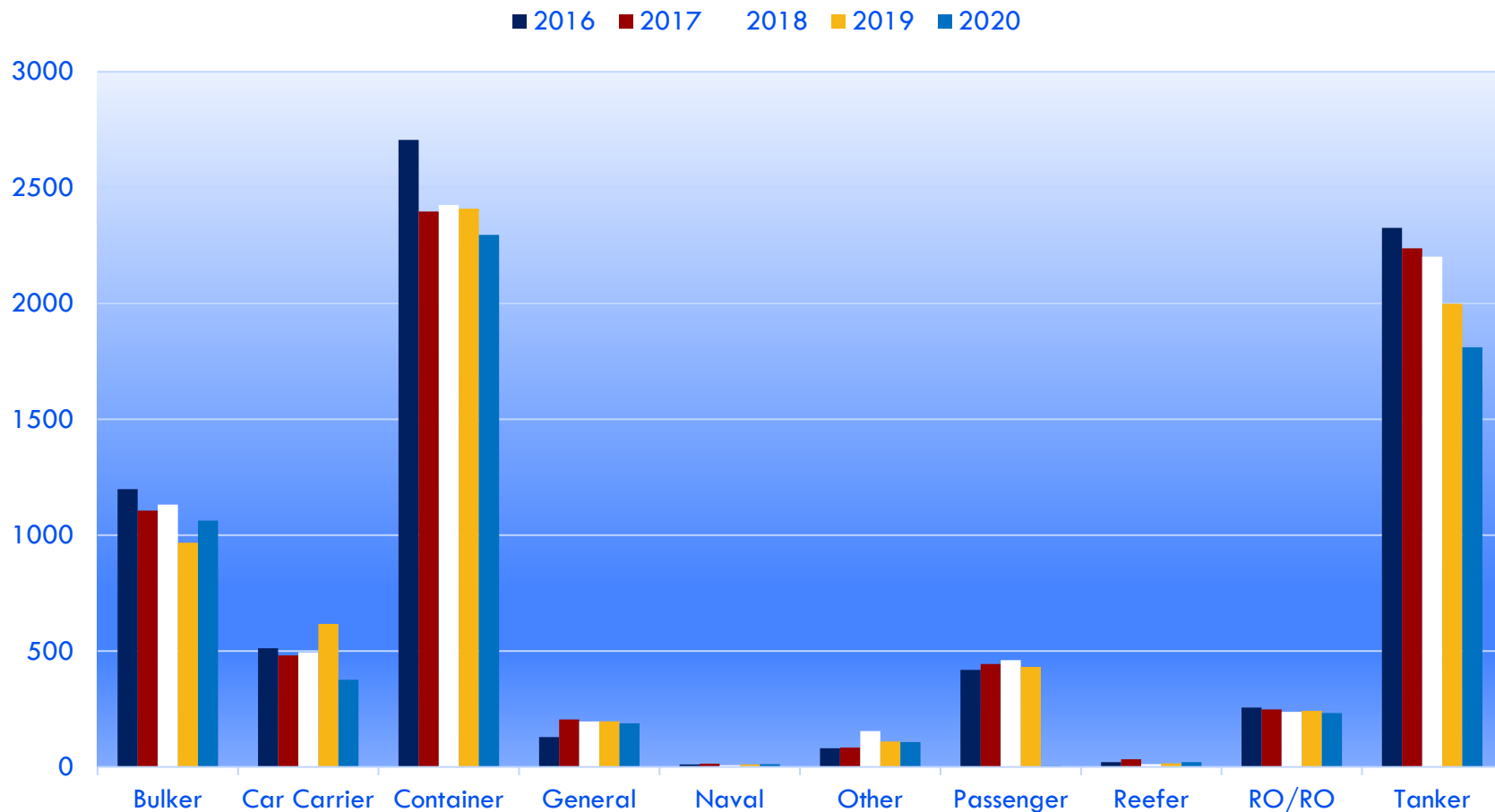


* Net Distributable Income Per Pilot = Share of Balance of Pilotage Revenue Pooled divided by Working Pilot Roster; Does not include individual income and social security taxes; does not include Port Angeles transportation payments

Additional analysis PSP

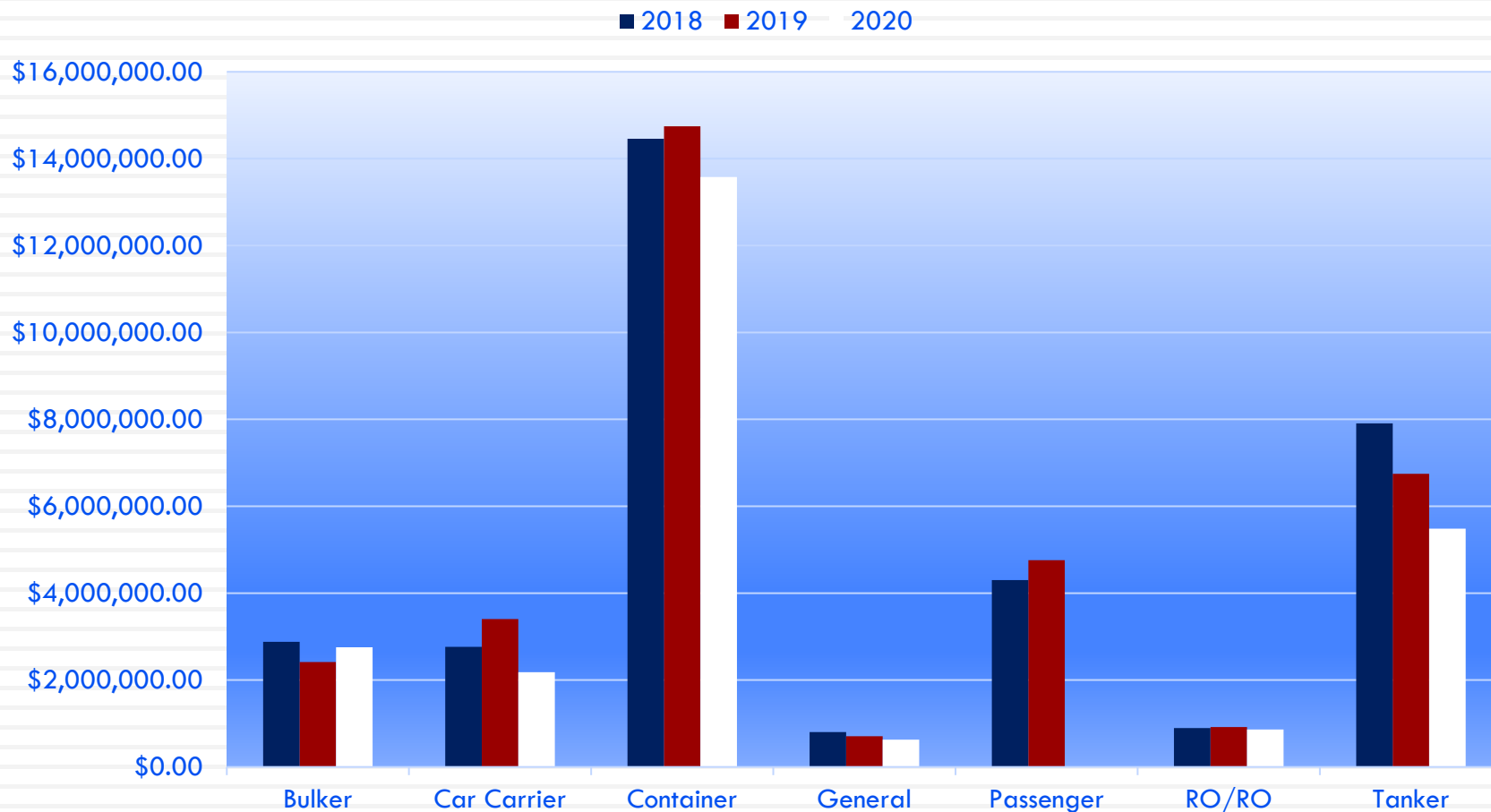
Assignments by Vessel Type

17



Revenue by Vessel Type

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PUGET SOUND PILOTS

**SPECIAL-PURPOSE
FINANCIAL STATEMENTS
(MODIFIED ACCRUAL BASIS)**

**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

PUGET SOUND PILOTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Puget Sound Pilots
Seattle, Washington

We have audited the accompanying special-purpose financial statements of Puget Sound Pilots (a voluntary association of sole proprietors and incorporated individuals), which comprise the special-purpose statements of assets, liabilities and pilots' equity - modified accrual basis as of December 31, 2020 and 2019, and the related special-purpose 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 financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the special-purpose financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities, and pilots' equity of Puget Sound Pilots, as of December 31, 2020 and 2019, and its revenues, expenses and changes in pilots' equity, and cash flows for the years then ended, in accordance with the modified accrual basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the special-purpose financial statements, which describes the basis of accounting. The special-purpose 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.

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.

Shannon & Associates

Kent, Washington
April 14, 2021

**PUGET SOUND PILOTS
STATEMENTS OF ASSETS, LIABILITIES
AND PILOTS' EQUITY - MODIFIED ACCRUAL BASIS
DECEMBER 31, 2020 AND 2019**

		<u>ASSETS</u>		
		<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
1.	CURRENT ASSETS			
2.	Cash in banks	\$ 547,774	\$ 1,131,779	\$ (584,005)
3.	Accounts receivable, net of allowance for doubtful accounts of \$5,500 at each year end	2,491,034	2,034,737	456,297
4.	Prepaid expenses	<u>122,221</u>	<u>84,763</u>	<u>37,458</u>
5.	TOTAL CURRENT ASSETS	3,161,029	3,251,279	(90,250)
6.	PROPERTY, BOATS AND EQUIPMENT			
7.	Total building, boats, furnishings, and equipment	9,898,175	9,887,515	10,660
8.	Less accumulated depreciation and amortization	<u>9,037,343</u>	<u>8,888,429</u>	<u>148,914</u>
9.	NET PROPERTY, BOATS, AND EQUIPMENT	860,832	999,086	(138,254)
10.	OTHER ASSETS			
11.	Loan fees, net of accumulated amortization of \$1,150 and \$920 as of 2020 and 2019	<u>-</u>	<u>230</u>	<u>(230)</u>
12.	TOTAL ASSETS	<u>\$ 4,021,861</u>	<u>\$ 4,250,595</u>	<u>\$ (228,734)</u>

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

**PUGET SOUND PILOTS
STATEMENTS OF ASSETS, LIABILITIES
AND PILOTS' EQUITY - MODIFIED ACCRUAL BASIS
DECEMBER 31, 2020 AND 2019**

LIABILITIES AND PILOTS' EQUITY

		<u>2020</u>	<u>2019</u>	Increase (Decrease)
13.	CURRENT LIABILITIES			
14.	Funds held in trust (See Note 3)	\$ 121,745	\$ 122,815	\$ (1,070)
15.	Accrued taxes	38,566	34,427	4,139
16.	Retirement expense payable	431,550	426,243	5,307
17.	Line of credit	-	250,000	(250,000)
18.	PPP loan	362,969	-	362,969
19.	Current portion of long-term liabilities	<u>22,997</u>	<u>92,000</u>	<u>(69,003)</u>
20.	TOTAL CURRENT LIABILITIES	977,827	925,485	52,342
21.	LONG-TERM LIABILITIES, net of current portion	<u>-</u>	<u>22,997</u>	<u>(22,997)</u>
22.	TOTAL LIABILITIES	977,827	948,482	29,345
23.	PILOTS' EQUITY			
24.	December distributions payable to pilots	1,216,011	989,644	226,367
25.	Reserved for operations	750,000	750,000	-
26.	Equity from buy-ins and buy-outs, net	(180,045)	40,993	(221,038)
27.	Remainder of pilots' equity	<u>1,258,068</u>	<u>1,521,476</u>	<u>(263,408)</u>
28.	TOTAL PILOTS' EQUITY	<u>3,044,034</u>	<u>3,302,113</u>	<u>(258,079)</u>
29.	TOTAL LIABILITIES AND PILOTS' EQUITY	<u>\$ 4,021,861</u>	<u>\$ 4,250,595</u>	<u>\$ (228,734)</u>

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

PUGET SOUND PILOTS
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN PILOTS' EQUITY - MODIFIED ACCRUAL BASIS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
1. PILOTAGE REVENUE	\$25,494,863	100.0 %	\$33,691,939	100.0 %
2. OPERATING EXPENSES				
3. Seattle office operating expense and administrative overhead	11,493,692	45.1	11,857,741	35.2
4. Boat operating expense	1,929,462	7.6	1,913,854	5.7
5. Port Angeles station operating expense	<u>494,037</u>	<u>1.9</u>	<u>494,663</u>	<u>1.5</u>
6. TOTAL OPERATING EXPENSES	13,917,191	54.6	14,266,258	42.4
7. TRANSPORTATION FEES PAID DIRECTLY TO PILOTS	<u>710,203</u>	<u>2.8</u>	<u>698,613</u>	<u>2.1</u>
8. NET INCOME FROM POOLED OPERATIONS	10,867,469	42.6	18,727,068	55.5
9. OTHER INCOME (EXPENSE)				
10. Interest income and finance charges	2,509	0.0	2,096	0.0
11. Loss on asset disposal	<u>-</u>	<u>-</u>	<u>(535)</u>	<u>(0.0)</u>
12. TOTAL OTHER INCOME	2,509	0.0	1,561	0.0
13. BALANCE OF REVENUE POOL BEFORE DEDUCTIONS OF INDIVIDUAL PILOTS' BUSINESS EXPENSES	10,869,978	<u>42.6 %</u>	18,728,629	<u>55.5 %</u>
14. LESS PER DETAIL BELOW				
15. Buy-ins and buy-outs, net	(221,038)		(315,451)	
16. All other payments to pilots	<u>(10,907,019)</u>		<u>(19,471,863)</u>	
17. TOTAL DETAIL	<u>(11,128,057)</u>		<u>(19,787,314)</u>	
18. NET DECREASE IN PILOTS' EQUITY	(258,079)		(1,058,685)	
19. BEGINNING PILOTS' EQUITY	<u>3,302,113</u>		<u>4,360,798</u>	
20. ENDING PILOTS' EQUITY	<u>\$ 3,044,034</u>		<u>\$ 3,302,113</u>	

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

**PUGET SOUND PILOTS
STATEMENTS OF CASH FLOWS -
MODIFIED ACCRUAL BASIS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
1. Balance of revenue pool before deductions of individual pilots' business expenses	\$ 10,869,978	\$ 18,728,629
Adjustments to reconcile balance of revenue pool to cash provided by operating activities:		
2. Depreciation and amortization	149,144	157,800
3. Loss on disposal of assets	-	535
4. Decrease (increase) in net accounts receivable	(456,297)	507,660
5. Increase in prepaid expenses	(37,458)	(9,122)
6. Decrease in funds held in trust (see Note 3)	(1,070)	(27,957)
7. Increase (decrease) in accrued taxes	4,139	(3,736)
8. Increase in retirement expense payable	5,307	32,644
9. NET CASH PROVIDED BY OPERATING ACTIVITIES	10,533,743	19,386,453
CASH FLOWS FROM INVESTING ACTIVITIES		
10. Purchase of property, boats, and equipment	(10,660)	(120,562)
CASH FLOWS FROM FINANCING ACTIVITIES		
11. Proceeds from line of credit	-	250,000
12. Payments on line of credit	(250,000)	-
13. Principal payments on notes payable	(92,000)	(92,000)
14. Proceeds from PPP loan	362,969	-
15. Payments (to) from buy-ins and buy-outs, net	(221,038)	(315,451)
16. Payments to members	(10,907,019)	(19,471,863)
17. NET CASH USED IN FINANCING ACTIVITIES	(11,107,088)	(19,629,314)
18. NET DECREASE IN CASH	(584,005)	(363,423)
19. Cash at beginning of year	1,131,779	1,495,202
20. Cash at end of year	\$ 547,774	\$ 1,131,779

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

PUGET SOUND PILOTS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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. The Commission subsequently established a pilotage tariff for the Puget Sound Pilotage District with an effective date of January 25, 2021, see Note 13.

The accompanying special-purpose 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, callback 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 7 and 11 for unrecorded liabilities.

PUGET SOUND PILOTS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Revenue Recognition

Pilotage revenue is recognized on the accrual basis of accounting when services are performed. Pilotage services are invoiced to their commercial customers in accordance with the tariff regulated by the Washington State Board of Pilotage Commissioners (WAC 363-116-300) (see above). The tariff is designed to cover current operating costs and liabilities and to provide fair, just and reasonable compensation for pilots. 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. The last tariff rate adjustment of the BPC occurred in July 2015. A new tariff set by the WUTC became effective January 25, 2021. See Note 13.

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. These reimbursements have historically come in the form of TEC travel reimbursements as outlined in the tariff (pass through of direct charge to customer) as well as a Port Angeles reposition reimbursement (\$163 per reposition assignment). During 2019, a trial was conducted for three months (February through April) to determine the reasonableness of the reimbursements being paid and to compare to the amounts that would have been reimbursed to pilots. This was done by suspending both travel reimbursements for February through April and having PSP as an organization pay all out of pocket travel costs. As a result, for year ended December 31, 2019 individual pilot reimbursement amounts were lower (in total) by \$261,492.

PUGET SOUND PILOTS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Pilot Distributable Revenue and Reimbursed Expenses (Continued)

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 December was \$80,070.

Cash and Cash Equivalents

Cash in banks 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 \$17,518 and \$4,115 at December 31, 2020 and 2019, 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.

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 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, 2020 and 2019, was \$149,144 and \$157,800, respectively.

Other Assets

Loan fees are recorded at cost and amortized on the straight-line basis over the life of the loan.

PUGET SOUND PILOTS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

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 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, 2020 and 2019. PSP is no longer subject to federal, state or local income tax examinations by tax authorities for years prior to 2017. If assessed, PSP recognizes penalties and interest associated with tax matters as part of operating expenses.

Use of Estimates

The preparation of special-purpose 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

PUGET SOUND PILOTS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2.--PROPERTY, BOATS AND EQUIPMENT

Property, boats and equipment are summarized as follows:

	<u>2020</u>	<u>2019</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	<u>781,727</u>	<u>771,067</u>
	9,898,175	9,887,515
Less accumulated depreciation and amortization	<u>9,037,343</u>	<u>8,888,429</u>
	<u>\$ 860,832</u>	<u>\$ 999,086</u>

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

Funds held in trust at December 31, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Pilotage Commission Trust - trainee surcharge	\$ 107,825	\$ 108,095
Pilotage Commission self - insurance premium	<u>13,920</u>	<u>14,720</u>
	<u>\$ 121,745</u>	<u>\$ 122,815</u>

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, 2020 and 2019, consisted of the following:

PUGET SOUND PILOTS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

	2020	2019
Pilot Trainee surcharge billed to customers (excluded from Pilotage Revenue on Page 7)	\$ 831,735	\$ 926,055
Pilot Trainee surcharge collected from customers	824,415	952,725
Collected and due to the BPC at December 31, 2020 and 2019	63,135	70,725
Billed and uncollected amounts due to the BPC at December 31, 2020 and 2019	48,735	41,415

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 at a future date in order to permanently adopt the rule, WAC 363-116-301 New Revenue Collection: Effective May 18, 2017 through June 30, 2021, 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 three stipulated conditions: 1) The Puget Sound Pilots shall pay to the board, from its tariffs, \$150,000 annually through July 1, 2020. 2) The BPC shall maintain the Puget Sound pilotage tariff at the rate which became effective on January 1, 2017. 3) 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 10th of each month. The surcharge is in effect from July 1, 2017 through June 30, 2021.

Self-insurance premium surcharge payable detail for years ended December 31, 2020 and 2019, consisted of the following:

PUGET SOUND PILOTS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

	2020	2019
Self-insurance premium surcharge billed to customers (excluded from Pilotage Revenue on Page 7)	\$ 97,760	\$ 112,000
Self-insurance premium surcharge collected from customers	96,896	114,432
Collected and due to the BPC at December 31, 2020 and 2019	7,648	9,312
Billed and uncollected amounts due to the BPC at December 31, 2020 and 2019	6,270	5,406

NOTE 4.--LONG-TERM LIABILITIES

Long-term liabilities at December 31, 2020 and 2019, consisted of the following:

	2020	2019
Dispatch software note payable to Finance Company secured by PSP assets bearing interest at 1.50% plus the lender's cost of funds (total rate of 3.16% at both December 31, 2020 and 2019), monthly payments of \$7,667, maturing April 1, 2021.	\$ 22,997	\$ 114,997
Less current portion	(22,997)	(92,000)
Total long-term liabilities	<u>\$ -</u>	<u>\$ 22,997</u>

Total interest expense was \$2,554 and \$5,277 for the years ended December 31, 2020 and 2019, respectively.

Estimated future maturities of notes payable are as follows:

<u>Years ending December 31,</u>	
2021	\$ 22,997
Thereafter	<u>-</u>
	<u>\$ 22,997</u>

PUGET SOUND PILOTS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5.--PPP LOAN

In 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 loan bears interest at a rate of 1% and has an original maturity date of two years which can be extended to five years by mutual agreement of the Company and the lender. Payments are deferred during the Deferral Period. The Deferral Period is the period beginning on the date of the Note (May 5, 2020) and ending 10 months after the last day of the covered period (Deferral Expiration Date.) Any amounts not forgiven under the Program will be payable in equal installments of principal plus any interest owed beginning on the Deferral Expiration Date through Maturity Date. Additionally, any accrued interest that is not forgiven under the Program will be due on the first payment date.

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 has elected a policy to classify the loan as current debt on the accompanying special-purpose statements of assets, liabilities, and pilots' equity and to exclude from the future minimum payments schedule. The Company believes it has acted in compliance with the program and will seek forgiveness of the PPP loan, no assurance can be provided that the Company will obtain forgiveness in whole or in part.

The Company has made a policy election to include the loan with current liabilities because the Company expects forgiveness in the current operating cycle. Therefore the PPP loan has also been excluded from the future maturities table in Note 4.

NOTE 6.--LINE OF CREDIT

PSP has a line of credit with a bank in the amount of \$500,000 that expires September 25, 2021. The line of credit bears interest at an annual rate equal to the 1-month LIBOR rate plus 1.35%. The interest rate was 1.54% and 3.04% at December 31, 2020 and 2019, respectively. The balance outstanding at December 31, 2020 and 2019 was \$0 and \$250,000, respectively. 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 financial statements prepared in accordance with the modified accrual basis of accounting.

PUGET SOUND PILOTS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 7.--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, 2020, and 2019, 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. The BPC has thus historically taken and appears to continue to take the added cost of the retirement plans into account when setting the overall tariff and there is no expectation by management that this will change. An estimate of the unfunded retirement program liability as of December 31, 2020 and 2019, has not been quantified. See Note 11 for further discussion of unrecorded liabilities.

NOTE 8.--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 12 for Union pension information.

The PSP non-union employee retirement plan is a 401(k) plan. The plan allows for elective deferrals and provides a safe harbor match and discretionary profit sharing contribution. PSP contributions to the Plan for 2020 and 2019 were \$30,223 and \$31,353, respectively.

PUGET SOUND PILOTS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9.--LEASES

Port Angeles Station

A building serving as a boarding and boat station is constructed on tidelands leased from the State of Washington. PSP has a lease with the State of Washington Department of Natural Resources that expires June 2021. The lease contains an 8-year renewal option. Rent expense related to this lease for 2020 and 2019 was \$4,542 and \$4,548, respectively.

Seattle Office

During 2019, the dispatching and management headquarters moved locations. The previous Seattle office was under a lease that expired October 2019. The new 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. At the lease inception PSP incurred prepaid rent paid in the amount of \$49,449. Based on the accounting policy (see Note 1), the full amount paid was expensed in 2019. Rent expense related to the Seattle location for 2020 and 2019 was \$102,925 and \$138,324, respectively.

PSP obtained an operating lease for PPU's in 2018. The lease is for 53 units for a period of 36 months effective July 1, 2018. Rent expense related to this lease for 2020 and 2019 was \$338,478 and \$339,108, respectively.

The following is a schedule of future minimum lease payments for non-cancelable operating leases as of December 31, 2020:

<u>Years ending December 31,</u>	
2021	\$ 258,309
2022	116,870
2023	120,369
2024	123,984
2025	127,697
Thereafter	<u>120,296</u>
	<u>\$ 867,525</u>

Total Leases

Total rent expense for all leases including parking, which is on a month-to-month agreement, was \$520,067 and \$548,151 for 2020 and 2019, respectively.

PUGET SOUND PILOTS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 10.--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 12% of accounts receivable for the year ended December 31, 2020. There were no accounts receivable concentrations for the year ended December 31, 2019. One customer accounted for approximately 12% of revenue for the year ended December 31, 2020. There were no revenue concentrations for the year ended December 31, 2019.

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 11.--UNRECORDED LIABILITIES

As noted in Note 1, these special-purpose financial statements are prepared on the modified accrual basis of accounting. This method of accounting and reporting permits PSP to present these special-purpose 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.

The following are unrecorded liabilities at December 31, 2020 and 2019:

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 a callback day (also known as a “comp day”). For years ended December 31, 2020 and 2019 total callback days outstanding were 3,075 and 3,481, respectively. The estimated value of those days was approximately \$3,437,850 and \$7,052,506, respectively.

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 2020 and 2019, 14.9 and 7.5 monthly payments, respectively, were made to different pilots under this operating rule. An estimate of the liability for major medical as of December 31, 2020 and 2019, has not been determined.

PUGET SOUND PILOTS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 11.--UNRECORDED LIABILITIES (Continued)

As pilots retire, PSP buys their membership out over a period of six years. As of December 31, 2020, and 2019, the amount due to retired pilots under the membership buyout is approximately \$4,458,770 and \$4,355,105, respectively.

Redemption of pilot membership interest for pilots being paid out as of December 31, 2020, due for each of the next five years and in the aggregate, are as follows:

<u>Years ended December 31,</u>	
2021	\$1,248,442
2022	1,021,607
2023	981,539
2024	650,554
2025	409,554
Thereafter	<u>147,074</u>
	<u>\$4,458,770</u>

Annual unpaid vacation value at December 31, 2020, was approximately \$539,211 and approximately \$903,393 at December 31, 2019. This is estimated based on balance of revenue pool per day and the working pilot roster as of each respective year end.

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. The Executive Director earns 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 Executive Director compensated absences as of December 31, 2020 and 2019, has not been determined.

NOTE 12.--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.

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 \$283,114 and \$272,526 for the years ended December 31, 2020 and 2019, respectively, and are recorded on the cash basis in the accompanying special-purpose 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.

PUGET SOUND PILOTS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 12.--COMMITMENTS AND CONTINGENCIES (Continued)

Contributions to the trust were \$123,360 and \$124,791 for the years ended December 31, 2020 and 2019, respectively, and are recorded on the cash basis in the accompanying special-purpose 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.

NOTE 13.--SUBSEQUENT EVENTS

Effective January 25, 2021, the Washington State Board of Pilotage Commissioners to 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.

Management has evaluated subsequent events through April 14, 2021, the date which the financial statements were available to be issued.



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors
Puget Sound Pilots
Seattle, Washington

We have audited the special-purpose financial statements of Puget Sound Pilots (a voluntary association of sole proprietors and incorporated individuals) as of and for the years ended December 31, 2020 and 2019, and our report thereon dated April 14, 2021 which expressed an unmodified opinion on those financial statements, appears on pages 3- 4. Our audit was conducted for the purpose of forming an opinion on those financial statements as a whole. The 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 the Schedule of Employees are presented for purposes of additional analysis and are not a required part of the special-purpose 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the special-purpose 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 financial statements or to the special-purpose 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 financial statements as a whole.

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.

Shannon & Associates

Kent, Washington
April 14, 2021

PUGET SOUND PILOTS

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

Year Ended December 31, 2020

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	366	\$ 494,731	\$ 270,065	\$ 20,086	\$ 204,580
2. ANT	366	494,731	270,065	20,086	204,580
3. BEN.....	366	494,731	270,065	20,086	204,580
4. BOU	366	494,731	270,065	20,086	204,580
5. BOZ**.....	332	448,772	244,977	18,220	185,575
6. BRU	366	494,731	270,065	20,086	204,580
7. BUJ	366	494,731	270,065	20,086	204,580
8. CAI	366	494,731	270,065	20,086	204,580
9. CAW	366	494,731	270,065	20,086	204,580
10. CAJ	366	494,731	270,065	20,086	204,580
11. COL	366	494,731	270,065	20,086	204,580
12. COR	366	494,731	270,065	20,086	204,580
13. EME	366	494,731	270,065	20,086	204,580
14. GAL	366	494,731	270,065	20,086	204,580
15. GRK	366	494,731	270,065	20,086	204,580
16. GRD	366	494,731	270,065	20,086	204,580
17. HAJ	366	494,731	270,065	20,086	204,580
18. HAM**	52	70,290	38,370	2,854	29,066
19. HAR	366	494,731	270,065	20,086	204,580
20. HED	<u>366</u>	<u>494,731</u>	<u>270,065</u>	<u>20,086</u>	<u>204,580</u>
Subtotal Forward.....	6,972	\$ 9,424,220	\$ 5,144,517	\$ 382,622	\$ 3,897,081

* Pilot is retired as of December 31, 2020

** Pilot started in 2020

*** Amount does not include individual income and FICA taxes and does not include Port Angeles transportation payments

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

See notes on page 4

PUGET SOUND PILOTS

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

Year Ended December 31, 2020

Pilot Name	(1) Days of Service	(2) Credit for Pilotage Revenue	(3)	(4)	(5)***
			Charge for Operating Expense	Charge for Other Expense	Annual earnings after deductions
Subtotal Forward.....	6,972	\$ 9,424,220	\$ 5,144,517	\$ 382,622	\$ 3,897,081
21. HEN	366	494,731	270,065	20,086	204,580
22. HUP	366	494,731	270,065	20,086	204,580
23. JEN	366	494,731	270,065	20,086	204,580
24. KAL	366	494,731	270,065	20,086	204,580
25. KEA	366	494,731	270,065	20,086	204,580
26. KEN	366	494,731	270,065	20,086	204,580
27. KEP	366	494,731	270,065	20,086	204,580
28. KLA	366	494,731	270,065	20,086	204,580
29. KRI.....	366	494,731	270,065	20,086	204,580
30. LIC*	341	460,938	251,618	18,714	190,606
31. LOB	366	494,731	270,065	20,086	204,580
32. LOW	366	494,731	270,065	20,086	204,580
33. MAY	366	494,731	270,065	20,086	204,580
34. MCN**	24	32,441	17,709	1,317	13,415
35. MCG	366	494,731	270,065	20,086	204,580
36. MEL	366	494,731	270,065	20,086	204,580
37. MIL**	234	316,303	172,664	12,842	130,797
38. MOT	366	494,731	270,065	20,086	204,580
39. MYE	366	494,731	270,065	20,086	204,580
40. NEW	<u>366</u>	<u>494,731</u>	<u>270,065</u>	<u>20,086</u>	<u>204,580</u>
Subtotal Forward.....	13,793	\$ 18,644,329	\$ 10,177,613	\$ 756,957	\$ 7,709,759

* Pilot is retired as of December 31, 2020

** Pilot started in 2020

*** Amount does not include individual income and FICA taxes and does not include Port Angeles transportation payments

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

See notes on page 4

PUGET SOUND PILOTS
SCHEDULE OF DAYS OF SERVICE AND DISTRIBUTION OF
PILOTAGE REVENUE AND EXPENSE

Year Ended December 31, 2020

Pilot Name	(1)	(2)	(3)	(4)	(5)***
	Days of Service	Credit for Pilotage Revenue	Charge for Operating Expense	Charge for Other Expense	Annual earnings after deductions
Subtotal Forward.....	13,793	\$ 18,644,329	\$ 10,177,613	\$ 756,957	\$ 7,709,759
41. NIN	366	494,731	270,065	20,086	204,580
42. ROU	366	494,731	270,065	20,086	204,580
43. SCR	366	494,731	270,065	20,086	204,580
44. SEA	366	494,731	270,065	20,086	204,580
45. SEM	366	494,731	270,065	20,086	204,580
46. SES	366	494,731	270,065	20,086	204,580
47. SEY	366	494,731	270,065	20,086	204,580
48. SHA	366	494,731	270,065	20,086	204,580
49. SHJ*	362	489,320	267,103	19,845	202,372
50. SID**	66	89,214	48,700	3,622	36,892
51. SLI	366	494,731	270,065	20,086	204,580
52. SOR	366	494,731	270,065	20,086	204,580
53. THG	366	494,731	270,065	20,086	204,580
54. VEL**	248	335,228	182,995	13,610	138,623
54. VON	<u>366</u>	<u>494,731</u>	<u>270,065</u>	<u>20,086</u>	<u>204,580</u>
Total.....	<u>18,861</u>	<u>\$ 25,494,863</u>	<u>\$ 13,917,191</u>	<u>\$ 1,035,066</u>	<u>\$ 10,542,606</u>

* Pilot is retired as of December 31, 2020

** Pilot started in 2020

*** Amount does not include individual income and FICA taxes and does not include Port Angeles transportation payments.

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

See notes on page 4

PUGET SOUND PILOTS

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

Year Ended December 31, 2020

- 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) includes transportation expense charges (TEC) and excludes SILA and Trainee surcharge revenue.
 - 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. Column (3) does not include transportation expense charges (TEC).
 - d. Column (4): Charge for Other Expense includes the transportation expense charges (TEC) paid directly to pilots (included in column (2)) as well as the individual out of pocket allowance of \$6,304 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)].
- B. The bylaws also provide for the credit for travel fees per tariff to the pilot performing the services to which travel fees apply. Each pilot is also credited for special Port Angeles transportation amounts applicable to certain engagements.

PUGET SOUND PILOTS AND SUBSIDIARY

SCHEDULE OF RETIREMENT INCOME FOR INACTIVE
PILOTS AND OTHER ELIGIBLE PARTICIPANTS

Year Ended December 31, 2020

1. AWN	\$ 19,223	35. LOF	13,442
2. AND	36,739	36. MAC	144,363
3. ARN	135,942	37. MAR	63,634
4. BLA	61,169	38. MAT	126,912
5. BOW	95,535	39. MCC	120,303
6. BRO	33,823	40. MEN	176,616
7. BUN	124,983	41. MIB	133,670
8. CAA	17,273	42. MIC	12,682
9. CAR	4,071	43. MOR	88,973
10. COE	150,408	44. MOS	17,395
11. CRA	9,694	45. MUR	47,961
12. ENM	94,908	46. NIE	111,012
13. ENG	125,198	47. OST	53,105
14. ENF	19,825	48. PEA	35,698
15. ENV	69,510	49. PET	98,544
16. FLA	171,696	50. POO	45,314
17. FOS	95,535	51. ROB	54,173
18. GAV	64,587	52. SAC	20,558
19. GIE	139,021	53. SAN	123,717
20. GOO	50,641	54. SCO	77,589
21. HAN	162,491	55. SHU	118,591
22. HOLS	28,791	56. SNY	62,964
23. HUN	124,416	57. STE	107,808
24. HUR	91,754	58. THJ	48,557
25. JAC	125,198	59. THL	39,980
26. JOC	54,173	60. THW	110,204
27. JOM	52,872	61. WAR	63,945
28. JUS	148,218	62. WAJ	45,295
29. KJE	29,611	63. WER	49,844
30. KNO	96,242	64. WLD	60,814
31. KRO	149,304	65. WIL	39,460
32. LAC	96,242	66. WOO	135,884
33. LAR	69,672		
34. LIN	7,200		
TOTAL			<u>\$ 5,204,972</u>

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, 2020

1. Attorney fees	\$ 712,757	2.8%
2. Commisison - senate bill 5096	150,000	0.6%
3. Computer maintenance	197,271	0.8%
4. Computer programming	5,263	0.0%
5. Conferences	4,350	0.0%
6. Consulting services	153,413	0.6%
7. CPA fees	97,894	0.4%
8. Depreciation and amortization	103,910	0.4%
9. Drug testing	5,116	0.0%
10. Dues	166,351	0.7%
11. Employee benefits	187,965	0.7%
12. Employee salaries	872,466	3.4%
13. Equipment leases	338,478	1.3%
14. Former director retirement	69,502	0.3%
15. Insurance	174,673	0.7%
16. Interest	2,854	0.0%
17. License fees - commission	325,000	1.3%
18. Lobbyist	75,065	0.3%
19. Medical insurance - pilots	1,627,729	6.4%
20. Office maintenance and repair	86,529	0.3%
21. Office supplies	59,330	0.2%
22. Pilot training	10,275	0.0%
23. Printing and publications	17,872	0.1%
24. Puget Sound retirement	5,204,972	20.4%
25. Rent and parking	177,047	0.7%
26. Taxes on payroll	56,177	0.2%
27. Taxes, other	548	0.0%
28. Taxes on revenue	459,708	1.8%
29. Travel and promotion	128,938	0.5%
30. Telephone and communications	<u>22,239</u>	<u>0.1%</u>
TOTAL	<u>\$ 11,493,692</u>	<u>45.1%</u>

PUGET SOUND PILOTS

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

Year Ended December 31, 2020

1.	Depreciation	\$	28	0.0%
2.	Employee benefits		248,732	1.0%
3.	Employee salaries		833,776	3.3%
4.	Fuel of "Juan de Fuca"		105,973	0.4%
5.	Fuel of "Puget Sound"		130,432	0.5%
6.	Insurance		107,547	0.4%
7.	Maintenance and operation of "Juan de Fuca"		388,137	1.5%
8.	Maintenance and operation of "Puget Sound"		45,041	0.2%
9.	Taxes on payroll		64,779	0.3%
10.	Taxes on property		<u>5,017</u>	<u>0.0%</u>
	TOTAL	\$	<u>1,929,462</u>	<u>7.6%</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, 2020

1. Depreciation	\$	45,206	0.2%
2. Food		80,532	0.3%
3. Insurance		39,572	0.2%
4. Maintenance and repairs		41,793	0.2%
5. Rent, tideland lease		4,542	0.0%
6. Reposition pilots		189,406	0.7%
7. Supplies		31,489	0.1%
8. Taxes on property		10,732	0.0%
9. Telephone and communications		22,416	0.1%
10. Utilities		<u>28,349</u>	<u>0.1%</u>
TOTAL	\$	<u>494,037</u>	<u>1.9%</u>

PUGET SOUND PILOTS
SCHEDULE OF EMPLOYEES

December 31, 2020

Employee	Position
1. T. Burnell	Dispatcher/Clerk
2. J. Clark	Deckhand/Engineer
3. A. Dreyer	Lead Boat Operator
4. D. Ellis	Relief Deckhand
5. M. Gregson	Deckhand/Engineer
6. K. Houston	Dispatcher/Clerk
7. P. Jacobsen	Deckhand/Engineer
8. J. Melvin	Deckhand/Engineer
9. P. Moore	Accountant/Controller
10. J. Rushton	Deckhand/Engineer
11. D. Shideler	Lead Boat Operator
12. L. Styrk	Executive Director
13. B. Valentine	Dispatcher/Clerk
14. D. Warczak	Clerk
15. R. Welch	Boat Operator