


PORT of OLYMPIA
Serving All of Thurston County

Understanding Asset Depreciation in Local Government

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Why We're Talking About This

Advisory Only – No Action Required

- Supports long-term planning for equipment and facilities
- Strengthens transparency and accountability

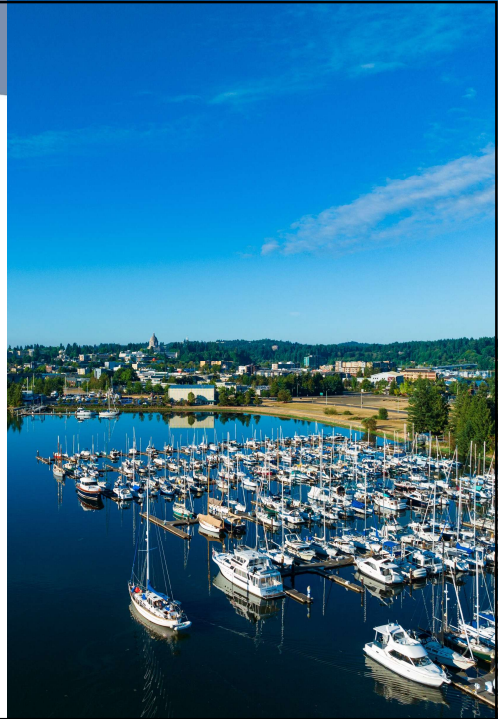


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What Depreciation Is

- A non-cash expense that reduces the value of a fixed asset over time
- Depreciation calculation: $\text{asset cost} / \text{estimated useful life} = \text{cost to expense annually}$
- Shows how much of an asset's service value has been used
- Not a current cash expense — a planning and reporting tool tied to past asset purchase

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Public vs. Private Sector

- Private Sector
 - Reduces taxable income
 - Helps measure profit
- Public Sector
 - No tax impact
 - Helps to make informed decisions about asset management and resource allocation



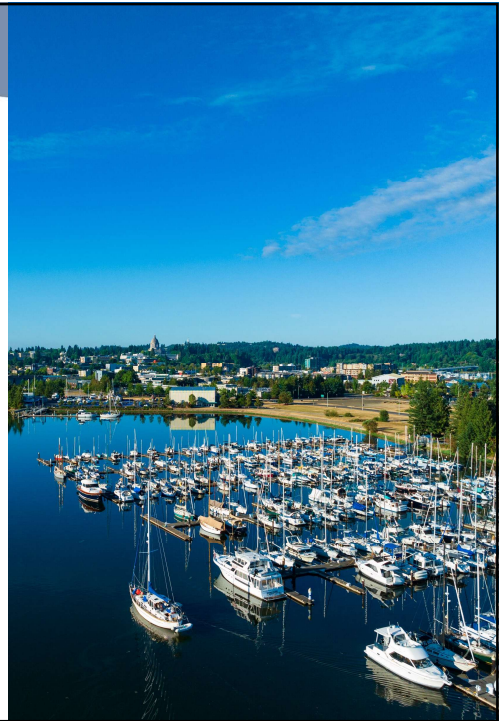
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Why the Port Uses Depreciation

- Required by GASB and BARS manual
- Tracks aging infrastructure such as docks, piers, infrastructure and buildings
- Helps in the planning for major capital replacements
- Supports responsible budgeting and accountability to the public

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What Depreciation Looks Like in Port Reports

- Appears in Port-wide financial statements
- Not current cash outlay when considering operational net profit
- Used in conjunction with capital planning to:
 - Identify deferred maintenance on assets
 - Provide a long-term view of infrastructure health



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2026 Income Statement

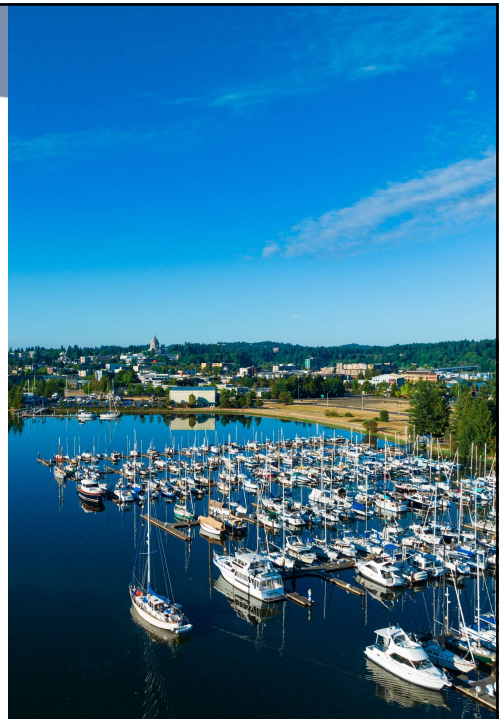
	2024 Final Unaudited	2025 Adopted Budget	2025 End of Year Projected	2026 Proposed Budget
Continued from previous page:				
Operations Gross Profit / (Loss)	\$5,053,298	\$5,963,097	\$6,154,545	\$4,989,960
Consolidated Administrative Expenses:				
Salaries	(\$1,533,806)	(\$1,835,456)	(\$1,699,613)	(\$1,884,394)
Benefits	(\$535,908)	(\$658,753)	(\$609,553)	(\$594,489)
Outside Professional Services	(\$612,310)	(\$748,000)	(\$750,137)	(\$809,060)
Supplies	(\$50,852)	(\$58,300)	(\$50,057)	(\$139,262)
Equipment Rentals	(\$10,189)	(\$10,000)	(\$9,905)	(\$15,000)
Facility Rental	(\$278,560)	(\$248,000)	(\$267,489)	(\$282,876)
General & Admin - Direct	(\$333,784)	(\$411,235)	(\$388,686)	(\$469,862)
Utilities	(\$308,399)	(\$146,300)	(\$161,677)	(\$304,015)
Maintenance and Repairs	(\$8,002)	(\$3,250)	(\$9,315)	(\$8,500)
Other Misc Expenses	(\$24,534)	(\$25,000)	(\$14,112)	(\$17,000)
Total Consol. Admin Expenses	(\$3,696,344)	(\$4,144,294)	(\$3,960,544)	(\$4,524,458)
Ops Net Profit / (Loss) After G&A Alloc.	\$1,356,954	\$1,818,803	\$2,194,001	\$465,502
Depreciation - Ops and Consol. Admin.	(\$4,187,807)	(\$3,714,833)	(\$3,742,615)	(\$3,788,635)
Ops Net Profit / (Loss) After Depr.	(\$2,830,853)	(\$1,896,030)	(\$1,548,614)	(\$3,323,133)



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Budgeting Implications

- What Depreciation Does Not Do
 - Does not authorize spending
 - Does not affect annual cash budgets
- What It Does Do
 - Provides financial gage of estimated useful life vs. actual replacement needs
 - Supports multi-year capital improvement planning



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2026 Cash Budget

Beginning Cash & Investments	\$ 24,694,000
<u>Projected Sources of Funds:</u>	
Revenues	17,194,567
Operating Expense	(8,661,589)
Maintenance Expense	(3,543,018)
Administration Expense	(4,524,458)
Funds Provided by Operations	465,502
Ad valorem tax revenue	8,325,455
Grant Revenue	7,493,972
Other Non Operating revenue	926,000
Projected Sources of Funds	16,745,427
<u>Projected Uses of Funds:</u>	
Debt Service Payments - Existing Debt	(4,194,477)
Capital Spending - Planned Projects	(15,678,485)
Government Services	(1,875,050)
Environmental Remediation	(6,239,931)
Other Non Operating expenses	(435,705)
Projected Uses of Funds	(28,423,648)
Projected Borrowing	-
none	-
Total Borrowing	-
Projected Ending Cash & Investments	\$ 13,481,281



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Port Example

- Boatworks
 - The Port depreciates its boat handling equipment (e.g., travel lift)
 - Depreciation helps track remaining useful life
 - Supports planning for future replacement or major refurbishment

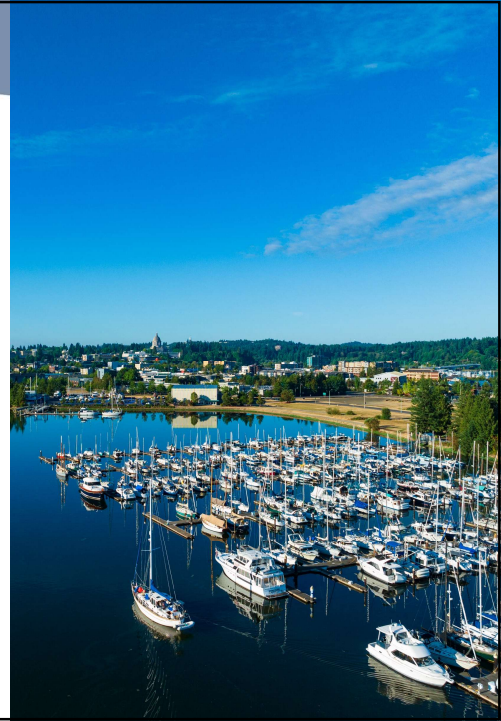
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Port Example

- Swantown Marina & Boatworks
 - Marina docks, floats, utilities, and boatyard equipment all depreciate
 - Depreciation helps identify when dock sections need replacement
 - Supports planning for marina modernization and customer service improvements
 - Ensures long-term viability of a key community waterfront asset



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Food for Thought About Depreciation

- Grants
 - Required to depreciate by policy, same as all Port capital assets
 - May be value add, but not something we would have done w/o grant funding
- May contain items we don't intend to replace once retired
 - MT mobile crane
 - MT log loaders
- Example: Airport annual depreciation for 2025 was ~\$745k, but 58% of that was grant funded improvements or equipment

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Key Takeaways

- Depreciation is a required accounting method for capital asset purchases
- A tool to help with planning, not a plan to spend
- It supports long-term capital planning for marine, aviation, and marina facilities
- Understanding depreciation helps shape policy and support the community

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Questions and Comments



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