PUGET SOUND PILOTS

Protecting Puget Sound Since 1935

1

Financial Statements Presentation

to

Washington State Board of Pilotage Commissioners

May 19, 2022

2

Engagement in Financial Statements

PUGET SOUND PILOTS
Protecting Puget Sound Since 1935

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PILOT

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, 2021was 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*

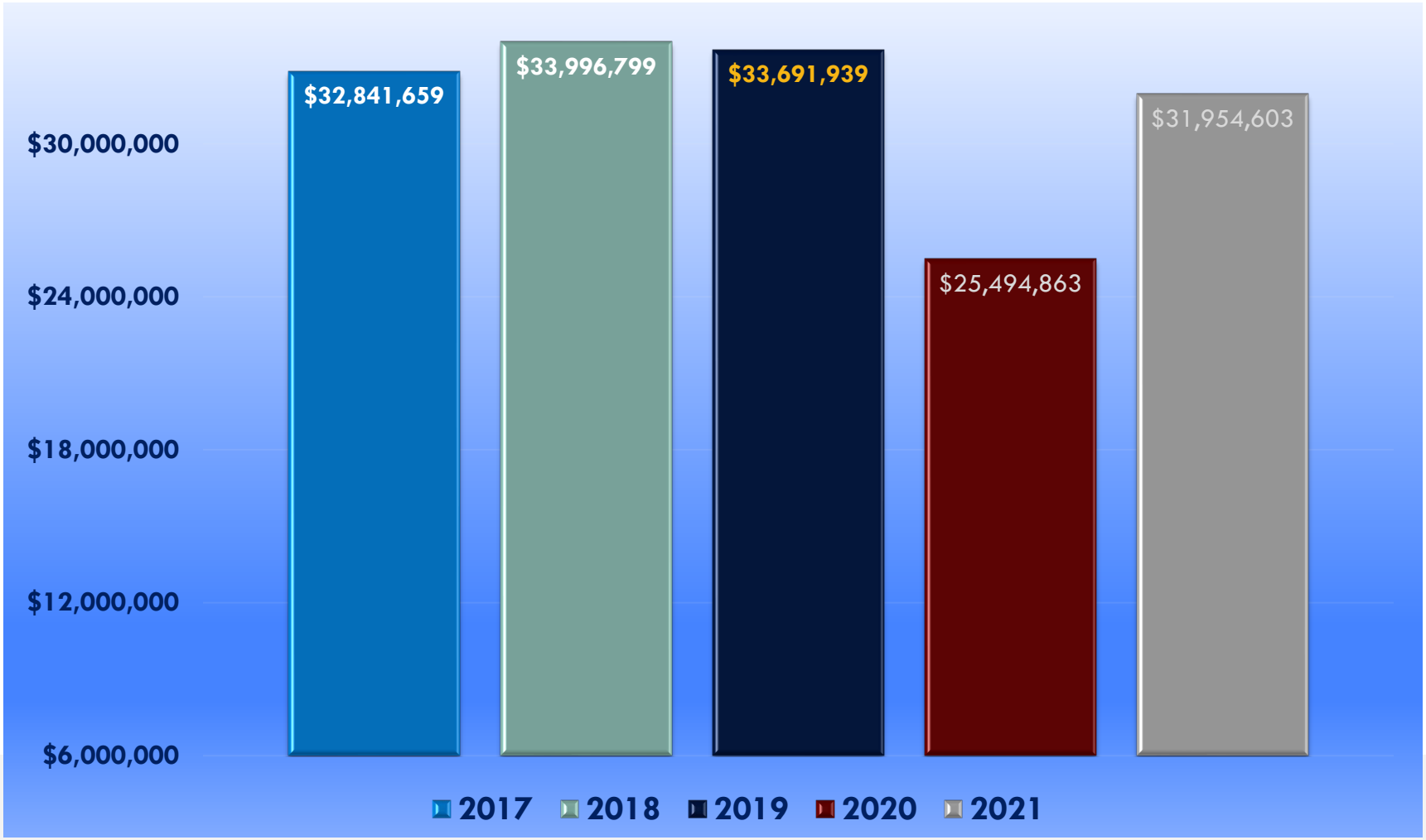
Pilots' Equity

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

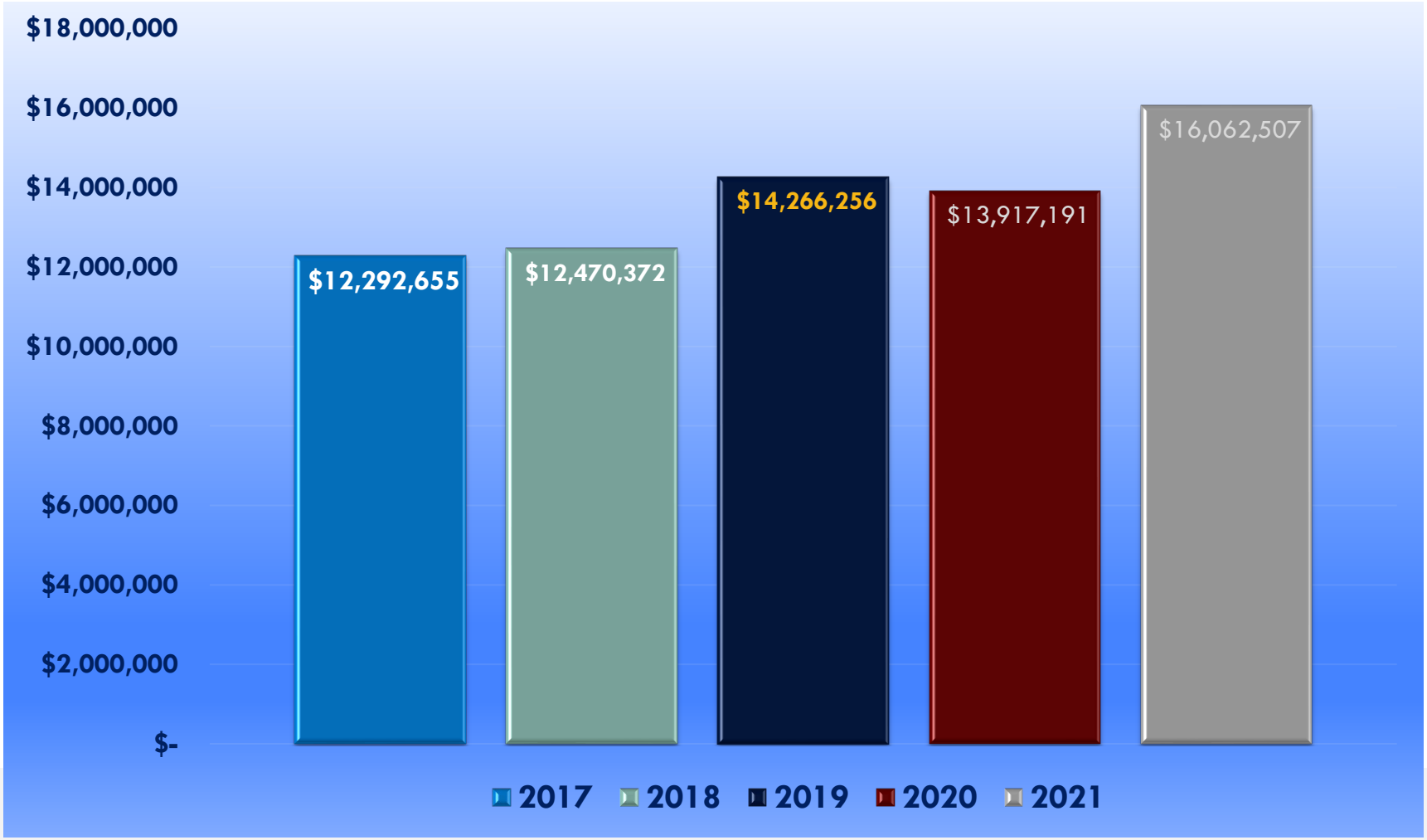
Page 6	PILOTS' EQUITY	2021	2020	Increase (Decrease)
25.	Total Pilots' Equity	3,137,676	3,044,034	93,642

- 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.

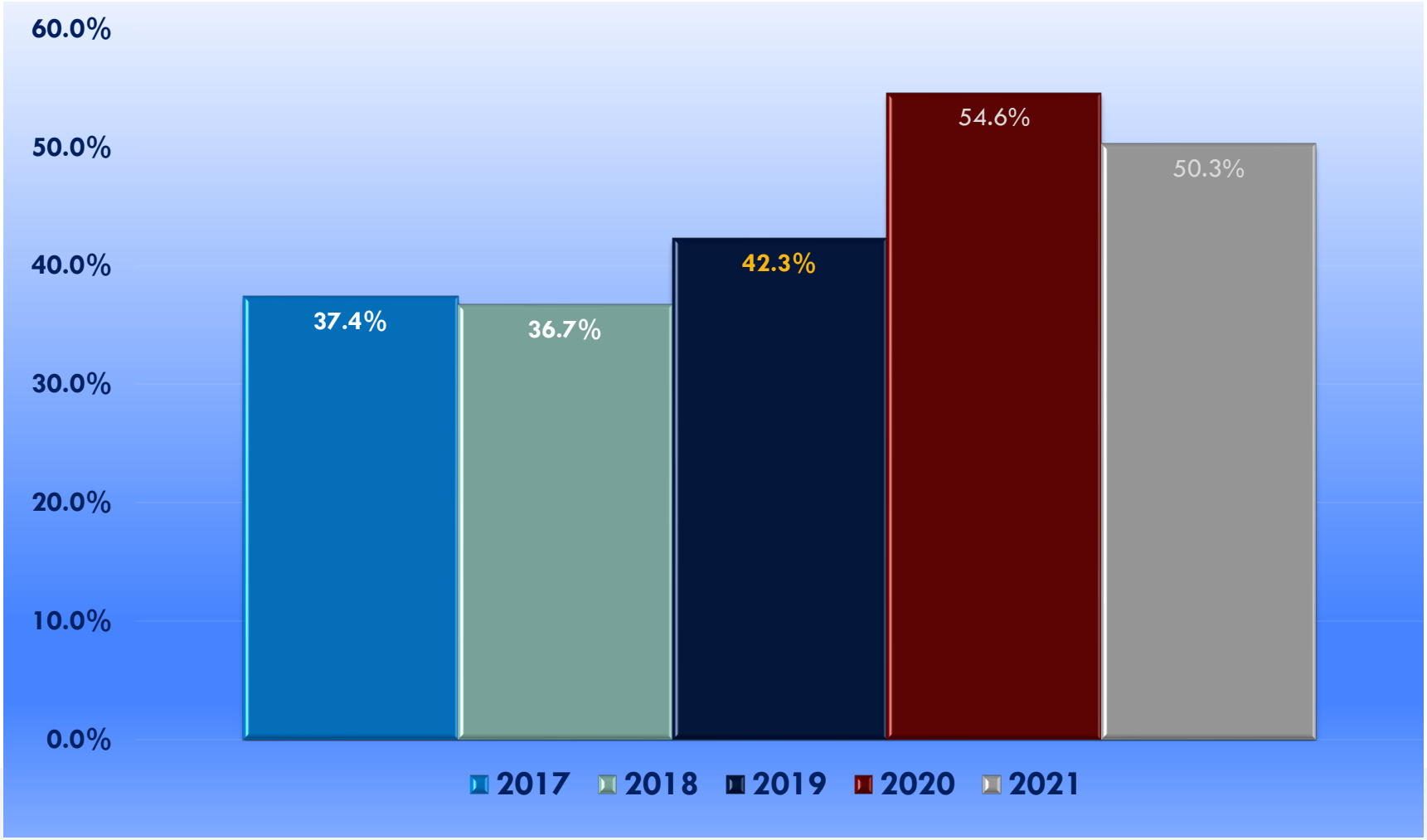
Pilotage Revenue



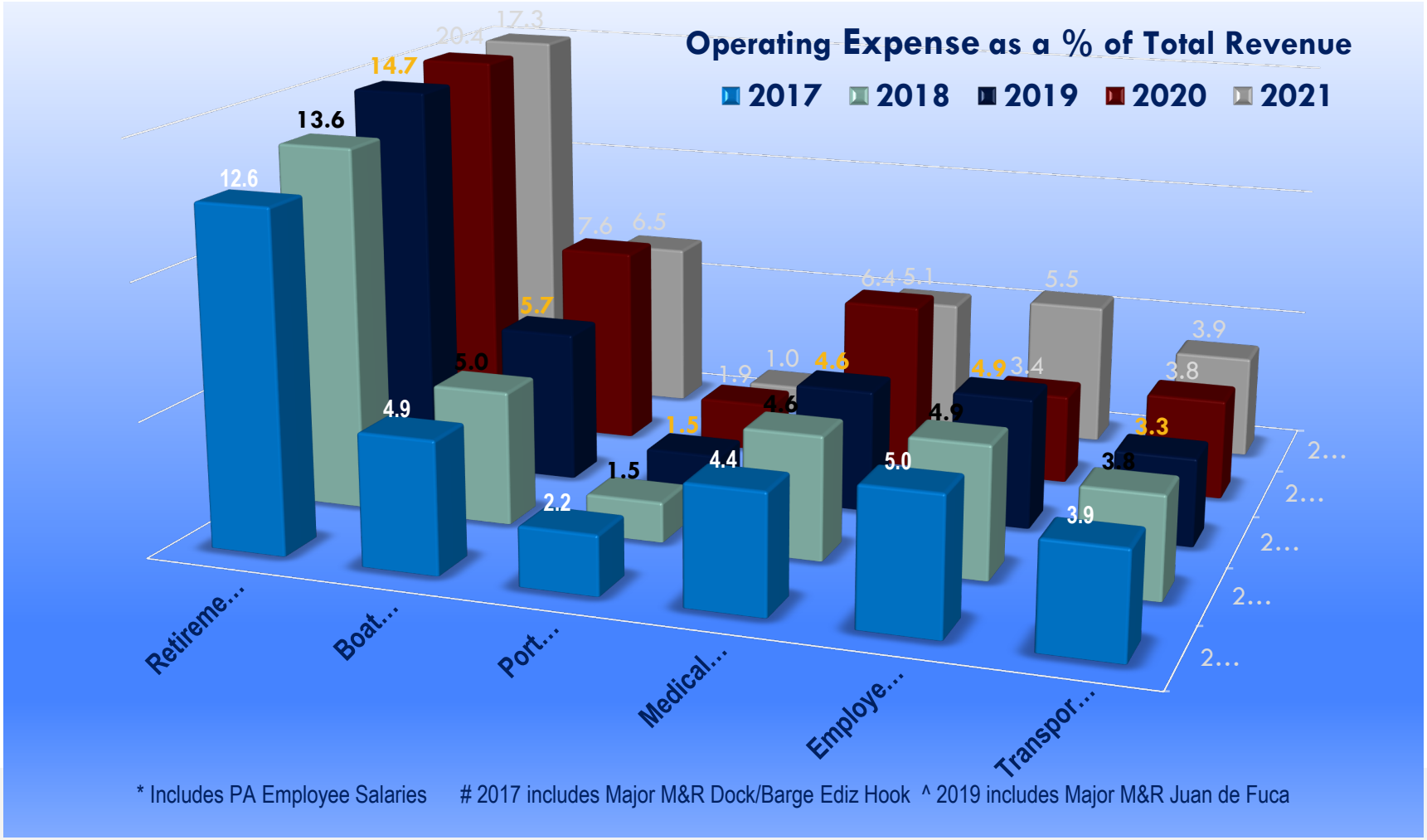
Total Operating Expenses



Total Operating Expenses % of Revenue



Comparative Operating Expenses



* 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

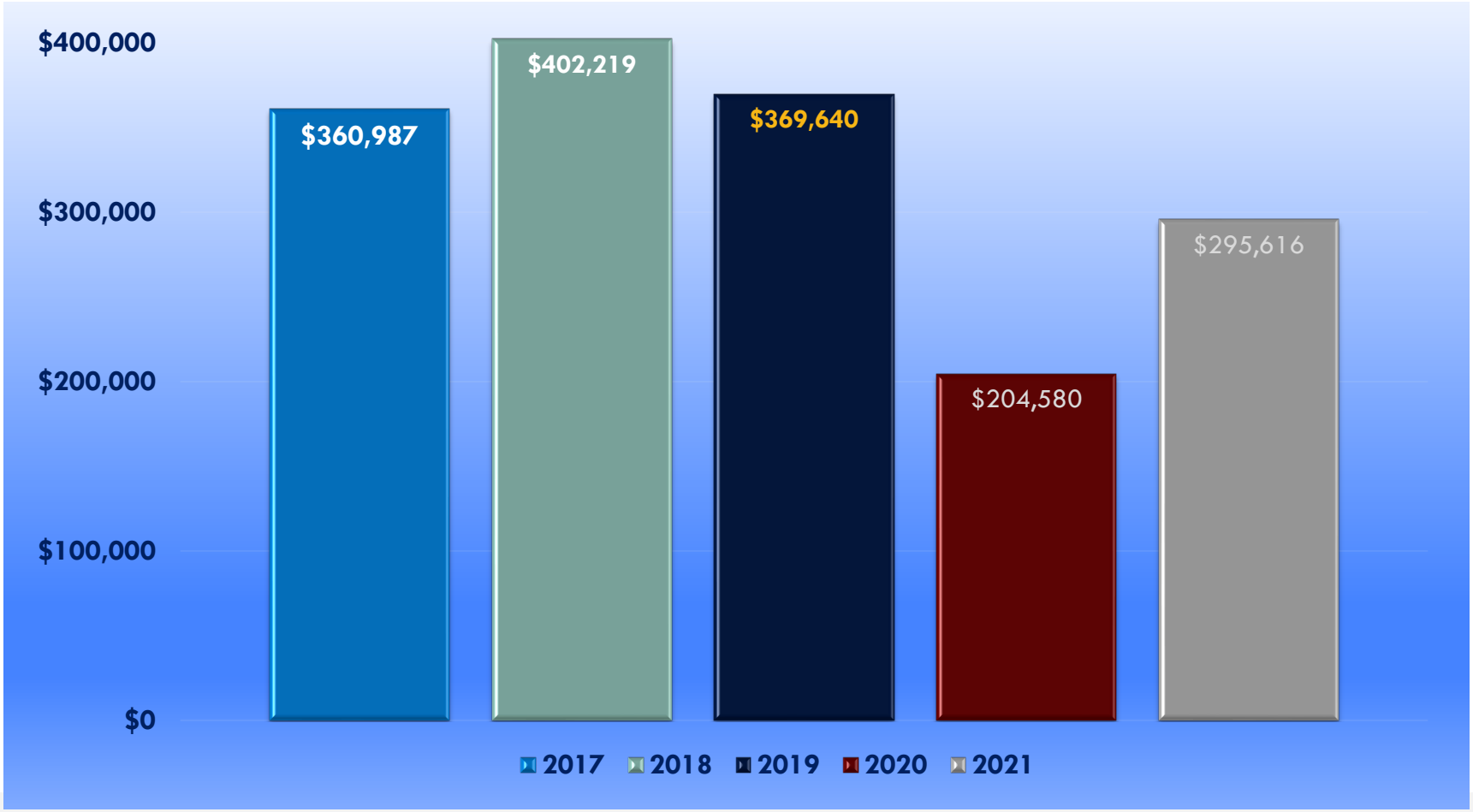
Column	Source	Total
(1) Days of Service	Calculated as total days in a year for each individual pilot. If a pilot is new or retires during a year his days of service will be less	19,315
(2) Credit for Pilotage Revenue	Page 7 of Financial Statements, Line 1	31,954,603
(3) Charge for Operating Expense	Page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

* 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)

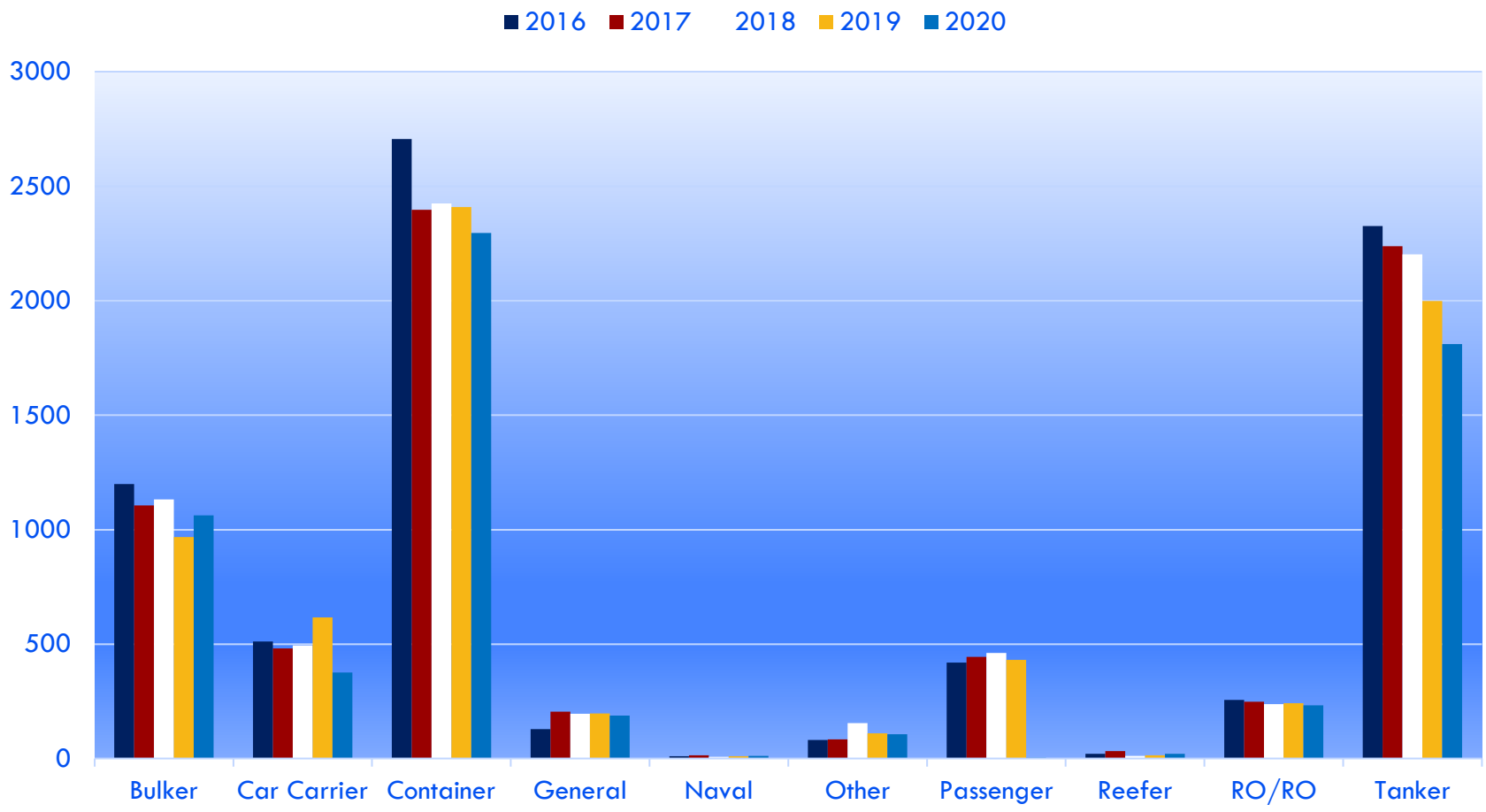
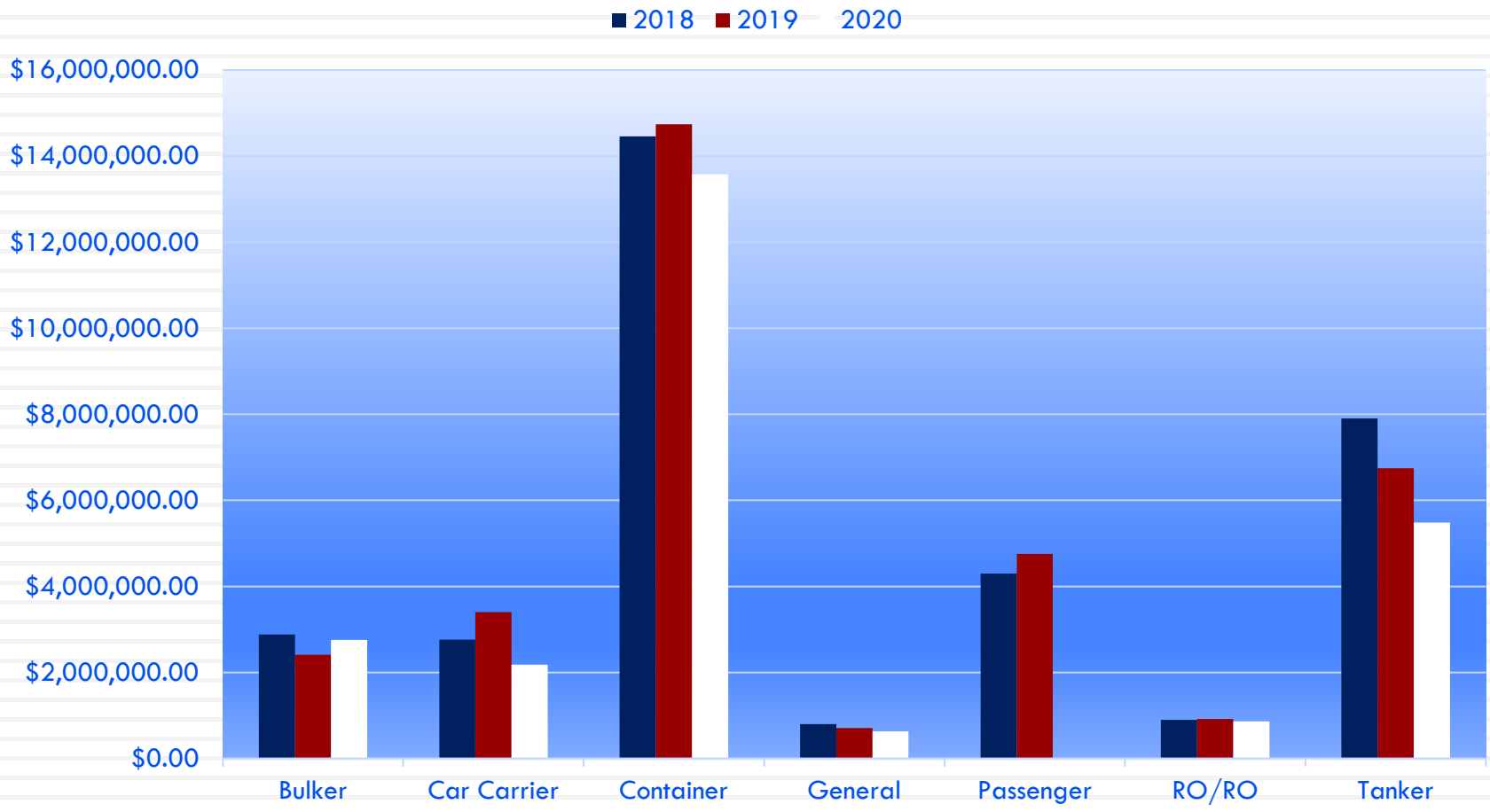
Description	Reference	Amount
Share of Balance of Pilotage Revenue Pooled	Schedule of Days of Service and Distribution of Pilotage Revenue and Expense total Column (5)	$15,643,382
Total Duty Days	Schedule of Days of Service and Distribution of Pilotage Revenue and Expense total Column (1)	19,315
Days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

Income Per Pilot*



Additional analysis PSP

Assignments by Vessel Type



Revenue by Vessel Type