

PORT OF LEWISTON

FINANCIAL STATEMENTS

Years Ended June 30, 2013 and 2012

PORT OF LEWISTON

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Independent Auditor's Report

Port Commissioners
Port of Lewiston
Lewiston, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Port of Lewiston as of June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Port of Lewiston as of June 30, 2013 and 2012, and the respective changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Port of Lewiston's 2012 financial statements, and our report dated September 28, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port of Lewiston's basic financial statements. The budgetary comparison schedule, details of expenses, and details of capital assets are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule, details of expenses, and details of capital assets are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule, details of expenses, and details of capital assets are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 05, 2013, on our consideration of the Port of Lewiston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port of Lewiston's internal control over financial reporting and compliance.


November 05, 2013

PORT OF LEWISTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Port of Lewiston's financial performance provides an overview of the Port District's financial activities for the year ended June 30, 2013.

Overview of the Financial Statements

The Port's financial statements include two components: the Port's basic financial statements and the notes to the financial statements. This overview and analysis are intended to serve as an introduction to the Port's basic financial statements.

Condensed Financial Position Information

The statement of net position presents information concerning the Port's assets, liabilities, and net position. Net position is the difference between assets and liabilities. Increases or decreases in net position may indicate, over time, if either the financial position of the Port is improving or deteriorating.

The following condensed financial information provides an overview of the Port's financial position for the fiscal years ended June 30, 2013 and 2012:

	<u>Net Position</u>	
	<u>2013</u>	<u>2012</u>
ASSETS		
Total current assets	\$ 4,721,220	\$ 3,460,261
Capital assets	17,755,477	17,903,757
Noncurrent assets	15,000	1,000
Total assets	<u>22,491,697</u>	<u>21,365,018</u>
LIABILITIES AND NET POSITION		
Total current liabilities	191,569	185,478
Total noncurrent liabilities	<u>404,067</u>	<u>483,868</u>
Total liabilities	<u>595,636</u>	<u>669,346</u>
TOTAL NET POSITION	<u>\$ 21,896,061</u>	<u>\$ 20,695,672</u>

The Port's net position increased \$1,200,389 (+5.8 percent) between fiscal years 2012 and 2013. This increase is primarily due to the gain on sale of property (\$739,983). Total assets increased \$1,126,679 (+5.27 percent), while total liabilities decreased \$73,710 (-11.01 percent).

Summary of Operations and Changes in Net Position

The statements of revenues, expenses, and changes in net position show how the Port's net assets changed during the most recent fiscal year compared to the prior year. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, some revenues and expenses reported in this statement will only affect future periods' cash flows (e.g., uncollected revenues and earned but unused vacation leave).

PORT OF LEWISTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The table below summarizes the fiscal years 2013 and 2012 change in net position:

	<u>2013</u>	<u>2012</u>
Revenues	\$ 2,730,080	\$ 2,702,049
Expenses	<u>1,529,691</u>	<u>1,883,862</u>
Change in net position	1,200,389	818,187
Net position, beginning	<u>20,695,672</u>	<u>19,877,485</u>
Net position, ending	<u>\$21,896,061</u>	<u>\$20,695,672</u>

The Port of Lewiston's operating revenue (see page 10) reflected a decrease of \$715,808 (-34.0 percent) from \$2,126,622 to \$1,410,814 in 2013. This compares to a 0.8 percent increase in fiscal year 2012. The loss of Imperial Oil module revenues caused this sharp decline from 2012. Terminal I (container yard) operations revenue increased 35 percent from \$438,629 to \$590,260 while container yard operating expenses increased 7.6 percent. Total Port operating expenses were down 19.0 percent or \$342,864.

Other major revenue sources include Terminal II management operations revenue and building and property rental income. In 2013, Terminal II revenue rose 24.0 percent to \$268,538 and rental income decreased \$866 from \$492,993 to \$492,127. For 2014, Terminal II and rental income are not expected to significantly change.

For a detailed breakdown of the Port's actual revenue and expenditures for fiscal year 2013 compared to the fiscal year 2013 budget, see "Budgetary Comparison Schedule" on page 19.

Notes to the Basic Financial Statements

The notes to the Port's basic financial statements can be found on pages 13-18 of this report. These notes provide additional information that is essential to a full understanding of the basic financial statements.

Capital Assets

In 2013, the Port invested \$602,399 (\$527,725 capitalized and \$74,674 non-capitalized expense) in the Land Acquisition and Development (LA&D) Budget. This is compared to \$1,090,641 invested in 2012. Major capital projects in fiscal year 2013 included: the continued development of Harry Wall property, acquiring 6.33 acres from Twin City Foods and moving forward with the design engineering and environmental permitting for a dock extension project.

The LA&D Budget is used to acquire and develop property for job creation and retention purposes. The Port strives to utilize property tax dollars for LA&D purposes. The investment of property tax revenue back into Nez Perce County provides for expansion of the tax base and diversification of the local economy.

Capital Debt

Outstanding indebtedness including principal and interest follows:

- Series 2011 Parity Lien Port Improvement Revenue Bond – \$466,296

PORT OF LEWISTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The table below summarizes the fiscal years 2013 and 2012 change in net position:

	<u>2013</u>	<u>2012</u>
Revenues	\$ 2,730,080	\$ 2,702,049
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PORT OF LEWISTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors

The Port had a \$92,435 operating loss during fiscal year 2013. The \$92,435 operating loss compares with a \$280,509 operating gain for fiscal year 2012. The change in net position for fiscal year 2013 increased by \$382,212.

In December 2013, the Port will complete construction on a 150-foot dock extension. The dock extension will improve the productivity, efficiency, and safety of port barge operations. The extension will also open opportunities for the Port to pursue the throughput of diversified break bulk cargos. The Port intends to aggressively market the advantages of utilizing the Columbia/Snake River System for the transport of cargo into the interior of the U.S. and Canada.

Steamship line service at the Port of Portland is uncertain in the coming year. Hanjin Shipping has announced suspension of service beginning January 2014. While Hanjin is approximately 15 percent of the Port of Lewiston's container volume, Hanjin is approximately 80 percent of the Port of Portland's volume. At the time of this report, the Port of Portland is negotiating with Hanjin for continued service. The Port of Portland is also recruiting new steamship line service.

The outlook for container on barge shipments from the Port of Lewiston is expected to be flat for 2014. Suspension of service by Hanjin would negatively impact the Port of Lewiston's container volumes. Container service from Hapag Lloyd and Westwood steamship lines may increase to partially fill the void left by Hanjin.

The Port negotiated a management operations agreement for Terminal II (150,000 square foot warehouse) with Inland 465. The new agreement terminates December 31, 2022.

The U.S. Army Corps of Engineers (COE) will issue a Record of Decision for the Programmatic Sediment Management Plan in June 2014. The plan will recommend dredging of specific areas within the Lower Granite Pool to maintain the 14-foot authorized navigation channel. It is anticipated that environmental groups will litigate the COE's Record of Decision. At this time, the Port of Lewiston's container dock has not been negatively affected by siltation occurring in the Clearwater River.

Contacting the Port's Financial Management

This financial report is intended to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Port's finances and to demonstrate the Port's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Port of Lewiston, 1626 6th Avenue North, Lewiston, Idaho, 83501.

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PORT OF LEWISTON

STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,447,535	\$ 3,153,339
Taxes receivable	197,622	202,060
Accounts receivable	73,056	101,855
Workers Compensation deposit and other assets	3,007	3,007
Total current assets	<u>4,721,220</u>	<u>3,460,261</u>
CAPITAL ASSETS, at cost less accumulated depreciation of \$9,069,032 (\$8,716,330 in 2012)	<u>17,755,477</u>	<u>17,903,757</u>
NONCURRENT ASSETS		
Rental deposits	15,000	1,000
Total noncurrent assets	<u>15,000</u>	<u>1,000</u>
Total assets	<u>22,491,697</u>	<u>21,365,018</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	44,563	36,164
Accrued expenses	49,098	51,115
Accrued interest payable	1,951	2,328
Deferred revenue	1,134	5,635
Bonds payable, current portion	94,823	90,236
Total current liabilities	<u>191,569</u>	<u>185,478</u>
NONCURRENT LIABILITIES		
Rental deposits	32,594	17,572
Bonds payable, less current portion	371,473	466,296
Total noncurrent liabilities	<u>404,067</u>	<u>483,868</u>
Total liabilities	<u>595,636</u>	<u>669,346</u>
NET POSITION		
Invested in capital assets, net of related debt	17,289,181	17,347,225
Unrestricted	4,606,880	3,348,447
TOTAL NET POSITION	<u>\$ 21,896,061</u>	<u>\$ 20,695,672</u>

See accompanying notes

PORT OF LEWISTON

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Rent	\$ 492,127	\$ 492,993
Terminal II	268,538	216,000
Terminal tariff	590,260	438,629
Imperial Oil modules		927,307
In lieu tax	59,889	51,693
	<u>1,410,814</u>	<u>2,126,622</u>
OPERATING EXPENSES		
Administration	290,115	309,355
Port commission	32,505	30,662
Terminal	536,856	498,947
Imperial Oil modules		390,232
Legal services	11,251	9,062
Accounting services	19,100	18,600
Port promotion	26,675	25,925
Port promotion - economic development	35,000	35,000
General insurance	22,791	22,752
Facilities maintenance	52,254	74,102
Property acquisition/development expense	48,232	33,576
Utilities	12,873	18,615
In lieu tax	59,889	64,464
Depreciation and amortization	355,708	314,821
	<u>1,503,249</u>	<u>1,846,113</u>
OPERATING GAIN (LOSS)	<u>(92,435)</u>	<u>280,509</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	465,135	464,629
Sales tax	103,464	101,056
Interest income	10,684	9,742
Gain (loss) on disposition of property	739,983	(11,262)
Interest expense	(26,442)	(26,487)
	<u>1,292,824</u>	<u>537,678</u>
CHANGE IN NET POSITION	1,200,389	818,187
NET POSITION AT BEGINNING OF YEAR	<u>20,695,672</u>	<u>19,877,485</u>
NET POSITION AT END OF YEAR	<u><u>\$ 21,896,061</u></u>	<u><u>\$ 20,695,672</u></u>

See accompanying notes

PORT OF LEWISTON

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,439,613	\$ 2,455,812
Cash paid to suppliers and employees	<u>(1,144,638)</u>	<u>(1,906,055)</u>
Net cash provided by operating activities	<u>294,975</u>	<u>549,757</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	469,573	467,017
Sales tax	<u>103,464</u>	<u>101,056</u>
Net cash provided by noncapital financing activities	<u>573,037</u>	<u>568,073</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Bond interest payments	(26,819)	(24,854)
Bond principal payments	(90,236)	(219,170)
Bond proceeds		600,000
Acquisition of capital assets	(527,716)	(854,876)
Proceeds from sale of land	<u>1,060,271</u>	
Net cash provided (used) by capital financing activities	<u>415,500</u>	<u>(498,900)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>10,684</u>	<u>9,742</u>
Net cash provided by investing activities	<u>10,684</u>	<u>9,742</u>
Net change in cash	1,294,196	628,672
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,153,339</u>	<u>2,524,667</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,447,535</u>	<u>\$ 3,153,339</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 26,819</u>	<u>\$ 24,854</u>

See accompanying notes

PORT OF LEWISTON

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating gain (loss)	\$ (92,435)	\$ 280,509
Adjustments to reconcile operating gain (loss) to net cash provided by operating activities:		
Depreciation	355,708	314,821
Changes in assets:		
Receivables	28,799	329,281
Other assets	(14,000)	12,572
Changes in liabilities:		
Accounts payable	8,399	(344,036)
Accrued liabilities	(2,017)	1,367
Deferred revenue	(4,501)	(30,031)
Rental deposits	15,022	(14,726)
Net cash provided by operating activities	<u>\$ 294,975</u>	<u>\$ 549,757</u>

See accompanying notes

PORT OF LEWISTON

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Entity. The Port of Lewiston is a municipal corporation organized in the State of Idaho. The Port operates under a Commissioner/Manager form of government.

The Port's financial statements are prepared in accordance with United States generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Port has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Port has chosen not to do so. The more significant accounting policies established in GAAP and used by the Port are discussed below.

Budgetary Information. The Port commission follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to June 14, the Port manager submits to the Port commissioners a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at various times during the year to obtain taxpayer comments.

Budgets are adopted on the modified accrual basis of accounting. Expenditures for acquisition of property, plant, and equipment are budgeted as expenses but capitalized for financial reporting purposes.

Cash and Cash Equivalents. For the purposes of the statement of cash flows, the Port of Lewiston has included the Port's checking account, savings, money market, and certificates of deposit as cash and cash equivalents.

Capital Assets. The Port's property, plant, and equipment with useful lives of more than three years are stated at historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated. The Port generally capitalizes assets that meet the following guidelines:

<u>Asset Category</u>	<u>Cost</u>	<u>Life</u>
Equipment and vehicles	\$ 3,000	3 years
Computer equipment	3,000	3 years
Furniture and fixtures	3,000	3 years
Improvements to property	5,000	5 years
Buildings and structures	10,000	10 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

PORT OF LEWISTON

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued).

Assets are depreciated on the straight-line method over the following estimated useful lives:

Improvements	10 years
Port facilities	10-30 years
Downriver facilities	10-30 years
Furniture and fixtures	10 years
Buildings	30 years
Vehicles	7 years
Computer equipment	3 years

Compensated Absences. The Port of Lewiston's personnel manual became effective March 26, 2002. In the event of termination, an employee is reimbursed for personal leave days (vacation and sick leave) accumulated. Governmental Accounting Standards Board (GASB) provides that employers shall accrue a liability for employee compensation for future absences if specific conditions are met. The Port meets these conditions with respect to personal leave benefits.

Use of Estimates. Management of the Port uses estimates and assumptions in preparing financial statements in accordance with United States generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that management uses.

Economic Resources Measurement Focus and Accrual Basis of Accounting. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Also, this measurement focus distinguishes operating revenues and expenses from nonoperating items. Operating revenues/expenses generally result from providing services and producing and delivering goods related with the fund's principal ongoing operations. All revenues/expenses not meeting this definition are reported as nonoperating.

Fund Financial Statements. The Port of Lewiston uses an enterprise fund to account for the operation's enterprises, where the intent of the governing body is that costs (including depreciation) of providing services be financed or recovered primarily through user charges. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The Port fund is considered a major fund for GASB reporting purposes.

Reclassification. Certain amounts in the 2012 financial statements have been reclassified to conform with the 2013 presentation with no effect on previously reported net position.

2. BANK DEPOSITS

At June 30, 2013, the carrying amount of the Port's deposits was \$4,447,535 and the bank balance was \$4,472,714. Of the bank balance, \$1,467,201 was covered by federal depository insurance. The remaining bank balance of \$3,005,513 was neither insured nor collateralized.

PORT OF LEWISTON

NOTES TO FINANCIAL STATEMENTS

3. PROPERTY TAXES

In 2011, the Port certified a tax levy for the fiscal year beginning July 1, 2012, and ending June 30, 2013, totaling \$450,000. Property taxes are levied in November and payable to Nez Perce County, Idaho, on December 20 and June 20 following the levy date and are remitted to the Port in the month following collection by the County. A lien is filed on property three years from the date of delinquency.

4. ACCOUNTS RECEIVABLE, LAND IMPROVEMENTS, AND DEFERRED REVENUE

Historically, the Port of Lewiston has entered into agreements with tenants where the Port will provide improvements for the benefit of the tenant. These improvements are repaid with payments in addition to the tenants lease payment. These transactions are recorded as receivables from the tenant and deferred revenue.

On other occasions, the Port has entered into lease agreements where the tenant provides improvements for benefit of the Port. The tenant is repaid by receiving a credit against future lease payments. These transactions are recorded by capitalizing the improvements and reflecting the prepaid rent as deferred revenue.

5. CAPITAL ASSETS

At June 30, capital assets consisted of:

	Beginning Balance	<u>2013</u>		Ending Balance
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Capital assets, not being depreciated				
Industrial park development	\$ 1,080,141			\$ 1,080,141
Capital assets, being depreciated				
Land and improvements	14,555,982	\$ 430,846	\$ 323,294	14,663,534
Port facilities	8,335,350	96,870		8,432,220
Downriver facilities	2,309,772			2,309,772
Office furniture and equipment	7,168			7,168
Buildings	300,271			300,271
Vehicles	31,403			31,403
	<u>\$ 26,620,087</u>	<u>\$ 527,716</u>	<u>\$ 323,294</u>	<u>26,824,509</u>
Less accumulated depreciation				
Land and improvements	\$ 2,073,478	\$ 145,255	\$ 3,006	2,215,727
Port facilities	4,079,530	200,680		4,280,210
Downriver facilities	2,309,772			2,309,772
Office furniture and equipment	7,168			7,168
Buildings	219,019	6,583		225,602
Vehicles	27,363	3,190		30,553
	<u>\$ 8,716,330</u>	<u>\$ 355,708</u>	<u>\$ 3,006</u>	<u>9,069,032</u>
Net capital assets				<u>\$ 17,755,477</u>

PORT OF LEWISTON

NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>2012</u>		<u>Ending Balance</u>
		<u>Additions</u>	<u>Deletions</u>	
Capital assets, not being depreciated				
Industrial park development	\$ 1,080,141			\$ 1,080,141
Capital assets, being depreciated				
Land and improvements	14,354,345	\$ 201,637		14,555,982
Port facilities	7,703,514	653,239	\$ 21,403	8,335,350
Downriver facilities	2,309,772			2,309,772
Office furniture and equipment	7,168			7,168
Buildings	300,271			300,271
Vehicles	31,403			31,403
	<u>\$ 25,786,614</u>	<u>\$ 854,876</u>	<u>\$ 21,403</u>	<u>26,620,087</u>
Less accumulated depreciation				
Land and improvements	\$ 1,930,425	\$ 143,053		2,073,478
Port facilities	3,929,029	160,642	\$ 10,141	4,079,530
Downriver facilities	2,308,418	1,354		2,309,772
Office furniture and equipment	7,168			7,168
Buildings	212,436	6,583		219,019
Vehicles	24,174	3,189		27,363
	<u>\$ 8,411,650</u>	<u>\$ 314,821</u>	<u>\$ 10,141</u>	<u>8,716,330</u>
Net capital assets				<u>\$ 17,903,757</u>

Depreciation of \$355,708 was charged to the current year operations (\$314,821 for 2012).

6. PARITY LIEN PORT IMPROVEMENT REVENUE BOND PAYABLE

The Port issued a Parity Lien Port Improvement Revenue Bond, Series 2011, in the amount of \$600,000, for the purpose of the construction and installation of fire suppression facilities. Principal is payable in semi-annual payments on December 1 and June 1 of each year with interest at the rate of 5.02 percent, reflecting a total payment of \$58,527.70. The maturity date of the bond is December 1, 2017. At the date of financial statement issuance, the balance of the bond payable was \$466,296.

Fiscal Year <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 94,823	\$ 22,232	\$ 117,055
2015	99,642	17,413	117,055
2016	104,707	12,348	117,055
2017	110,030	7,025	117,055
2018	57,094	1,434	58,528
	<u>\$ 466,296</u>	<u>\$ 60,452</u>	<u>\$ 526,748</u>

PORT OF LEWISTON

NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM DEBT

A summary of changes in long-term debt at June 30, 2013, is as follows:

	<u>Balance 6/30/12</u>	<u>Additions</u>	<u>Principal Repayment</u>	<u>Balance 6/30/13</u>
Parity Lien Port Improvement revenue bond payable	\$ 556,532	<u>0</u>	\$ 90,236	\$ 466,296
	<u>\$ 556,532</u>	<u>\$ 0</u>	<u>\$ 90,236</u>	466,296
Less current portion of long-term debt				<u>94,823</u>
Amount due after one year				<u>\$ 371,473</u>

During the year, the Port of Lewiston approved a Rural Economic Development and Integrated Transportation (REDIFIT) loan program with the Idaho Department of Agriculture in the amount of \$600,000 for the Port's share of the dock expansion project. Annual principal and interest payments estimated at \$73,974.57, including interest at 4 percent, for a repayment period of 10 years will be required. At June 30, 2013, the Port of Lewiston had not drawn down any funds related to this loan, reflecting no balance due.

8. DEFINED BENEFIT PENSION PLAN

The Public Employee Retirement System of Idaho (PERSI) a cost sharing, multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and employer contribute. Designed as a mandatory system for eligible state and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI. Financial reports for the Plan are available from PERSI upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. Effective June 30, 2002, the annual service retirement allowance for each month of credited service was changed to 2.0 percent (2.3 percent police/firefighter) of the average monthly salary for the highest consecutive 42 months.

For the year ended June 30, 2013, the required contribution rates, as determined by PERSI, were 10.39 percent (10.39 percent in 2012 and 10.39 percent in 2011) for the Port of Lewiston and 6.23 percent (6.23 percent in 2012 and 6.23 percent in 2011) for employees. The Port of Lewiston contributions required and paid were \$42,123, \$39,039, and \$35,335 for the three years ended June 30, 2013, 2012, and 2011, respectively.

9. MANAGEMENT AGREEMENT

The Port of Lewiston entered into an agreement to continue with Inland 465 to manage the Port's 150,000 square foot warehouse. The Port's share of the revenue generated from the warehouse operations is derived from a base monthly payment. The agreement expires December 31, 2022.

PORT OF LEWISTON

NOTES TO FINANCIAL STATEMENTS

10. RISK MANAGEMENT

The Port has insurance coverage through a private carrier, providing liability, property, and casualty insurance. The Port is insured to \$3,000,000 for liability coverage, \$20,000,000 in property coverage, and \$10,000 to \$1,700,000 for equipment coverage. Deductible amounts range from \$100 to \$10,000 per policy period.

11. LEASE COMMITMENTS

The Port is the lessor of a number of leases of commercial real estate within the boundary of the City of Lewiston. The future minimum rental income for non-cancelable leases is as follows:

June 30, 2014	\$ 153,835
June 30, 2015	111,694
June 30, 2016	112,032
June 30, 2017	68,811
June 30, 2018	68,811
Thereafter	<u>1,022,267</u>
	<u>\$ 1,537,450</u>

SUPPLEMENTARY INFORMATION

PORT OF LEWISTON
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	Budgetary Basis	With Final Budget
REVENUES				
Tax levy	\$ 450,000	\$ 460,000	\$ 465,135	\$ 5,135
Sales tax	105,000	103,000	103,464	464
Lieu tax	59,890	59,890	59,889	(1)
Terminal revenue	669,000	915,000	858,798	(56,202)
Rentals	491,129	508,000	492,127	(15,873)
Other income				
Grant revenue	350,000			
Miscellaneous	6,500	10,800	10,684	(116)
Prior revenue carryover	1,750,000			
State REDIFIT loan	800,000			
Sale of land		1,060,271	1,060,271	
Total revenues	<u>4,681,519</u>	<u>3,116,961</u>	<u>3,050,368</u>	<u>(66,593)</u>
EXPENDITURES				
General operations				
Port commission				
Per diem	10,000	11,000	11,703	(703)
Fringe benefits	1,039	1,100	1,106	(6)
Travel	9,300	8,800	5,793	3,007
Other expense	22,519	20,000	13,903	6,097
Port administration				
Salaries	163,094	176,500	171,556	4,944
Fringe benefits	58,500	59,500	59,978	(478)
Travel	8,900	10,500	10,015	485
Other expense	27,150	26,000	18,648	7,352
Equipment	1,000	800	418	382
Navigation issues	15,000	15,000	29,500	(14,500)
Legal services	8,000	9,500	11,251	(1,751)
Accounting and auditing	18,600	18,600	19,100	(500)
General promotion	27,100	30,000	26,675	3,325
Valley Vision	35,000	35,000	35,000	
General insurance	21,000	21,000	22,791	(1,791)
Facilities maintenance	57,000	53,000	52,254	746
Utilities	21,000	18,000	12,873	5,127
Lieu tax	59,890	59,890	59,889	1
Terminal operations	3,476,056	662,000	627,092	34,908
Land acquisition/development	641,371	1,880,771	602,399	1,278,372
Total expenditures	<u>4,681,519</u>	<u>3,116,961</u>	<u>1,791,944</u>	<u>1,325,017</u>
CHANGE IN NET POSITION	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,258,424</u>	<u>\$ 1,258,424</u>

The Port budgets revenue and expenses on a comprehensive basis of accounting other than United States generally accepted accounting principles (GAAP). Bond receipts and sale of property revenues are budgeted as gross receipts. Debt principal payments and property acquisitions are budgeted as current expenses. Depreciation and amortization are not budgeted.

Change in net position, GAAP basis	\$ 1,200,389
Recognized gain on sale of assets	(739,983)
Depreciation and amortization expense	355,708
Cash procedures from sale of property	1,060,271
Debt principal payments	(90,236)
Property acquisitions	<u>(527,725)</u>
Change in net position, budget basis	<u>\$ 1,258,424</u>

PORT OF LEWISTON

DETAILS OF EXPENSES

Years Ended June 30, 2013 and 2012

	<u>2013</u>		
	<u>Administration</u>	<u>Port Commission</u>	<u>Terminal</u>
Salaries	\$ 171,556	\$ 11,703	\$ 208,889
Fringe benefits and payroll taxes	59,978	1,106	80,162
Travel	10,015	5,793	
Other	18,648	13,903	48,250
Navigational issues	29,500		
Equipment repairs and maintenance	418		130,299
Facilities maintenance			7,565
Insurance			32,567
Utilities			10,260
Office expenses			18,864
	<u>\$ 290,115</u>	<u>\$ 32,505</u>	<u>\$ 536,856</u>

	<u>2012</u>		
	<u>Administration</u>	<u>Port Commission</u>	<u>Terminal</u>
Salaries	\$ 171,264	\$ 8,550	\$ 195,569
Fringe benefits and payroll taxes	63,253	908	65,087
Travel	6,614	3,613	
Other	35,179	17,591	19,344
Navigational issues	9,000		
Equipment repairs and maintenance	24,045		114,772
Facilities maintenance			40,042
Insurance			35,503
Utilities			13,167
Office expenses			15,463
	<u>\$ 309,355</u>	<u>\$ 30,662</u>	<u>\$ 498,947</u>

PORT OF LEWISTON

DETAILS OF CAPITAL ASSETS
June 30, 2013

LAND AND IMPROVEMENTS

Fredrickson Addition to Lewiston, Idaho	
Lot 16	\$ 33,020
Lot 9	41,396
South 175 feet of Lot 17, Lot 18 except the South 175 feet thereof, Lot 19 and approximately 5.15 acres, Section 30, Township 36 North, Range 5 WBM	48,519
7th Avenue North Property	54,000
An unplatted parcel of land containing approximately 2.03 acres in Section 30, Township 36 North, Range 5 WBM	133,000
Indian Cache Ranch First Addition to Lewiston, Idaho	
Lots 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 20, 21, 22, and 26, Block 3	304,805
Lots 14, 15, 16, 17, 18, and 19, Block 5	72,552
Indian Cache Ranch Second Addition to Lewiston, Idaho	
Lots 2, 3, and 4, Block 1	72,500
Lots 5, 6, and 7, Block 1	49,719
Lots 1, 2, 3, 7, 8, 9, 10, 22, 23, 24, and 25, Block 2	87,872
Lot 4, Block 3	25,123
Lot 23, Block 9	2,250
Kaisaki Tract, approximately 32.78 acres	336,546
Weaskus Addition to Lewiston, Idaho	
Lots 7, 8, 9, 10, 11, and 12, Block 1	114,688
Lots 1, 2, 3, 10, 11, and 12, Block 2	131,062
Lots 1 through 12, Block 4	24,751
Lots 1 through 12, Block 5	23,068
Lots 1 through 12, Block 6	24,751
Lots 1 through 12, Block 7	131,120
Lots 1 through 6, and 10 through 12, Block 8	182,817
Lots 1 through 12, Block 9	84,518
Lots 1 through 12, Block 10	63,116
Lots 1 through 12, Block 11	27,338
Lots 1, 2, parts of 3, 4, 5, 6, 11, and 12, Block 12	15,000
Lots 7, 8, and 9, Block 8	68,836
An unplatted parcel of land adjoining Blocks 11 and 12 containing approximately 6 acres	70,005
An unplatted parcel of land containing approximately 9.36 acres located in the South 1/2 of Section 25, Township 36, Range 6 WBM	17,263
Lewiston Roundup Association property containing:	
Lots 2 and 3, Section 31, Township 36 North, Range 5 WBM, excepting portions belonging to U.S. Government and Lewis-Clark Terminal Association	
Indian Cache Ranch Second Addition to Lewiston, Idaho	
Lots 11 through 21, Block 2	
Indian Cache Ranch First Addition to Lewiston, Idaho	
Lots 14 through 19, Block 3	
Lots 14 through 19, Block 4	1,982,859
Balance forward	<u>4,222,494</u>

PORT OF LEWISTON

DETAILS OF CAPITAL ASSETS
June 30, 2013

LAND AND IMPROVEMENTS (CONTINUED)

Balance forward	\$ 4,222,494
Weaskus Addition to Lewiston, Idaho	
Parcel: Lots 4, 5, 6, 7, 8, and 9, Block 2, and Lots 3, 4, 5, 6, 7, 8, 9, and 10, Block 3	
Parcel: Lots 1, 2, 11, and 12, Block 3 and the vacated alley lying adjacent to all lots in Parcel 1 and 2 above and that portion of vacated 16th Street North lying adjacent to Lots 6 and 7 in Block 2 and Lots 1 and 12 in Block 3	945,285
Industrial park development containing approximately 115 acres in Section 30, Township 36 North, Range 5 WBM	614,081
Industrial Development District containing approximately	
Wright Property	150,000
Zelma Smith property	60,153
Business Technology Park	1,807,147
Twin City Foods Property - Parcel 1 and 2	244,468
Twin City Foods Property - Parcel 3	121,660
Twin City Foods Property - Parcel 4	115,809
Easements	29,589
Relocation	18,000
General land costs, principally engineering	486,382
Site development costs	6,928,606
	15,743,674
Accumulated depreciation	2,215,727
	13,527,947
 PORT FACILITIES	
Dock facilities	4,086,542
Warehouse	4,075,636
Truck area	10,756
Equipment	259,286
	8,432,220
Accumulated depreciation	4,280,210
	4,152,010
 DOWNRIVER FACILITIES	
Access road	121,663
Facilities	2,188,109
	2,309,772
Accumulated depreciation	2,309,772
	0
 BUILDINGS	300,272
Accumulated depreciation	225,602
	74,670
 FURNITURE AND FIXTURES	7,168
Accumulated depreciation	7,168
	0
 VEHICLE	31,403
Accumulated depreciation	30,553
	850
	\$ 17,755,477



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Independent Auditor's Report – Government Auditing Standards

Port Commissioners
Port of Lewiston
Lewiston, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Port of Lewiston as of June 30, 2013, and the related notes to the financial statements, which collectively comprise the Port of Lewiston's basic financial statements, and have issued our report thereon dated November 05, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port of Lewiston's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port of Lewiston's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port of Lewiston's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency (Finding #13-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port of Lewiston's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


November 05, 2013

PORT OF LEWISTON

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013

SIGNIFICANT DEFICIENCY

Finding #13-01

Criteria: Internal control systems generally attempt to divide up accounting tasks among multiple individuals (segregation of duties) to improve the ability of the organization to identify errors within the accounting system.

Condition: The Port of Lewiston has concentrated many accounting duties to a few individuals such that the desired segregation of duties is not possible. There are a limited number of personnel available to provide for the desired "segregation of duties."

Effect: Many accounting duties are performed by a single individual with limited oversight available within the Port of Lewiston.

Response: The Port's management and Commissioners believe that the cost of hiring additional accounting staff outweighs the benefits that segregation of duties would provide.

Recommendation: We concur with the Port's response.