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, 2013

GOVERNMENT INFORMATION:

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PREPARER INFORMATION and CERTIFICATION:

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I do hereby certify that on the 11th day of April, 2014, 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: Jennifer Bly Wanda Keefer

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December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Port of Clarkston reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting S*ystem (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The Port of Clarkston was incorporated in 1958 and operates under the laws of the State of Washington applicable to a Port District. 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 Port uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

Port Districts are typically organized on the basis of funds, each of which is considered a separate accounting entity. The accounts of the Port of Clarkston are maintained on the basis of funds. The Port of Clarkston uses a single governmental fund type. For accounting and reporting purposes, the activities of the Port of Clarkston's funds are combined into a general or current expense fund. This fund accounts for all cash, investments, revenues and expenditures.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The Port of Clarkston uses the cash basis of accounting. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The Port of Clarkston adopts an annual appropriated budget for its general fund, which constitutes legal authority for expenditures. It is adopted by the Board of Commissioners. Annual appropriations lapse at fiscal yearend. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting (cash basis).

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

The final appropriated amount for the general fund budget was $4,188,462. Actual expenditures for 2013 were $1,528,609. Variance for 2013 was $2,659,853. Two significant anticipated starts did not begin in 2013: the new business park, Turning Pointe, and the berthing area maintenance dredging. Further offsetting expenses was a prepayment by Lewis-Clark Terminals for their share of costs of dredging.

D. 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 (Statement C-1).

E. 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*.

F. Investments – See Note 2, Investments.

G. Derivatives and Similar Transactions – See Note 2, Cash, Cash Equivalents, Restricted/Reserved Cash and Investments.

H. Capital Assets – See Note 4, Debt Service and Capital Assets.

I. Compensated Absences – See Note 9, Compensated Absences.

J. Long-Term Debt – See Note 4, Debt Service and Capital Assets.

K. Other Financing Sources or Uses

No other financing sources or uses beyond general fund revenue flow, and private, state and federal grants addressed in Schedule 16 exist for the Port of Clarkston.

L. Risk Management – See Note 8, Risk Management.

M. Reserved Fund Balance – See Note 2, Cash, Cash Equivalents, Restricted/Reserved Cash and Investments.

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

As required by state law, all deposits and investments of the Port of Clarkston 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 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). Investments made by the Port of Clarkston are cash investment and thus represent fair market value.

Investments

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

As of December 31, 2013 the Port's investments are as follows:

L.G.I.P.	$1,228,000

Unrestricted Cash

The Port's unrestricted cash as of December 31, 2013 is as follows:

	2013
General Fund – Maintenance Fund	$ 252,886
General Fund - Incidental Expense	5,320
Petty Cash	50
Total Unrestricted Cash	**$ 258,256**

The Port's main cash account (titled "Maintenance Fund" above) is held by the Asotin County Treasurer and the expenditures are processed by Twin River National Bank. The Port has an incidental checking at Twin River National Bank through which it receives electronic funds transfers, 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/Reserve Fund Balance/Restricted Cash – Since the Port contracts with the U.S. Army Corps of Engineers for dredging under a cost share services agreement that includes our tenant's berthing area, the Lewis Clark Terminals prepaid to the Port in 2013 the estimated costs for its share. Restricted or reserved cash in the amount of $56,251 is being held for future activity associated with that purpose.

Derivatives and Similar Transactions – The Port does not invest in derivatives or similar transactions.

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.

NOTE 3 – PROPERTY TAXES (CONT.):

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 by the Asotin County Treasurer. 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 2013 was .219956 per $1,000 on an assessed valuation of $1,520,620,483. If all assessed levies had been collected in 2013, the Port of Clarkston's revenue stream would have been $334,470. Proceeds from taxes are recorded as non-operating revenues.

The Port has no special levies.

NOTE 4 – DEBT SERVICE 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 2013. 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.

Sidewalk construction: In 2013, the Port invested in capital improvements including sidewalk improvements along Port Drive and Port Way, as well as 9th Street. Total cost of investment in 2012-2013 was $339,766, but the Port was reimbursed $215,062 through an award by the Washington Department of Transportation, leaving the Port's share of costs for 2012-2013 at $124,704. The Port paid the difference from its general fund. The 2013 impact of the project was $108,728.

Granite Lake Park improvements: The Port of Clarkston paid Avista $36,417 to bury power lines along Port Way, to improve the look of Granite Lake Park. Payment was made in 2013, but the project wasn't completed until 2014. This cost was covered from the Port's general fund.

Telecom fiber construction: Phase I of the Port's investment in telecommunications fiber optic cable begin in 2012. Construction occurred in 2013. The total project cost was $197,240 during that two-year period. However, an award from USDA Rural Development's Rural Business Enterprise grant for $50,000 partially offset the costs. The Port covered its share of costs from its general fund.

NOTE 4 – DEBT SERVICE AND CAPITAL ASSETS (CONTINUED):

Port Security projects: From 2011-2013, the Port has invested in improvements to its camera system relating to Port security. Most of that investment occurred in 2011-2012, and all previous investments were covered by grant awards. In 2013, small investments in staff resources to manage the awards were allocated to this cost center. These costs were not reimbursable under the program. Costs were covered through the Port's general fund.

"Turning Pointe," the Port's Sustainable Business Park: From 2009 through 2013, the Port's investment in developing this property had reached $999,731. The investment included feasibility, marketing, traffic and master planning studies, permitting, purchase of land, connection of water and sewer to the location, and professional services for designing and awarding a construction contract on Phase I. Assistance on the investment in years previous to 2013 had come from U.S. Dept. of Commerce (EDA), the WA State Community Economic Revitalization Board (for the feasibility study), and a direct Congressional appropriation administered by the Small Business Administration. Assistance on the investment of $220,656 expended by the Port in 2013 came from the WA State Community Economic Revitalization Board under the grant and loan award described in Note 11 – Grants. This was the only capital investment on which debt was incurred in 2013.

Non-Capital Investments

Maintenance Dredging: The Port considered the dredging of its berthing areas an on-going, regular maintenance cost, rather than a capital investment (even though eight years have passed since the berthing areas were last dredged). In 2013, permitting and sediment sampling (which determines appropriateness for in-water disposal of dredged materials) continued going forward. Because the Port entered into a cost-share agreement with one of its tenants, whereby the tenant prepaid for dredging, the prepaid expense was higher than cost covered in 2013. This timing issue will have a reverse impact on 2014 financial statements (presuming dredging can occur in 2014).

Capacity-Building: Over the past several years, the Port has participated in a number of awards that have resulted in developing capacity among the business sector. The Broadband Planning project, the CERB Export Assistance program which was supplemented by USDA funding, and the Governor's Strategic Reserve were all significant projects. On the first, Port staff completed a significant portion of the scope of work. On the other two, Port staff contributed project management/grant administration. All of these projects are recorded as non-capital, non-operating costs. No debt was incurred to meet the obligations of these projects.

Debt Service Requirements

As of December 31, 2013, the Port District had only general obligation debt.

Tuntland Building: 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 sellers, Donald & Sandra Tuntland, are 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.

NOTE 4 – DEBT SERVICE AND CAPITAL ASSETS (CONTINUED):

Business Park: 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 begin 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, 2013, the Port had received a total of $325,863 in cost reimbursements ($238,586 in 2013 alone). The CERB grant of $300,000 will be accessed after the loan amount.

Land for Business Park: In 2012, the Port of Clarkston made three separate purchases of land from the Asotin County Board of Commissioners. Two were covered by general fund resources. The third incurred debt: Tract C: 70 acres at $4,360 per acre; Total cost: $305,200; Debt incurred to Asotin County: $296,264. 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 are $21,800.

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, 2013. The lower schedule presumes that the Port will draw on the full $700,000 park (not just the $325,863 which it accessed as of 12/31/2013). The debt service requirements, including interest, are as follows:

Obligation	Original Amount	Balance 12/31/2013	Rate of Interest	Interest Paid 2013	Current Portion
Tuntland	$ 212,500	$ 121,184	5.0%	$ 6,617	$ 27,047
Asotin County	$ 296,264	$ 286,315	4.0%	$ 11,851	$ 21,800
CERB (bus park)	$ 87,277	$ 325,863	0.0%	$ -	$ -
CERB (telecom)	$ 130,000	$ -	3.0%	$ -	$ -

Year	Tuntland	Asotin County	CERB Bus Park	CERB 2 Telecom	Total Debt
2014	$ 27,047	$ 21,800	$ -	$ -	$ 48,847
2015	27,047	21,800	-	-	48,847
2016	27,047	21,800	-	8,738	57,585
2017	27,047	21,800	46,667	8,738	104,252
2018	27,047	21,800	46,667	8,738	104,252
2019-2024	2,254	109,000	233,335	43,690	388,279
2025-2029	-	109,000	233,335	43,690	386,025
2030-2034	-	87,200	93,334	43,690	224,224
2034-2039	-	-	-	17,476	17,476
TOTALS	$ 137,489	$ 414,200	$653,338	$174,760	$1,379,787

As of December 31, 2013, the Port of Clarkston is holding cash and investments of $252,886 and $1,228,000**,** respectively, which is sufficient to cover all debt recognized through 12/31/2013 plus additional debt under the CERB loan to be incurred during construction of the business park.

NOTE 5 – CONSTRUCTION IN PROGRESS:

None. Design and permitting occurred in 2013 on "Turning Pointe," the Port's Business Park, with bids received and the project awarded, but construction had not yet begun by year end. The sidewalk construction telecommunications fiber build projects were completed in 2013.

NOTE 6 – PENSION PLANS

Substantially all Port of Clarkston's full time and qualifying part-time employees participate in Plan 2 or 3 of the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to the address below or it may be downloaded from the DRS website at www.drs.wa.gov:

Department of Retirement Systems
Communications Unit
P. O. Box 48380, Olympia WA 98504-8380

Public Employees' Retirement System (PERS) Plans 2 and 3 Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; employees of district and municipal courts; and employees of local governments. Approximately 50 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plan 1 is not effective for any current employees; Plan 2 is a defined benefit plan; and Plan 3 is a defined benefit plan with a defined contribution component. PERS members who joined on or after October 1, 1977 and by August 31, 2002 (for local government employees) are Plan 2 members unless they exercise an option to transfer their membership to Plan 3.

PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3**.** Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members (of which there are none at the Port). Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefits portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution of benefits for Plan 3 members. Although members can

NOTE 6 – PENSION PLANS (CONTINUED):

only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 2 defined benefits plans accrue interest at a rate specified by the Director of DRS. During DRS's Fiscal Year 2012, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit: and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65. PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. The surviving spouse or eligible child(ren) of a PERS Plan 2 member who dies after having earned ten years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution range from 5 percent to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3. PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contribution. Any expenses incurred in conjunction with self-directed investments are paid by the member. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For DRS' fiscal year 2012, PERS Plan 3 employee contributions were $95.2 million, and plan refunds paid out were $66.2 million. The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

NOTE 6 – PENSION PLANS (CONTINUED):

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003.

Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits: If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65. If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules. PERS Plan 3 benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. PERS Plan 2 and Plan 3 members who become totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible child(ren), may request interruptive military service credit. PERS Plan 2 and Plan 3 members can purchase up to 24 months of service credit lost because of an on-the-job injury. PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit. Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries. A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,184 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and beneficiaries receiving benefits	79,363
Terminated Plan Members entitled to but not yet receiving benefits	29,925
Active Plan Members Vested	105,578
Active Plan Members Non-vested	46,839
Total	261,705

NOTE 6 – PENSION PLANS (CONTINUED):

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age. The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013 are as follows:

Plan Name	No. of Employees	% of Contribution	Employee contribution
Plan 2	4 Employees	9.21%	4.92%
Plan 3	1 Employee	9.21%	Employee defined 5-15%

The employer rates include the employer administrative expense fee currently set at 0.16%.

Both the Port of Clarkston and the employees made the required contributions. The Port of Clarkston's required contributions for the years ended December 31, were as follows:

	2013	2012
PERS PLAN 2	12,176	10,294
PERS PLAN 3	5,990	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.

Issues related to navigation channel continue to be sensitive, and the Port continues to participate within IPNG, having increased support to that entity in 2013.

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 Inter-local Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2013, there are 486 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, and 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.

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.

See http://www.enduris.us/upload/File/wa_auditor_Financial_Statements_061713.pdf for Enduris’ most recent financial statement.

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 2013 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 2013. 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."

NOTE 11 – GRANTS:

In 2013, the Port expensed funds relating to private, state, and federal grants in the amount of $428,658. The Port received reimbursements in the amount of $428,658.

CERB Boat Builders Export Grant **(S11-97103-002):** This state grant was awarded in September 2010 by the Washington Department of Commerce's Community Economic Revitalization Board (CERB) was wrapped up in 2013 with a final expenditure of CERB resources in the amount of $59,098.

Boat Builders--Creating Shared Export Assistance Resources **(12-035-575274410):** Using some CERB resources under the boat builders export grant ($13,000), we leveraged a USDA Rural Business Enterprise Grant through Idaho, to do feasibility analysis for a resource center to support CE Mark certification. The Center for Marine Excellence also contributed $3,000 to this project. As of December 31, 2013, only the match from CERB on this USDA award had been expended.

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. In 2013, the project was constructed and the award was concluded. The final $28,454 of this award was expended in 2013.

Strategic Reserve Funds **(SRF12-00012-127):** This project continued from 2012 and was completed in June 2013. The Port assisted Renaissance Marine Group (RMG) in a request to tap the Governor of the State of Washington's Strategic Reserve Funds. The Port agreed to be a conduit for this award. The amount of $107,395 was expended in 2013.

FEMA – Homeland Security Grant 2011 **(**# 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. Matching funds were not required. The project is still in process. Federally reimbursable expenditures for 2013 were $2,259.

NOTE 11 – GRANTS (CONTINUED):

This award is a pass-through from primary awardee Merchants Exchange, Columbia-Willamette-Snake River Port Security Grant program.

FEMA – Homeland Security Grant 2013 (# EMW-2013-PU-00208-S01**):** The Port applied for a direct award of port security resources in 2013 and has received notice it would be awarded a federal grant to enhance its security system in the amount of $138,882. Matching funds of $46,294 were allocated from the Port's general fund for this project. The project was in the design stages on December 31, 2013. No federal funds had yet been expended. This project was later leveraged, tapping CERB loan and grant funds in the amount of $130,000 and $45,000 respectively. These funds were also not expended in 2013.

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 was completed in Spring 2013. The Port received reimbursements in the amount of $184,072 in 2013 under this award.

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. While a small portion of the work was done in 2012, the bulk was competed in 2013, with the final report released mid-year. Expended in 2013 was $44,039 of federal pass-through resources. This study provided a basis for the CERB award of Phase II construction funding.

NOTE 12 – CONSTRUCTION IN PROGRESS

Turning Pointe Business Park: As stated in Note 4 above, design had progressed on this project to such a degree that design was complete and the bid had been awarded. No dirt moving occurred in 2013, however.

Improvements to Granite Lake Park: As stated in Note 4, Avista Utilities was paid in 2013 to bury power lines within Granite Lake Park. That work was begun in 2013, but was not complete at the end of the year.

NOTE 13 -- BAD DEBTS:

No new bad debts were recognized in 2013.

NOTE 14 – SUBSEQUENT EVENTS:

Dredging planned for the fish window beginning December 2013 under a cost share agreement with the U.S. Army Corps of Engineers (Corps) did not get off the ground in 2013. The Port has prepared for this by budgeting an appropriate amount in 2014. Work is dependent upon completion of the Corps' Programmatic Sediment Management Plan and Draft Environmental Impact Statement (PSMP/EIS) for managing sediment on the Snake and Columbia River system.

SUPPLEMENTARY SCHEDULES