

ANNUAL REPORT CERTIFICATION

Port of Clarkston

MCAG No. 0437

Submitted pursuant to RCW 43.09.230 to the WA STATE AUDITOR'S OFFICE
FOR THE FISCAL YEAR ENDED December 31, 2012

GOVERNMENT INFORMATION:

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I do hereby certify that on the 3rd day of May, 2013, that the annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification.

Moreover, I acknowledge and understand that management and the governing body are responsible for:

- The design and implementation of policies and procedures to safeguard public resources and ensure compliance with applicable laws and regulations, including internal controls to prevent and detect fraud.
- Compliance with applicable state and local laws and regulations.
- Immediately submitting corrected annual report information if any error in submitted information is subsequently identified.

Signatures:

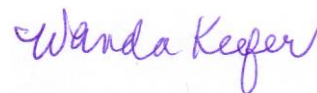


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PORT OF CLARKSTON
Notes to Financial Statements
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Port of Clarkston was incorporated in 1958 and operates under the laws of the State of Washington applicable to a Port District.

Reporting Entity

The Port of Clarkston is a special purpose government and provides a shipping terminal, an industrial park, property leases, crane services, and recreational and tourism dockage. The Port of Clarkston is supported by property lease revenue, user charges, dockage revenue, revenue from marine terminal uses, and local taxes. The Port District relies on a year-round navigable inland river system to generate revenues from its marine terminal facility and to retain and attract certain businesses to its industrial park. An elected three-member board governs the Port District.

The following is a summary of the significant policies, including identification of those policies which result in material departure from generally accepted accounting principles (GAAP).

Basis of Accounting and Presentation

The accounting records of the Port of Clarkston are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 Revised Code of Washington. The Port uses the *Budgeting, Accounting and Reporting System for Cash Basis Port Districts*.

The accounts of the Port of Clarkston are maintained on the basis of funds. For reporting purposes, the activities of the Port of Clarkston's funds are combined.

The Port of Clarkston uses the cash basis of accounting where revenues are recognized only when received and expenses are recognized when paid.

Cash

It is the Port's policy to invest all temporary cash surpluses. This amount is included on the Statement of Activities Arising from Cash Transactions as cash and investments.

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Deposits

The Port's deposits (and certificates of deposit) are covered by the *Federal Deposit Insurance Corporation* and/or the *Washington Public Deposit Protection Commission*.

Capital Assets - See Note 4

Investments - See Note 2

Compensated Absences - See Note 9

Long Term Debt and Capital Assets - See Note 4

Risk Management - See Note 8

The Port of Clarkston has insurance coverage through Enduris which provides general liability, property and casualty insurance. The Port has additional coverage with Wharfinger's and Terminal Operator's liability policies through Enduris.

All risk management activities are funded from the general fund and, in the opinion of the Port of Clarkston, the insurance coverage is adequate for all known claims. There are no pending claims at this time.

NOTE 2 - CASH, CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS:

Investments

As required by state law, all deposits and investments of the Port of Clarkston's funds are obligations of the U.S. Government, (the State Treasurer's Investment Pool) or deposits with Washington State banks and savings and loan institutions.

The Port's investments are held by the Asotin County Treasurer in the Local Government Investment Pool.

As of December 31, 2012 the Port's Investments are as follows:

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2012

**NOTE 2 - CASH, CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS
(CONTINUED):**

L.G.I.P. \$1,168,000

Unrestricted Cash

The Port's unrestricted cash as of December 31, 2012 is as follows:

	<u>2012</u>
General Fund - Maintenance Fund	\$ 193,869
General Fund - Incidental Expense	5,000
Petty Cash	50
Total Unrestricted Cash	\$ 198,919

The Port of Clarkston's deposits and investments are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The Port's maintenance fund is held by the Asotin County Treasurer and the expenditures are processed by Twin River National Bank.

The Port's incidental fund is held by Twin River National Bank, and the Port's petty cash is held at the Port.

The Port's deposits and investments are insured, registered or held by the Port or its agent in the Port's name.

Designated Cash -- There is no designated cash in 2012.

Restricted Cash -- There was no restricted cash or investments on December 31, 2012.

NOTE 3 - PROPERTY TAXES:

The County Treasurer acts as an agent to collect property taxes levied in Asotin County for all taxing authorities. Collections are distributed after the end of each month to the Port of Clarkston by the County Treasurer. A re-valuation of all property was required every four years, but has subsequently changed to an annual re-valuation.

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2012

NOTE 3 - PROPERTY TAXES (CONTINUED) :

Property taxes are levied and become an enforceable lien on property as of January 1st. Tax bills are mailed in February and are payable in two installments, April 30th, and October 31st, following the levy.

Property tax revenues are recognized when cash is received. Delinquent taxes are considered fully collectible because a lien affixes to the property when taxes are levied.

The Port may levy up to \$.45 per \$1,000 of assessed value for general governmental services. The Washington State Constitution and RCW 84.55.010 limits the rate Ports may levy. The Port of Clarkston's regular levy for 2012 was .22146456 per \$1,000 on an assessed valuation of \$1,498,497,126. If all assessed levies had been collected in 2012, the Port of Clarkston's revenue stream would have been \$331,864. Proceeds from taxes are recorded as non-operating revenues.

NOTE 4 - LONG TERM DEBT AND CAPITAL ASSETS:

Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of three years. Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are recorded as expenses when purchased. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased. Maintenance, repairs and minor renewals are accounted for as expenses when paid.

Construction of capital assets utilizing grant awards was a significant component of revenue for 2012. These capital assets became part of the Port's inventory over time, instead of through a single purchase that captured the total value of the asset. The non-operating revenue/expense section of these financial statements reflect the value of constructing these assets, professional services that were incurred to achieve and oversee construction, and staff time in project management, construction, and grant administration.

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2012

NOTE 4 - LONG TERM DEBT AND CAPITAL ASSETS (CONTINUED) :

Expansion of building leased to Riverport Brewing Company: To accommodate the growth of tenant Riverport Brewing Company, at 150 9th Street, Clarkston, the Port added 3,850 sq. ft. to the west side of the existing building. Port staff began the work in November 2011. At the conclusion of the project March 2012, a total of \$191,518 had been expended in design, project management, labor, equipment and materials (\$124,649 of that expended in 2012). No debt was incurred for this expansion project.

Long Term Debt

On December 31, 2008, the Port purchased a 12,880 square foot building at 1390 Fair Street for \$425,000. The Port paid half down and the seller, Donald Tuntland, is holding the paper on the remaining balance. The Port is paying 5% interest and making monthly payments of \$2,253.89 for 10 years. Payments began February 2009.

In May 2010, the Port of Clarkston executed a contract with the Washington State Community Economic Revitalization Board for a loan at -0-% interest. Annual payments will kick in on January 1, 2016, in the amount of \$46,667 each and will continue for 14 more years. The Port began drawing against this resource of \$700,000 in 2011; as of December 31, 2012, the Port had received a total of \$87,277 in cost reimbursements.

In addition, in 2012 the Port of Clarkston made three separate purchases of land from the Asotin County Board of Commissioners:

<i>Transaction 1</i>	Tract A1:	10.58 acres at \$2,180 per acre	
	Tract B:	35.97 acres at \$4,360 per acre	
		Total cost:	\$179,894
		Debt incurred from transaction:	\$0
<i>Transaction 2</i>	Tract A2:	14.03 acres at \$4,360 per acre	
		Total cost:	\$61,171
		Debt incurred from transaction:	\$0
<i>Transaction 3</i>	Tract C:	70 acres at \$4,360 per acres	
		Total cost:	\$305,200
		Debt incurred to Asotin County:	\$296,264

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2012

The terms of the payment agreement call for the Port of Clarkston to make a single payment every year for each of 20 years. Interest accrues at 4% per year. Annual payments will be \$21,800.

NOTE 4 - LONG TERM DEBT AND CAPITAL ASSETS (CONTINUED) :

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the Port of Clarkston and summarizes the Port's debt transactions for the year ended December 31, 2012. The lower schedule presumes that the Port will draw on the full \$700,000 it can borrow on the CERB loan for the construction of the business park (not just the \$121,506 which it accessed in 2011 and 2012). The debt service requirements, including interest, are as follows:

<u>Obligation</u>	<u>Original Amount</u>	<u>Balance 12/31/2012</u>	<u>Rate of Interest</u>	<u>Interest Pd 2012</u>	<u>Current Portion</u>
Tuntland	\$212,500	\$141,614	5.0%	\$7,611	\$27,047
Asotin County	\$296,264	\$296,264	4.0%	\$ -0-	\$21,800
CERB	\$ 27,076	\$ 87,277	-0-	\$ -0-	\$ -0-

	<u>Revenue Bond</u>	<u>Other Debt</u>	<u>Total Debt</u>
2013	-0-	48,847	48,847
2014	-0-	48,847	48,847
2015	-0-	48,847	48,847
2016	-0-	95,514	95,514
2017	-0-	95,514	95,514
2018	-0-	95,514	95,514
2019	-0-	70,721	70,721
2020	-0-	68,467	68,467
2021	-0-	68,467	68,467
2022	-0-	68,467	68,467
TOTALS	-0-	709,205	709,205

As of December 31, 2012, the Port of Clarkston is holding cash and investments of \$198,919 and \$1,168,000, respectively, which is sufficient to cover the obligations incurred through 2012.

NOTE 5 - CONSTRUCTION IN PROGRESS:

None. Design occurred in 2012 on several projects, but construction has not yet begun.

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2012

NOTE 6 - PENSION PLANS:

Substantially all Port of Clarkston's full time and qualifying part-time employees participate in PERS plan administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is calculated on a system-wide basis and is not considered pertinent to the Port of Clarkston's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trends and other information regarding each plan are presented in the Washington State Department of Retirements Systems annual financial report. A copy of the reports may be obtained by writing to: Department of Retirement Systems, Communications Unit, PO Box 48380, Olympia, WA 98504-8380, or it may be downloaded from the DRS website at www.drs.wa.gov.

Plan Name	No. of Employees	% of Contribution	Contribution by Port
Plan 2	4 Employees	0.0721%	\$10,274
Plan 3	1 Employee	0.0721%	\$ 4,937

NOTE 7 - CONTINGENCIES AND LITIGATION:

The Port has actively participated in grant programs in the past. These grants are subject to audit by the grantors or their representatives. Such audits could result in reimbursements by grantor agencies for expenditures to be disallowed under the terms of the grants. The management of the Port believes that there would be no such disallowances relating to grant funds received.

Litigation

The Port is not a defendant in any legal action nor is it aware of any legal claims which could arise during the normal course of business.

However, as a member of the Inland Ports and Navigation Group (IPNG), the Port of Clarkston is an intervener on the Biological Opinion (BiOp) released by NOAA Fisheries May 5, 2009. In August 2011, U.S. District Court Judge James A. Redden remanded the BiOp back to the federal agencies, seeking more certainty in estuary and tributary habitat restoration actions. IPNG, along with other partners, filed a protective notice of appeal.

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2012

NOTE 8 - RISK MANAGEMENT:

Washington Governmental Entity Pool

The Port of Clarkston is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2012, there are 477 Enduris members representing a broad array of special purpose districts throughout the state.

Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides "per occurrence" based policies for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers employee dishonesty coverage up to a liability limit of \$1,000,000.

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis:

\$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss; \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on property loss. Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2012

NOTE 8 - RISK MANAGEMENT (CONTINUED) :

Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

NOTE 9 - COMPENSATED ABSENCES:

Vacation pay may be accumulated up to 240 hours or thirty days and is payable upon separation or retirement. Sick leave is earned one day per month and may accumulate up to 720 hours or ninety days. Upon separation or retirement, employees do not receive payment for unused sick leave.

NOTE 10 - MAJOR CUSTOMERS:

The Port's lease revenue stream in 2012 was spread among many lessees. Because the economic downturn impacted them as a whole, the Port saw a decrease in the number of calls from cruise boat companies in 2012. This resulted in a decrease in revenue from dockage fees. This revenue has typically been a small portion of the Port's overall revenue stream.

Grant revenues (addressed in Note 11) were one-time occurrences, and those sources of funding are not considered "Major Customers."

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2012

NOTE 11 - GRANTS:

In 2012, the Port expensed funds relating to private, state, and federal grants in the amount of \$168,282. The Port received reimbursements in the amount of \$179,679.

CERB Boat Builders Export Grant (S11-97103-002): Washington Department of Commerce's Community Economic Revitalization Board (CERB) awarded an original grant in the amount of \$100,000, and increased it in 2011, 2012 and 2013. The CERB award was to continue the collaborative work of the Snake River Boat Builders' consortium in marketing their aluminum-hull welded boats. By the end of 2012, expenditures totaled \$132,610 while reimbursements totaled \$112,552.

Telecommunications Infrastructure (56-002-575274410): USDA Rural Development, under its Rural Business Enterprise Grant program, awarded the Port of Clarkston \$50,000 in 2011 to assist the Port in constructing Phase I of its telecommunications build. Match was required. As of the end of 2012, design fees had been expended (\$28,050) and reimbursed (\$21,546).

Strategic Reserve Funds (SRF12-00012-127): The Port assisted Renaissance Marine Group (RMG) in a request to tap the Governor of the State of Washington's Strategic Reserve Funds. The largest private employer in Asotin County, RMG was eligible in order to prevent relocation of this business out of state. The amount awarded was \$150,000, effective November 29, 2011. RMG will be making match in an amount no less than \$120,000. The Port agreed to be a conduit for this award. The amount of \$35,769 was expended in 2012.

FEMA - Homeland Security Grant (# EMW-2011-PU-K00274-S01-POC-1.2): The Port received notice in 2011 that it would be awarded a federal grant for a security system in the amount of \$83,977. Match funds were not required. The project is still in process. Expenditures for 2012 were \$46,147.

Federal Highway Administration (FHWA) award, administered by Washington Department of Transportation (WSDOT) (STPE EN10(003))-Riverfront Connectivity Project: Construction funds for this sidewalk project for the north side of Port Way were released and the project was put out to bid. Construction is expected to begin Spring 2013. The Port received reimbursements in the amount of \$16,086 in 2012 under this award.

PORT OF CLARKSTON
Notes to Financial Statements, Continued
December 31, 2012

NOTE 11 - GRANTS (continued):

Broadband Planning Award, WA Commerce, pass-through from NTIA (13-551000-003): Awarded in 2012 by the Washington Department of Commerce Broadband office, this local technology planning team competitive grant allowed for a comprehensive assessment of telecommunications needs in Asotin County, "Last Mile" connectivity solutions and preliminary and construction cost estimates for the highest priority construction project. Awarded was \$46,232 in grants, with the Port contributing another \$11,558 in match, for a total of \$57,790. In 2012, \$7,057 was expended and \$913 was reimbursed.

NOTE 12 -- BAD DEBTS:

In November of 2010, West Travel, dba Cruise West, filed for relief under Chapter 7 of the bankruptcy rules. In 2010, the debt outstanding relating to services provided to West Travel was written off in the amount of \$1,414. In 2011, the Port filed a claim in the Western District of Washington Bankruptcy court in the amount of \$1,414 under Case No. 10-24618-SJS. No new bad debts were recognized in 2012.

NOTE 13 - SUBSEQUENT EVENTS:

In 2013, the U.S. Army Corps of Engineers released a draft Programmatic Sediment Management Plan and Draft Environmental Impact Statement (PSMP/EIS) for managing sediment on the Snake and Columbia River system. While dredging was not a foregone conclusion of the PSMP/EIS, work has been done to prepare for immediate dredging, should dredging be deemed to be the appropriate solution. Presuming the PSMP/EIS process approves dredging as a solution, and if plans move forward as anticipated, the Port of Clarkston will participate by dredging berthing areas between its docks and the navigational channel in the near future.

In 2013, the CERB Board increased the CERB Boat Builders Export Grant (S11-97103-002) award by an additional \$27,000 bringing the total award to \$171,650, not counting match.

SUPPLEMENTARY SCHEDULES