

PORT OF LEWISTON

FINANCIAL STATEMENTS

Years Ended June 30, 2012 and 2011

PORT OF LEWISTON

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Independent Auditor's Report

Port Commissioners
Port of Lewiston
Lewiston, Idaho

We have audited the accompanying statements of net assets of the Port of Lewiston as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended, which collectively comprise the basic financial statements of the Port of Lewiston. These financial statements are the responsibility of the Port's management. Our responsibility is to express opinions 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 our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

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, 2012 and 2011, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 28, 2012, on our consideration of the Port of Lewiston's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 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 audits 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.

Bresnell Gage PLLC
September 28, 2012

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, 2012.

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 assets presents information concerning the Port's assets, liabilities, and net assets. Net assets are the difference between assets and liabilities. Increases or decreases in net assets 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, 2012 and 2011:

	<u>Net Assets</u>	
	<u>2012</u>	<u>2011</u>
ASSETS		
Total current assets	\$ 3,460,261	\$ 3,115,442
Capital assets	17,903,757	17,374,964
Noncurrent assets	<u>1,000</u>	<u>61,388</u>
Total assets	<u>21,365,018</u>	<u>20,551,794</u>
LIABILITIES AND NET ASSETS		
Total current liabilities	185,478	642,011
Total noncurrent liabilities	<u>483,868</u>	<u>32,298</u>
Total liabilities	<u>669,346</u>	<u>674,309</u>
TOTAL NET ASSETS	<u>\$20,695,672</u>	<u>\$19,877,485</u>

The Port's net assets increased \$818,187 (+4.1 percent) between fiscal years 2011 and 2012. Total assets increased \$813,224 (+3.9 percent), while total liabilities decreased \$4,963 (-0.7 percent). Total current liabilities decreased 71.1 percent due to a sizable outstanding construction progress payment in 2011. Total noncurrent liabilities increased because the issuance of the new improvement bond for the construction and installation of a new sprinkler system at Terminal II.

Summary of Operations and Changes in Net Assets

The statements of revenues, expenses, and changes in net assets 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 2012 and 2011 change in net assets:

	<u>2012</u>	<u>2011</u>
Revenue	\$ 2,702,049	\$ 2,899,211
Expenditures	<u>1,883,862</u>	<u>2,615,008</u>
Net change in assets	818,187	284,203
Net assets, beginning	<u>19,877,485</u>	<u>19,593,282</u>
Net assets, ending	<u>\$20,695,672</u>	<u>\$ 19,877,485</u>

The Port of Lewiston's operating revenue (see page 10) reflected an increase of \$17,799 (+0.8 percent) from \$2,108,823 to \$2,126,622 in 2012. This compares to a 71.5 percent increase in fiscal year 2011. Port container volumes did not significantly change from fiscal year 2011. Terminal I (container yard) operations revenue decreased 7.3 percent from \$473,448 to \$438,629. Revenue associated with Terminal I break bulk cargo (import and storage of oil refinery equipment) accounted for 68 percent (\$927,307) of Terminal I operating revenues. Terminal 1 operating expenses associated with container operations saw an increase in 2012. Operating expenses were up 5.0 percent or \$24,161.

Other major revenue sources include Terminal II management operations revenue and building and property rental income. In 2012, Terminal II revenue remained unchanged at \$216,000 and rental income increased 2.8 percent from \$479,502 to \$492,993. For 2013, 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 2012 compared to the fiscal year 2012 budget, see "Budgetary Comparison Schedule" on page 20.

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 2012, the Port invested \$1,090,641 (\$854,876 capitalized and \$235,765 non-capitalized expense) in the Land Acquisition and Development (LA&D) Budget. This is compared to \$820,712 invested in 2011. Major capital projects in fiscal year 2012 included: the construction and installation of new fire suppression facilities at Terminal II, acquiring 6.27 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Debt

Outstanding indebtedness including principal and interest follows:

- Series 2011 Parity Lien Port Improvement Revenue Bond – \$556,532

During the current fiscal year, the Port made the final payment on a 2006 Improvement Revenue Bond used to construct a 3,500 square foot building utilized as a business incubator facility.

Economic Factors

The Port had a \$280,509 operating gain during fiscal year 2012. The \$280,509 operating gain compares with a \$247,252 operating gain for fiscal year 2011. The change in net assets for fiscal year 2012 increased by \$533,984.

In June 2013, the Port intends to begin construction on a \$2.9 million container dock extension project. The dock extension will improve the efficiency and productivity of dock operations and provide a safer working environment. The project will be financed through a \$1.3 million Federal TIGER grant, a \$350,000 Idaho Rural Block Grant, a \$600,000 loan from the Idaho Department of Agriculture REDIFIT Program, and \$710,000 from the Port of Lewiston.

Steamship line service at the Port of Portland is expected to be relatively unchanged in 2013. Container and break bulk volume at the Port of Lewiston is expected to improve moderately in the next year. Revenue associated with the import and storage of Imperial Oil refinery equipment to Alberta, Canada ended in March 2012. The termination of this project will significantly decrease Terminal I (container yard) revenue in 2013. The Port is optimistic that in the future, logistics firms will utilize the Columbia/Snake River System to transport break bulk cargo into the interior of the U.S. and Canada.

The Management Agreement with Inland 465 expires December 31, 2012. Contract negotiations are currently underway with parties interested in operating the warehouse facility.

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 ASSETS
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash in bank	\$ 3,153,339	\$ 2,477,079
Taxes receivable	202,060	204,448
Accounts receivable	101,855	431,136
Workers Compensation deposit and other assets	3,007	2,779
Total current assets	<u>3,460,261</u>	<u>3,115,442</u>
CAPITAL ASSETS, at cost less accumulated depreciation of \$8,716,330 (\$8,411,650 in 2011)		
	<u>17,903,757</u>	<u>17,374,964</u>
NONCURRENT ASSETS		
Rental deposits	1,000	13,800
Cash reserve		47,588
Total noncurrent assets	<u>1,000</u>	<u>61,388</u>
Total assets	<u>21,365,018</u>	<u>20,551,794</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	36,164	380,200
Accrued expenses	51,115	49,748
Accrued interest payable	2,328	695
Deferred revenue	5,635	35,666
Bonds payable, current portion	90,236	175,702
Total current liabilities	<u>185,478</u>	<u>642,011</u>
NONCURRENT LIABILITIES		
Rental deposits	17,572	32,298
Bonds payable, less current portion	466,296	
Total noncurrent liabilities	<u>483,868</u>	<u>32,298</u>
Total liabilities	<u>669,346</u>	<u>674,309</u>
NET ASSETS		
Invested in capital assets, net of related debt	17,347,225	17,199,262
Restricted for debt service		3,639
Unrestricted	3,348,447	2,674,584
TOTAL NET ASSETS	<u>\$ 20,695,672</u>	<u>\$ 19,877,485</u>

See accompanying notes

PORT OF LEWISTON

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Rent	\$ 492,993	\$ 479,502
Terminal II	216,000	216,000
Terminal tariff	438,629	473,448
Imperial Oil modules	927,307	896,955
In lieu tax	51,693	42,078
Other		840
	<u>2,126,622</u>	<u>2,108,823</u>
OPERATING EXPENSES		
Administration	309,355	268,859
Port commission	30,662	36,658
Terminal	498,947	474,786
Imperial Oil modules	390,232	396,233
Legal services	9,062	17,306
Accounting services	18,600	16,975
Port promotion	25,925	31,992
Port promotion - economic development	35,000	35,000
General insurance	22,752	34,859
Facilities maintenance	74,102	50,394
Property acquisition/development expense	33,576	81,757
Utilities	18,615	15,410
In lieu tax	64,464	62,274
Bad debts		1,490
Depreciation and amortization	314,821	337,578
	<u>1,846,113</u>	<u>1,861,571</u>
OPERATING GAIN	<u>280,509</u>	<u>247,252</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	464,629	463,063
Sales tax	101,056	99,531
Grant revenue		218,635
Interest income	9,742	9,159
Loss on disposition of property	(11,262)	(727,382)
Interest expense	(26,487)	(26,055)
	<u>537,678</u>	<u>36,951</u>
CHANGE IN NET ASSETS	<u>818,187</u>	<u>284,203</u>
NET ASSETS AT BEGINNING OF YEAR	<u>19,877,485</u>	<u>19,593,282</u>
NET ASSETS AT END OF YEAR	<u>\$ 20,695,672</u>	<u>\$ 19,877,485</u>

See accompanying notes

PORT OF LEWISTON

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,455,812	\$ 1,775,261
Cash paid to suppliers and employees	<u>(1,906,055)</u>	<u>(1,176,170)</u>
Net cash provided by operating activities	<u>549,757</u>	<u>599,091</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	467,017	461,460
Sales tax	<u>101,056</u>	<u>99,531</u>
Net cash provided by noncapital financing activities	<u>568,073</u>	<u>560,991</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Bond interest payments	(24,854)	(26,055)
Bond principal payments	(219,170)	(317,731)
Bond proceeds	600,000	
Grant proceeds		218,635
Acquisition of capital assets	(854,876)	(685,169)
Proceeds from sale of land		<u>816,988</u>
Net cash provided (used) by capital financing activities	<u>(498,900)</u>	<u>6,668</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>9,742</u>	<u>9,159</u>
Net cash provided by investing activities	<u>9,742</u>	<u>9,159</u>
Net change in cash	628,672	1,175,909
CASH AT BEGINNING OF YEAR	<u>2,524,667</u>	<u>1,348,758</u>
CASH AT END OF YEAR	<u>\$ 3,153,339</u>	<u>\$ 2,524,667</u>
CASH COMPONENTS		
Current assets, cash	\$ 3,153,339	\$ 2,477,079
Noncurrent assets, cash reserve		<u>47,588</u>
	<u>\$ 3,153,339</u>	<u>\$ 2,524,667</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 24,854</u>	<u>\$ 26,055</u>

See accompanying notes

PORT OF LEWISTON

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING GAIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating gain	\$ 280,509	\$ 247,252
Adjustments to reconcile operating gain to net cash provided by operating activities:		
Depreciation	314,821	329,063
Amortization	0	8,515
Changes in assets:		
Receivables	329,281	(333,444)
Other assets	12,572	(118)
Changes in liabilities:		
Accounts payable	(344,036)	338,350
Accrued liabilities	1,367	9,750
Deferred revenue	(30,031)	(6,647)
Rental deposits	(14,726)	6,370
Net cash provided by operating activities	<u>\$ 549,757</u>	<u>\$ 599,091</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, certificates of deposit, reserve cash accounts, and bond sinking fund 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) Statement No. 1 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.

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 2011 financial statements have been reclassified to conform with the 2012 presentation with no effect on previously reported net assets.

2. BANK DEPOSITS

At June 30, 2012, the carrying amount of the Port's deposits was \$3,153,339 and the bank balance was \$3,216,878. Of the bank balance, \$965,776 was covered by federal depository insurance. The remaining bank balance of \$2,251,102 was neither insured nor collateralized.

PORT OF LEWISTON

NOTES TO FINANCIAL STATEMENTS

3. RESTRICTED CASH

Resolution 01-03, authorizing the issuance and sale of Port Improvement Revenue Refunding Bonds Series 2001, requires the establishment of a debt service account and a debt service reserve account. Funds on deposit in the debt service reserve account are held in trust for the benefit of owners of the bonds. These funds are available, if necessary, to make debt service payments on the bonds. Due to the payoff of the bond during the year-ended June 30, 2011, no debt service reserve is required.

4. PROPERTY TAXES

In 2010, the Port certified a tax levy for the fiscal year beginning July 1, 2011, and ending June 30, 2012, 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.

5. 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.

6. CAPITAL ASSETS

At June 30, capital assets consisted of:

	<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>

PORT OF LEWISTON

NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>2011</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	15,755,088	\$ 143,627	\$ 1,544,370	14,354,345
Port facilities	7,161,972	541,542		7,703,514
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>\$ 26,645,815</u>	<u>\$ 685,169</u>	<u>\$ 1,544,370</u>	<u>25,786,614</u>
Less accumulated depreciation				
Land and improvements	\$ 1,782,105	\$ 148,320		1,930,425
Port facilities	3,762,113	166,916		3,929,029
Downriver facilities	2,304,363	4,055		2,308,418
Office furniture and equipment	7,168			7,168
Buildings	205,853	6,583		212,436
Vehicles	20,985	3,189		24,174
	<u>\$ 8,082,587</u>	<u>\$ 329,063</u>	<u>\$ 0</u>	<u>8,411,650</u>
Net capital assets				<u>\$ 17,374,964</u>

Depreciation of \$314,821 was charged to the current year operations (\$329,063 for 2011).

7. 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 \$556,532.

Fiscal Year <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 90,236	\$ 26,819	\$ 117,055
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>\$ 556,532</u>	<u>\$ 87,271</u>	<u>\$ 643,803</u>

8. IMPROVEMENT REVENUE BOND PAYABLE

On July 9, 2006, the Port issued \$290,000 of improvement revenue bonds, Series 2006, for the purpose of the construction of an extension to an existing facility of the Port, to be utilized for economic development. During the current year, the bond was paid with the final principal payment of \$175,702.

PORT OF LEWISTON

NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT

A summary of changes in long-term debt at June 30, 2012, is as follows:

	<u>Balance 6/30/11</u>	<u>Additions</u>	<u>Principal Repayment</u>	<u>Balance 6/30/12</u>
Parity Lien Port				
Improvement revenue bond payable		\$ 600,000	\$ 43,468	\$ 556,532
Improvement revenue bond payable	<u>\$ 175,702</u>		<u>175,702</u>	<u>0</u>
	<u>\$ 175,702</u>	<u>\$ 600,000</u>	<u>\$ 219,170</u>	<u>556,532</u>
Less current portion of long-term debt				<u>90,236</u>
Amount due after one year				<u>\$ 466,296</u>

10. 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, 2012, the required contribution rates, as determined by PERSI, were 10.39 percent (10.39 percent in 2011 and 10.39 percent in 2010) for the Port of Lewiston and 6.23 percent (6.23 percent in 2011 and 6.23 percent in 2010) for employees. The Port of Lewiston contributions required and paid were \$39,039, \$35,335, and \$34,398 for the three years ended June 30, 2012, 2011, and 2010, respectively.

11. MANAGEMENT AGREEMENT

The Port of Lewiston entered into an agreement 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, 2012.

12. 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.

PORT OF LEWISTON

NOTES TO FINANCIAL STATEMENTS

13. 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, 2013	\$ 155,766
June 30, 2014	112,535
June 30, 2015	112,873
June 30, 2016	68,811
June 30, 2017	68,811
Thereafter	1,021,779

SUPPLEMENTARY INFORMATION



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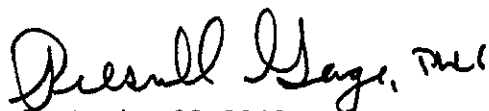
Independent Auditor's Report - Supplementary Information

Port Commissioners
Port of Lewiston
Lewiston, Idaho

We have audited the accompanying statements of net assets of the Port of Lewiston as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended, which collectively comprise the basic financial statements of the Port of Lewiston, and have issued our report thereon dated September 28, 2012. These financial statements are the responsibility of the Port's management. Our responsibility is to express opinions 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 our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

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 supplementary financial information, as listed in the table of contents, is presented for purposes of additional analysis and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 basic financial statements taken as a whole.


September 28, 2012

PORT OF LEWISTON

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	Budgetary Basis	With Final Budget
REVENUES				
Tax levy	\$ 450,000	\$ 461,000	\$ 464,629	\$ 3,629
Sales tax	105,000	102,000	101,056	(944)
Lieu tax	49,321	51,693	51,693	
Terminal revenue/Imperial Oil modules	971,000	1,668,000	1,581,936	(86,064)
Rentals	475,370	471,000	492,993	21,993
Other income				
Grant revenue	25,000	6,200		(6,200)
Miscellaneous	6,500	9,200	9,742	542
Revenue Bond issue	600,000	600,000	600,000	
Total revenues	<u>2,682,191</u>	<u>3,369,093</u>	<u>3,302,049</u>	<u>(67,044)</u>
EXPENDITURES				
General operations				
Port commission				
Per diem	10,000	7,750	8,550	(800)
Fringe benefits	1,039	850	908	(58)
Travel	10,300	6,000	3,613	2,387
Other expense	20,040	20,040	17,591	2,449
Port administration				
Salaries	159,896	166,000	171,264	(5,264)
Fringe benefits	56,944	60,000	63,253	(3,253)
Travel	8,900	8,500	6,614	1,886
Other expense	27,150	27,150	35,179	(8,029)
Equipment	500	26,000	24,045	1,955
Navigation issues	20,000	12,000	9,000	3,000
Legal services	8,000	7,000	9,062	(2,062)
Accounting and auditing	18,600	18,600	18,600	0
General promotion	26,500	27,000	25,925	1,075
Valley Vision	35,000	35,000	35,000	0
General insurance	37,000	25,500	22,752	2,748
Facilities maintenance	60,000	65,000	74,102	(9,102)
Utilities	21,000	21,000	18,615	2,385
Lieu tax	63,409	64,464	64,464	0
Terminal operations/Imperial Oil modules	1,248,000	1,803,000	932,647	870,353
Land acquisition/development	849,913	968,239	1,090,641	(122,402)
Total expenditures	<u>2,682,191</u>	<u>3,369,093</u>	<u>2,631,825</u>	<u>737,268</u>
CHANGE IN NET ASSETS	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 670,224</u>	<u>\$ 670,224</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 assets, GAAP basis	\$ 818,187
Bond principal proceeds	600,000
Recognized loss on sale of assets	11,262
Depreciation and amortization expense	314,821
Debt principal payments	(219,170)
Property acquisitions	<u>(854,876)</u>
Change in net assets, budget basis	<u>\$ 670,224</u>

PORT OF LEWISTON

DETAILS OF EXPENSES
Years Ended June 30, 2012 and 2011

	<u>2012</u>		
		Port	
	<u>Administration</u>	<u>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>

	<u>2011</u>		
		Port	
	<u>Administration</u>	<u>Commission</u>	<u>Terminal</u>
Salaries	\$ 166,443	\$ 11,127	\$ 183,706
Fringe benefits and payroll taxes	54,833	1,179	67,530
Travel	5,368	6,012	
Other	27,919	18,340	21,555
Navigational issues	13,250		
Equipment repairs and maintenance	1,046		104,976
Facilities maintenance			15,534
Insurance			44,295
Utilities			12,678
Office expenses			24,512
	<u>\$ 268,859</u>	<u>\$ 36,658</u>	<u>\$ 474,786</u>

PORT OF LEWISTON

DETAILS OF CAPITAL ASSETS
June 30, 2012

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
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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
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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
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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
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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		
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Indian Cache Ranch Second Addition to Lewiston, Idaho

Lots 11 through 21, Block 2		
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Indian Cache Ranch First Addition to Lewiston, Idaho

Lots 14 through 19, Block 3		
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Lots 14 through 19, Block 4		
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Balance forward		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">1,982,859</td> </tr> <tr> <td style="border-bottom: 3px double black;">4,222,494</td> </tr> </table>	1,982,859	4,222,494
1,982,859				
4,222,494				

PORT OF LEWISTON

DETAILS OF CAPITAL ASSETS

June 30, 2012

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		722,628
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
Easements		29,589
Relocation		18,000
General land costs, principally engineering		486,382
Site development costs		6,828,316
		<u>15,636,122</u>
Accumulated depreciation		<u>2,073,478</u>
		<u>13,562,644</u>
PORT FACILITIES		
Dock facilities		3,989,672
Warehouse		4,075,636
Truck area		10,756
Equipment		259,286
		<u>8,335,350</u>
Accumulated depreciation		<u>4,079,530</u>
		<u>4,255,820</u>
DOWNRIVER FACILITIES		
Access road		121,663
Facilities		2,188,109
		<u>2,309,772</u>
Accumulated depreciation		<u>2,309,772</u>
		<u>0</u>
BUILDINGS		
Accumulated depreciation		300,272
		<u>219,019</u>
		<u>81,253</u>
FURNITURE AND FIXTURES		
Accumulated depreciation		7,168
		<u>7,168</u>
		<u>0</u>
VEHICLE		
Accumulated depreciation		31,403
		<u>27,363</u>
		<u>4,040</u>
		<u>\$ 17,903,757</u>



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Independent Auditor's Report – Government Auditing Standards

Port Commissioners
Port of Lewiston
Lewiston, Idaho

We have audited the statements of net assets of the Port of Lewiston, as of and for the year ended June 30, 2012, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended, which collectively comprise the basic financial statements of the Port of Lewiston, and have issued our report thereon dated September 28, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the Port of Lewiston, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Port of Lewiston's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port of Lewiston's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (Finding #12-01 and Finding #12-02). 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port of Lewiston's basic financial statements are free of 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*.

The Port's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Port's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Port Commissioners, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


September 28, 2012

PORT OF LEWISTON

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

SIGNIFICANT DEFICIENCIES

Finding #12-01

Criteria: *Government Auditing Standards* require that we identify all non-attest services that we, as independent auditors, perform for an audit client and evaluate whether such services impair the independent auditor's independence.

Condition: *Government Auditing Standards* require that we identify all non-attest services that we, as independent auditors, perform for a governmental audit client. The non-attest service performed by the independent auditors was the compilation of the year-end financial statements.

Effect: The independent auditor has compiled the financial statements subject to management's review and approval. Safeguards outlined in *Government Auditing Standards* have been complied with.

Response: The Port's management and Commissioners believe that contracting the independent auditor to compile the year-end financial statements is the most cost-effective alternative. This service is allowed under *Government Auditing Standards*.

Recommendation: We concur with the Port's response.

Finding #12-02

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 one individual 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.