

PORT OF LEWISTON

FINANCIAL STATEMENTS

Years Ended June 30, 2014 and 2013

PORT OF LEWISTON

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Independent Auditor's Report

Port Commissioners
Port of Lewiston
Lewiston, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Port of Lewiston as of June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, as listed in the table of contents

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Port of Lewiston as of June 30, 2014 and 2013, and the respective changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Port of Lewiston's 2013 financial statements, and our report dated November 5, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-8 and 19 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port of Lewiston's basic financial statements. The details of expenses, and details of capital assets are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 06, 2014, on our consideration of the Port of Lewiston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port of Lewiston's internal control over financial reporting and compliance.

Presnell Gage, PLLC

October 06, 2014

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, 2014.

Overview of the Financial Statements

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

Condensed Financial Position Information

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

The following condensed financial information provides an overview of the Port's financial position for the fiscal years ended June 30, 2014 and 2013:

	<u>Net Position</u>	
	<u>2014</u>	<u>2013</u>
ASSETS		
Total current assets	\$ 4,815,809	\$ 4,721,220
Capital assets	19,903,792	17,755,477
Noncurrent assets	<u>15,000</u>	<u>15,000</u>
Total assets	<u>24,734,601</u>	<u>22,491,697</u>
LIABILITIES AND NET POSITION		
Total current liabilities	156,488	191,569
Total noncurrent liabilities	<u>528,312</u>	<u>404,067</u>
Total liabilities	<u>684,800</u>	<u>595,636</u>
TOTAL NET POSITION	<u>\$ 24,049,801</u>	<u>\$ 21,896,061</u>

The Port's net position increased \$2,153,740 (+10.4 percent) between fiscal years 2013 and 2014. This increase is primarily due to the gain on sale of property and grants revenue received for capital expansion (\$429,786 and 1,620,781, respectively). Total assets increased \$2,242,904 (+10.0 percent), while total liabilities increased \$89,164 (+15.0 percent). The Port achieved significant growth in total assets while striving to minimize debt.

The Port had a \$445,497 operating loss during fiscal year 2014. The operating loss is principally due to decreased container yard revenue (-\$154,533) and increased non-capitalized property development expenses (+\$163,016) and depreciation expenses (+\$57,288) from fiscal 2013.

Summary of Operations and Changes in Net Position

The statements of revenues, expenses, and changes in net position show how the Port's net position 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 2014 and 2013 change in net position:

	<u>2014</u>	<u>2013</u>
Revenues	\$ 3,920,900	\$ 2,730,080
Expenses	<u>1,767,160</u>	<u>1,529,691</u>
Change in net position	2,153,740	1,200,389
Net position, beginning	<u>21,896,061</u>	<u>20,695,672</u>
Net position, ending	<u>\$24,049,801</u>	<u>\$21,896,061</u>

The Port of Lewiston's operating revenue (see page 10) reflected a decrease of \$122,639 (-8.7 percent) from \$1,410,814 to \$1,288,175 in 2014. This decrease in operating revenue is primarily attributed to Terminal I (container yard) operations revenue declining 26 percent from \$590,260 to \$435,727 while container yard operating expenses decreased 11.5 percent. Total Port operating expenses were up 15.7 percent or \$230,423 largely due to increases in property development expenses and depreciation expense.

Other major revenue sources include Terminal II (warehouse) management operations revenue and building and property rental income. In 2014, Terminal II revenue rose 13.4 percent to \$304,500 and rental income decreased \$6,371 from \$492,127 to \$485,756. For 2015, 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 2014 compared to the fiscal year 2014 budget, see "Budgetary Comparison Schedule" on page 19. The fiscal year 2014 Budgetary Comparison Schedule was a \$84,770 gain in net position.

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 2014, the Port invested \$3,595,529 (\$2,827,012 capitalized and \$768,517 non-capitalized expense) in the Land Acquisition and Development (LA&D) Budget. This is compared to \$602,399 invested in 2013. Major capital projects in fiscal year 2014 included: 150-foot dock extension, and completing the re-roofing of the Seaport Business Center. Major non-capitalized projects in 2014 included: the Harry Wall Master Plan, the Northport Transportation Study, and prepaying the U.S. Army Corps of Engineers for planned dredging costs.

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.

PORT OF LEWISTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Debt

Outstanding indebtedness includes the following:

- Rural Economic Development and Integrated Transportation (REDIFIT) loan program with the Idaho Department of Agriculture - \$545,641

In FY-14, the Port Commission retired early a Parity Lien Port Improvement Revenue Bond in the amount of \$466,296. The purpose of the bond was for the installation of a fire suppression system for Terminal II.

Economic Factors

After years of planning, the Port completed the construction on a 150-foot dock extension in December of 2013. The extension now provides 275-foot of dock frontage. The dock extension will improve the productivity, efficiency, and safety of port barge operations. The extension will also open opportunities for the Port to pursue the throughput of diversified break bulk cargos. The Port intends to aggressively market the advantages of utilizing the Columbia/Snake River System for the transport of cargo into the interior of the United States and Canada.

Steamship line service at the Port of Portland stabilized in 2014 when Hanjin Shipping Lines announced its intention to continue service at the Port of Portland. The Port of Portland continues to recruit new steamship line service.

Management/labor relations at the Port of Portland have negatively impacted container yard operations/revenues at the Port of Lewiston. Due to poor productivity at the Port of Portland, container on barge customers have been wary of their containers being loaded on steamships at Terminal 6 (Port of Portland's container yard terminal). To avoid the risk of not having export containers loaded at Terminal 6, Columbia/Snake container on barge customers are shipping a higher percentage of their containers out of Puget Sound Ports.

The west coast International Longshore and Warehouse Union (ILWU) has been working without a contract since July 2014. It is doubtful that productivity rates at Terminal 6 will improve significantly until this labor contract is settled. The Port of Lewiston is optimistic that when the contract is settled, productivity rates at Terminal 6 will increase and exporters will have increased confidence in container on barge. Given the issues at Terminal 6, container on barge shipments is expected to remain flat in 2015.

The Great Northwest Railroad and the Port of Lewiston are pursuing increased container on rail opportunities with the Union Pacific and the Burlington Northern Santa Fe railroads.

The Port of Lewiston is working in cooperation with the Port of Whitman County to extend dark fiber optic cable within the City of Lewiston and surrounding areas. Dark fiber development involves the installation of conduit and the fiber optic cable in a phased development plan. The fiber optic strands are then leased to internet service providers that "light" the cable. The Port completed a feasibility study in 2012 describing the proposed development plan. In the coming year, the Port plans to explore the phased development of the fiber optic network.

PORT OF LEWISTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors (Continued)

All Port owned buildings available for lease are occupied and are expected to remain so in the coming year. Over the past six months, there are increased inquiries from businesses interested in locating in the Port's Business and Technology Park and the Harry Wall Industrial Park.

The U.S. Army Corps of Engineers (COE) plans to issue a Record of Decision for the Programmatic Sediment Management Plan in October 2014. The plan will recommend dredging of specific areas within the Lower Granite Pool to maintain the 14-foot authorized navigation channel. It is anticipated that environmental groups will litigate the COE's Record of Decision.

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.

PORT OF LEWISTON

STATEMENTS OF NET POSITION

June 30, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,552,985	\$ 4,447,535
Taxes receivable	197,482	197,622
Accounts receivable	62,319	73,056
Workers Compensation deposit and other assets	3,023	3,007
Total current assets	4,815,809	4,721,220
 CAPITAL ASSETS, at cost less accumulated		
depreciation of \$9,439,286 (\$9,069,032 in 2013)	19,903,792	17,755,477
 NONCURRENT ASSETS		
Rental deposits	15,000	15,000
Total noncurrent assets	15,000	15,000
Total assets	24,734,601	22,491,697
 LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	24,096	44,563
Accrued expenses	57,370	49,098
Accrued interest payable	2,843	1,951
Deferred outflows	22,204	1,134
Bonds payable, current portion	49,975	94,823
Total current liabilities	156,488	191,569
 NONCURRENT LIABILITIES		
Rental deposits	32,646	32,594
Bonds payable, less current portion	495,666	371,473
Total noncurrent liabilities	528,312	404,067
Total liabilities	684,800	595,636
 NET POSITION		
Invested in capital assets, net of related debt	19,358,151	17,289,181
Unrestricted	4,691,650	4,606,880
 TOTAL NET POSITION	 \$ 24,049,801	 \$ 21,896,061

See accompanying notes

PORT OF LEWISTON

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Rent	\$ 485,756	\$ 492,127
Terminal I - Dock	435,727	590,260
Terminal II - Warehouse	304,500	268,538
In lieu tax	62,192	59,889
	<u>1,288,175</u>	<u>1,410,814</u>
OPERATING EXPENSES		
Administration	280,955	290,115
Port commission	41,730	32,505
Terminal I - Dock	466,083	526,547
Terminal II - Warehouse	28,970	10,309
Legal services	34,950	11,251
Accounting services	18,078	19,100
Port promotion	26,553	26,675
Port promotion - economic development	42,500	35,000
General insurance	17,871	22,791
Facilities maintenance	66,054	52,254
Property acquisition/development expense	211,248	48,232
Utilities	23,492	12,873
In lieu tax	62,192	59,889
Depreciation	412,996	355,708
	<u>1,733,672</u>	<u>1,503,249</u>
OPERATING LOSS	<u>(445,497)</u>	<u>(92,435)</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	465,578	465,135
Sales tax	105,510	103,464
Grant revenue		
TIGER grant	1,299,757	
State of Idaho RCBG	321,024	
Interest income	11,070	10,684
Gain on disposition of property	429,786	739,983
Interest expense	(33,488)	(26,442)
	<u>2,599,237</u>	<u>1,292,824</u>
CHANGE IN NET POSITION	2,153,740	1,200,389
NET POSITION AT BEGINNING OF YEAR	<u>21,896,061</u>	<u>20,695,672</u>
NET POSITION AT END OF YEAR	<u>\$ 24,049,801</u>	<u>\$ 21,896,061</u>

See accompanying notes

PORT OF LEWISTON

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,298,896	\$ 1,439,613
Cash paid to suppliers and employees	<u>(1,311,749)</u>	<u>(1,144,638)</u>
Net cash provided (used) by operating activities	<u>(12,853)</u>	<u>294,975</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	465,718	469,573
Sales tax	105,510	103,464
Net cash provided by noncapital financing activities	<u>571,228</u>	<u>573,037</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Bond/loan interest payments	(32,596)	(26,819)
Bond/loan principal payments	(517,781)	(90,236)
Loan proceeds	597,126	
Grant proceeds	1,620,781	
Acquisition of capital assets	(2,827,012)	(527,716)
Proceeds from sale of land	695,487	1,060,271
Net cash provided (used) by capital financing activities	<u>(463,995)</u>	<u>415,500</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	11,070	10,684
Net cash provided by investing activities	<u>11,070</u>	<u>10,684</u>
Net change in cash	105,450	1,294,196
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,447,535</u>	<u>3,153,339</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,552,985</u>	<u>\$ 4,447,535</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 32,596</u>	<u>\$ 26,819</u>

See accompanying notes

PORT OF LEWISTON

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (445,497)	\$ (92,435)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	412,996	355,708
Changes in assets:		
Receivables	10,737	28,799
Other assets	(16)	(14,000)
Changes in liabilities:		
Accounts payable	(20,467)	8,399
Accrued liabilities	8,272	(2,017)
Deferred revenue	21,070	(4,501)
Rental deposits	52	15,022
	<hr/>	<hr/>
Net cash provided (used) by operating activities	<u>\$ (12,853)</u>	<u>\$ 294,975</u>

See accompanying notes

PORT OF LEWISTON

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

PORT OF LEWISTON

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued).

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

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

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

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

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

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

Reclassification. Certain amounts in the 2013 financial statements have been reclassified to conform with the 2014 presentation with no effect on previously reported net position.

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NOTES TO FINANCIAL STATEMENTS

2. BANK DEPOSITS

At June 30, 2014, the carrying amount of the Port's deposits was \$4,552,985 and the bank balance was \$4,553,473. Of the bank balance, \$1,468,347 was covered by federal depository insurance. The remaining bank balance of \$3,085,126 was neither insured nor collateralized.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will reduce the value of the Port's investments. The Port does not have a policy regarding interest rate risk.

Custodial Risk. Custodial risk is the risk that, in the event of the failure of the investment custodian, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of the custodian. The Port does not have a policy regarding custodial risk.

Concentration of Credit Risk. The Port has no policy on the amount they may invest in any one issuer.

3. PROPERTY TAXES

In 2012, the Port certified a tax levy for the fiscal year beginning July 1, 2013, and ending June 30, 2014, totaling \$450,000. Property taxes are levied in November and payable to Nez Perce County, Idaho, on December 20 and June 20 following the levy date and are remitted to the Port in the month following collection by the County. A lien is filed on property three years from the date of delinquency.

4. ACCOUNTS RECEIVABLE, LAND IMPROVEMENTS, AND DEFERRED REVENUE

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

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

PORT OF LEWISTON

NOTES TO FINANCIAL STATEMENTS

6. PARITY LIEN PORT IMPROVEMENT REVENUE BOND PAYABLE

The Port issued a Parity Lien Port Improvement Revenue Bond, Series 2011, in the amount of \$600,000, for the purpose of the construction and installation of fire suppression facilities. During the current year, the bond was paid with the final principal payment of \$466,296.

7. LONG-TERM DEBT

The Port of Lewiston approved an agreement for a Rural Economic Development and Integrated Transportation (REDIFIT) loan program with the Idaho Department of Agriculture, in the amount of \$600,000, for the Port's share of the dock expansion project. The Port of Lewiston made drawdowns related to this loan in the amount of \$597,126. This loan requires annual principal and interest payments of \$73,620.22, including interest at 4 percent, for a repayment period of 10 years.

Fiscal Year <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 49,975	\$ 23,645	\$ 73,620
2016	53,794	19,826	73,620
2017	55,945	17,675	73,620
2018	58,183	15,437	73,620
2019	60,510	13,110	73,620
2020-2023	<u>267,234</u>	<u>27,247</u>	<u>294,481</u>
	<u>\$ 545,641</u>	<u>\$ 116,940</u>	<u>\$ 662,581</u>

A summary of changes in long-term debt at June 30, 2014, is as follows:

	<u>Balance 6/30/13</u>	<u>Additions</u>	<u>Principal Repayment</u>	<u>Balance 6/30/14</u>
Parity Lien Port Improvement revenue bond payable	\$ 466,296		\$ 466,296	\$ 0
REDIFit loan program	<u>466,296</u>	<u>\$ 597,126</u>	<u>51,485</u>	<u>545,641</u>
	<u>\$ 466,296</u>	<u>\$ 597,126</u>	<u>\$ 517,781</u>	<u>545,641</u>
Less current portion of long-term debt				<u>49,975</u>
Amount due after one year				<u>\$ 495,666</u>

PORT OF LEWISTON

NOTES TO FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN

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

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

For the year ended June 30, 2014, the required contribution rates, as determined by PERSI, were 11.24 percent (10.39 percent in 2013 and 10.39 percent in 2012) for the Port of Lewiston and 6.78 percent (6.23 percent in 2013 and 6.23 percent in 2012) for employees. The Port of Lewiston's contributions required and paid were \$46,401, \$42,123, and \$39,039 for the three years ended June 30, 2014, 2013, and 2012, respectively.

9. MANAGEMENT AGREEMENT

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

10. RISK MANAGEMENT

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

11. LEASE COMMITMENTS

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

June 30, 2015	\$ 128,400
June 30, 2016	42,079
June 30, 2017	42,079
June 30, 2018	42,079
June 30, 2019	42,079
Thereafter	86,645
	<u>\$ 383,361</u>

12. SUBSEQUENT EVENT

Management has evaluated subsequent events through October 06, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PORT OF LEWISTON

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	Budgetary Basis	With Final Budget
REVENUES				
Tax levy	\$ 450,000	\$ 460,000	\$ 465,578	\$ 5,578
Sales tax	105,000	105,000	105,510	510
Lieu tax	63,508	63,508	62,192	(1,316)
Terminal revenue	882,000	731,000	740,227	9,227
Rentals	484,737	489,000	485,756	(3,244)
Other income				
State & federal grant revenue	1,627,000	1,627,000	1,620,781	(6,219)
Miscellaneous	6,500	11,000	11,070	70
Prior revenue carryover	492,108	0		
State REDIFIT loan	600,000	598,000	597,126	(874)
Sale of land		695,487	695,487	
Total revenues	<u>4,710,853</u>	<u>4,779,995</u>	<u>4,783,727</u>	<u>3,732</u>
EXPENDITURES				
General operations				
Port commission				
Per diem	11,000	13,000	13,983	(983)
Fringe benefits	1,143	1,600	1,589	11
Travel	9,300	10,000	8,305	1,695
Other expense	20,900	19,000	17,853	1,147
Port administration				
Salaries	166,100	170,000	175,514	(5,514)
Fringe benefits	66,000	62,000	61,949	51
Travel	8,900	9,500	6,912	2,588
Other expense	27,150	24,500	29,576	(5,076)
Equipment	1,000	1,300	1,504	(204)
Navigation issues	25,000	22,000	5,500	16,500
Legal services	9,000	35,000	34,950	50
Accounting and auditing	19,500	18,100	18,078	22
General promotion	29,100	27,000	26,553	447
Valley Vision	35,000	42,500	42,500	
General insurance	21,000	19,000	17,871	1,129
Facilities maintenance	69,000	80,000	66,054	13,946
Utilities	21,000	19,000	23,492	(4,492)
Lieu tax	63,508	63,508	62,192	1,316
Terminal operations	3,652,156	499,000	495,053	3,947
Land acquisition/development	455,096	3,643,987	3,589,529	54,458
Total expenditures	<u>4,710,853</u>	<u>4,779,995</u>	<u>4,698,957</u>	<u>81,038</u>
CHANGE IN NET POSITION	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 84,770</u>	<u>\$ 84,770</u>

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

Change in net position, GAAP basis	\$ 2,153,740
REDIFIT loan proceeds	597,126
Recognized gain on sale of assets	(429,786)
Depreciation and amortization expense	412,996
Cash procedures from sale of property	695,487
Debt principal payments	(517,781)
Property acquisitions	<u>(2,827,012)</u>
Change in net position, budget basis	<u>\$ 84,770</u>

SUPPLEMENTARY INFORMATION



Independent Auditor's Report – Government Auditing Standards

Port Commissioners
Port of Lewiston
Lewiston, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Port of Lewiston as of June 30, 2014, and the related notes to the financial statements, which collectively comprise the Port of Lewiston's basic financial statements, and have issued our report thereon dated October 06, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (Finding #14-01).

Compliance and Other Matters

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

The Port of Lewiston's Response to Findings

The Port of Lewiston's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Port of Lewiston's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Presnell Gage, PLLC". The signature is written in a cursive, flowing style.

October 06, 2014



Independent Auditor's Report - Single Audit Act

Port Commissioners
Port of Lewiston
Moscow, Idaho

Report on Compliance for Each Major Federal Program

We have audited the Port of Lewiston's compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of the Port of Lewiston's major federal programs for the year ended June 30, 2014. The Port of Lewiston's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Port of Lewiston's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port of Lewiston's, compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Port of Lewiston's, compliance.

Opinion on Each Major Federal Program

In our opinion, the Port of Lewiston complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Port of Lewiston, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Port of Lewiston's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port of Lewiston's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Presnell Gage, PLLC

October 06, 2014

PORT OF LEWISTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
* Material weakness(es) identified _____ yes X no

* Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes _____ none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:
* Material weakness(es) identified _____ yes X no

* Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of federal program or cluster</u>
20.932	Transportation Investment Generating Economic Recovery (TIGER)

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes X no

PORT OF LEWISTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Section II – Financial Statement Findings

Finding #14-01

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

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

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

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

Recommendation: We concur with the Port’s response.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

PORT OF LEWISTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

	<u>Federal CFDA Number</u>	<u>Expenditures</u>
DEPARTMENT OF TRANSPORTATION		
Transportation Investment Generating Economic Recovery (TIGER) - ARRA	20.932	* <u>\$ 1,299,757</u>

* Major program

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant awards of the Port of Lewiston, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the presentation of the basic financial statements.

PORT OF LEWISTON

DETAILS OF EXPENSES
Years Ended June 30, 2014 and 2013

	<u>2014</u>		
	Port		
	<u>Administration</u>	<u>Commission</u>	<u>Terminals</u>
Salaries	\$ 175,514	\$ 13,983	\$ 201,217
Fringe benefits and payroll taxes	61,949	1,589	94,430
Travel	6,912	8,305	
Other	29,576	17,853	27,813
Navigational issues	5,500		
Equipment repairs and maintenance	1,504		95,829
Facilities maintenance			6,557
Insurance			29,697
Utilities			10,507
Office expenses			29,003
	<u>\$ 280,955</u>	<u>\$ 41,730</u>	<u>\$ 495,053</u>

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

PORT OF LEWISTON

DETAILS OF CAPITAL ASSETS

June 30, 2014

LAND AND IMPROVEMENTS

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

PORT OF LEWISTON

DETAILS OF CAPITAL ASSETS

June 30, 2014

LAND AND IMPROVEMENTS (CONTINUED)	
Balance forward	\$ 4,222,494
Weaskus Addition to Lewiston, Idaho	
Parcel: Lots 4, 5, 6, 7, 8, and 9, Block 2, and Lots 3, 4, 5, 6, 7, 8, 9, and 10, Block 3	
Parcel: Lots 1, 2, 11, and 12, Block 3 and the vacated alley lying adjacent to all lots in Parcel 1 and 2 above and that portion of vacated 16th Street North lying adjacent to Lots 6 and 7 in Block 2 and Lots 1 and 12 in Block 3	945,285
Industrial park development containing approximately 115 acres in Section 30, Township 36 North, Range 5 WBM	614,081
Industrial Development District containing approximately Wright Property	150,000
Zelma Smith property	60,153
Business Technology Park	1,637,588
Twin City Foods Property - Parcel 1 and 2	244,468
Twin City Foods Property - Parcel 3	121,660
Twin City Foods Property - Parcel 4	115,809
Easements	29,589
Relocation	18,000
General land costs, principally engineering	486,382
Site development costs	6,951,240
	<u>15,596,749</u>
Accumulated depreciation	<u>2,318,374</u>
	<u>13,278,375</u>
 PORT FACILITIES	
Dock facilities	6,752,036
Warehouse	4,075,636
Truck area	10,756
Equipment	259,286
	<u>11,097,714</u>
Accumulated depreciation	<u>4,540,384</u>
	<u>6,557,330</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	
	300,272
Accumulated depreciation	232,185
	<u>68,087</u>
 FURNITURE AND FIXTURES	
	7,168
Accumulated depreciation	7,168
	<u>0</u>
 VEHICLE	
	31,403
Accumulated depreciation	31,403
	<u>0</u>
	<u>\$ 19,903,792</u>