



**THE NORTHWEST
SEAPORT ALLIANCE**
Gateway to Solutions

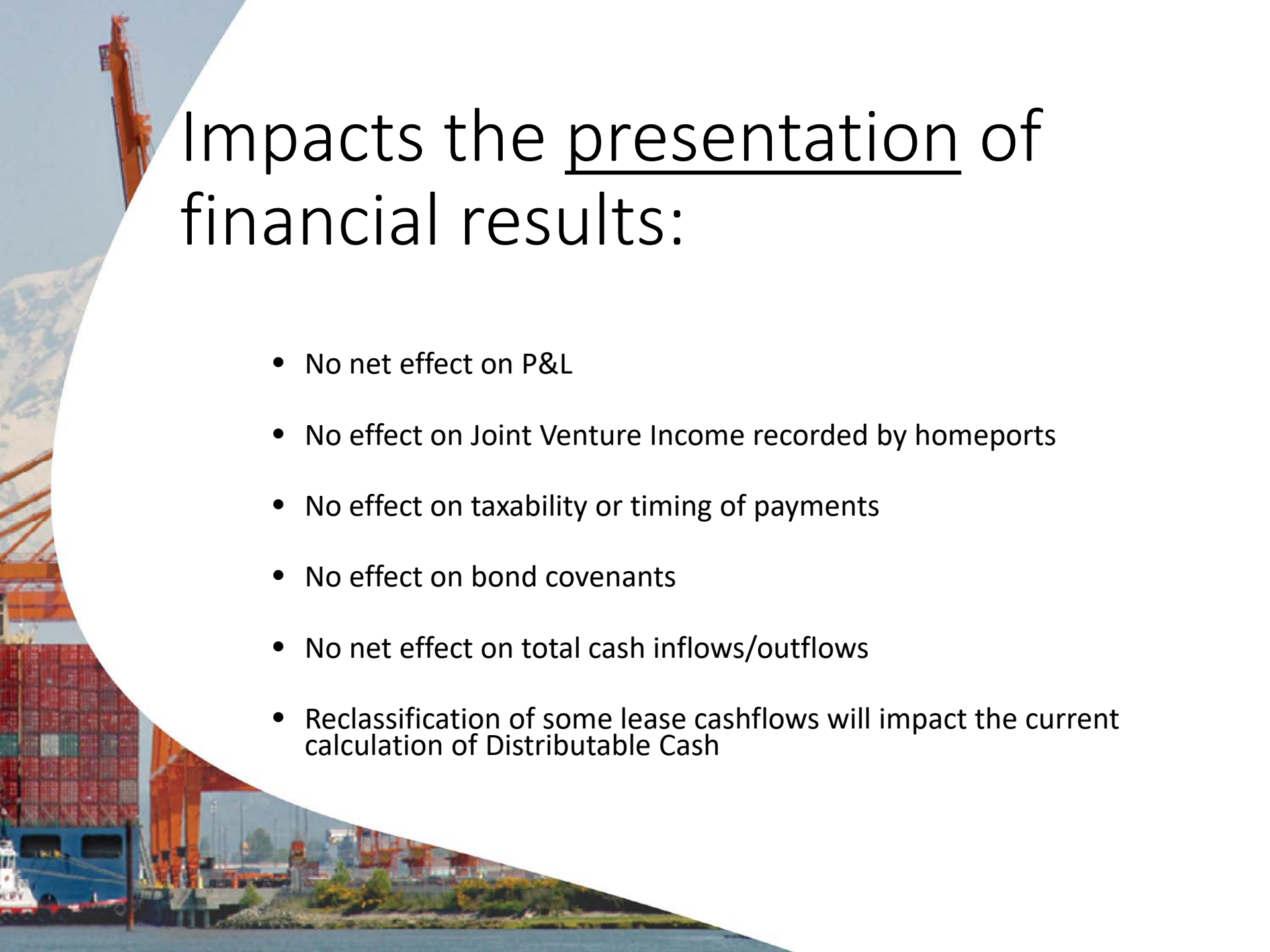
Lease Accounting – Changes Coming

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What is GASB 87?

- The new lease accounting standard issued by the Governmental Accounting Standards Board
- Effective as of January 2020
- Changes the method of accounting for certain lease revenues/expenses
- Impacts the presentation of financial results



The background of the slide features a photograph of a port or shipping yard. In the foreground, there are stacks of colorful shipping containers (red, blue, and white) and a blue ship. In the background, there are large orange cranes and a body of water under a clear sky. A large white semi-circular graphic is overlaid on the right side of the image, containing the text.

Impacts the presentation of financial results:

- No net effect on P&L
- No effect on Joint Venture Income recorded by homeports
- No effect on taxability or timing of payments
- No effect on bond covenants
- No net effect on total cash inflows/outflows
- Reclassification of some lease cashflows will impact the current calculation of Distributable Cash

Reporting Changes for 2020



NWSA STATEMENT OF NET POSITION
As presented in 2018 and with GASB 87 IMPACT (for illustrative purposes)

	2020	GASB 87 Activity		2020
		lessor	Lessee	
Assets				
Current assets:				
Cash and cash equivalents	\$ 10,261	-		10,261
Investments, at fair value	53,807	-		53,807
Trade accounts receivable, net of allowance for doubtful accounts	14,448	-		14,448
Related-party receivable - Managing Members	10,696	-		10,696
Current Portion of Lease Receivable		48,124		48,124
Prepayments and other current assets	2,736	-		2,736
Total current assets	91,948	48,124	-	140,072
Non-current assets:				
Long-term investments:				
Restricted investments, at fair value	13,369	-		13,369
Long-term investments	13,369	-	-	13,369
Capital assets:				
Land	-	-		-
Buildings	11,637	-		11,637
Improvements	125,810	-		125,810
Machinery and equipment	55,604	-		55,604
Lease asset	-	-	6,801	6,801
Construction in process	50,203	-		50,203
Total cost	243,254	-	6,801	250,055
Less accumulated depreciation & Amortization	9,019	-	1,232	10,251
Net capital assets	234,235	-	5,569	239,804
Other assets				
	2,600	-		2,600
Lease Receivable - Long-term	-	1,017,826	-	1,017,826
Total noncurrent assets	250,204	1,017,826	5,569	1,273,599
Total assets	\$342,152	\$ 1,065,950	\$ 5,569	\$ 1,413,671
Deferred outflows of resources				
Pension deferred outflows	\$ 1,652	\$ -	\$ -	\$ 1,652

	2020	GASB 87 Activity		2020
		lessor	Lessee	
Liabilities and Net Position				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 26,597			26,597
Related-party payable - Managing Members	8,833			8,833
Payroll and taxes payable	1,407			1,407
Current Portion of Lease liability			500	500
Accrued interest	-			-
Total current liabilities	36,837	-	500	37,337
Noncurrent liabilities:				
Security deposits	14,415			14,415
Net pension liability	3,059			3,059
Other noncurrent liabilities	4,236			4,236
Lease liability Long-term			5,069	5,069
Total noncurrent liabilities	21,710	-	5,069	26,779
Total liabilities	\$ 58,547	\$ -	\$ 5,569	\$ 64,116
Deferred inflows of resources				
Deferred inflows from Leasing		1,065,950	-	1,065,950
Pension Deferred inflows	1,258			1,258
Total deferred inflows	\$ 1,258	\$ 1,065,950	\$ -	\$ 1,067,208
Net position:				
Net investment in capital assets	\$ 234,235	\$ -	\$ 5,569	239,804
Restricted	-			-
Unrestricted	49,764		(5,569)	44,195
Total net position	\$ 283,999	\$ -	\$ -	\$ 283,999

NWSA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As presented in 2018 and with GASB 87 IMPACT (for illustrative purposes)

	2020	GASB 87 Effect		2020
		lessor	lessee	
Operating revenues:				
Property rentals	\$ 192,574	(47,571)	-	\$ 145,003
Total operating revenues	192,574	(47,571)	-	145,003
Operating expenses:				
Operations	41,298		(1,514)	39,784
Maintenance	15,786			15,786
Administration	19,283			19,283
Security	4,306			4,306
Environmental	2,154			2,154
Total before depreciation	82,827	-	(1,514)	81,313
Depreciation & Amortization	6,305		1,232	7,537
Total operating expenses	89,132	-	(282)	88,850
Operating income	103,442	(47,571)	282	56,153
Non-operating revenues (expenses):				
Interest income - Investments	1,254	-		1,254
Interest income - Leases	-	47,571		47,571
Net increase (decrease) in the fair value of investments	23			23
Interest expense - leases			(282)	(282)
Other non-operating income (expense), net	3,361			3,361
Total non-operating revenues, net	4,638	47,571	(282)	51,927
Increase in net position, before capital contributions	108,080	-	-	108,080
Capital grant contributions	3,905	-	-	3,905
Increase in net position before Managing Members contributions and distributions	111,985	-	-	111,985
Total Managing Members investment	(35,514)	-	-	(35,514)
Beginning of year, net position	207,528	-		207,528
Net position, end of year	\$ 283,999	\$ -	\$ -	\$ 283,999

NWSA STATEMENT OF CASHFLOWS
As presented in 2018 and with GASB 87 IMPACT (for illustrative purposes)

	2020	GASB 87 Effect		2020
		Lessor	Lessee	
Cash flows from operating activities:				
Cash received from customers	\$ 200,183	\$ (47,571)		\$ 152,612
Cash paid to suppliers, longshore labor and employees	(43,088)		1,514	(41,574)
Cash paid to home ports for support services	(38,252)			(38,252)
Cash held for customer deposits	796			796
Net cash provided by operating activities	119,639	(47,571)	1,514	73,582
Cash flows from non-capital financing activities:				
Cash distributions to Managing Members	(121,400)			(121,400)
Net cash used in non-capital financing activities	(121,400)	-	-	(121,400)
Cash flows from capital and related financing activities:				
Cash received from long term leases (interest only)	-	47,571		47,571
Cash received from Managing Members for capital construction	85,435			85,435
Acquisition and construction of capital assets	(87,590)			(87,590)
Cash paid for long term leases (principal and interest)			(1,514)	(1,514)
Cash received from federal grants	155			155
Proceeds from sale of property, plant and equipment	-			-
Net cash used in capital and related financing activities	(2,000)	47,571	(1,514)	44,057
Purchases of investments	(96,841)			(96,841)
Proceeds from sales and maturities of investment securities	102,500			102,500
Interest received on investments	1,229			1,229
Net cash provided by (used in) investing activities	6,888	-	-	6,888
Net increase (decrease) in cash	3,127	-	-	3,127
Cash and cash equivalents:				
Beginning of year	7,134			7,134
End of year	\$ 10,261	\$ -	\$ -	\$ 10,261

	2020	GASB 87 Effect		2020
		Lessor	Lessee	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 103,442	\$ (47,571)	\$ 282	\$ 56,153
Adjustments to reconcile operating income to net cash provided by operating activities:				
Non-operating income (expense)	731			731
Depreciation & Amortization	6,305		1,232	7,537
Changes in assets and liabilities:				
Decrease (increase) in trade accounts receivable	7,527			7,527
Decrease (increase) in prepayments and other current assets	126			126
Increase in accounts payable and accrued liabilities	3,594			3,594
Decrease in related-party payable - Managing Members	(3,814)			(3,814)
Increase in security deposits	812			812
Increase in payroll and taxes payable	242			242
Decrease in Lease Receivable		(1,065,950)		(1,065,950)
Decrease in Lease deferred income		1,065,950		1,065,950
Increase in pension related accounts	674			674
Total adjustments and changes	16,197	-	1,232	17,429
Non-cash investing and financing activities:				
Capital asset additions and other purchases financed with accounts payable	\$ 866			\$ 866
Contributions receivable from Managing Members for capital construction	\$ 6,919			\$ 6,919
Distributions payable to Managing Members	\$ (7,580)			\$ (7,580)
Increase (decrease) in fair value of investments	\$ 23			\$ 23

Summary

While financial statement changes will be significant, GASB 87 will result in:

- No net effect on P&L
- No effect on Joint Venture Income recorded by homeports
- No effect on taxability or timing of payments
- No effect on bond covenants
- No net effect on total cash inflows/outflows

Cash Distributions:

- Based on GAAP definition of operating cashflows
- Staff will propose interim solution during budget process
- A future amendment to the Charter will be requested