PORT OF KLICKITAT

Bingen, Washington
and
Dallesport, Washington

FINANCIAL STATEMENTS

December 31, 2012

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Annual Report Disclosure Form

MCAG No. 1741

Port of Klickitat

Please check if the statements/schedules are attached. If Schedule 22 is not applicable mark the spot NA (*not applicable*). An unmarked spot will indicate that a schedule is not attached due to lack of activities described in this schedule in reported year.

Certification	X
Financial Statements (including notes)	X
Schedule 01, *Revenues and Expenses*	X
Schedule 09, *Liabilities*	X
Schedule 10, *Limitation of Indebtedness*	X
Schedule 16, *Expenditures of Federal Awards and State Financial Assistance*	X
Schedule 19, *Labor Relations Consultants*	X
Schedule 21, *Risk Management*	X
Schedule 22, *Annual Questionnaire for Accountability Audit*[1]	N/A

[1] Only port districts with annual revenue usually less than $300,000 are required to prepare this schedule.

ANNUAL REPORT CERTIFICATION

Port of Klickitat
(Official Name of Government)

1741
MCAG No.

Submitted pursuant to RCW 43.09.230 to the Washington State Auditor's Office

For the Fiscal Year Ended December 31, 2012

GOVERNMENT INFORMATION:

Official Mailing Address 154 E. Bingen Point Way, Suite A, Bingen, WA 98605

Official Website Address www.portofklickitat.com

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Official Phone Number (509) 493-1655

PREPARER INFORMATION and CERTIFICATION:

Preparer Name and Title Margie Ziegler, Port Auditor

Contact Phone Number (509) 493-1655

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I do hereby certify 24th day of May, 2013, that 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.

Preparer Signature: Margie Ziegler

PORT OF KLICKITAT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2012

Introduction

This discussion and analysis of the Port of Klickitat's financial performance provides an overview of the Port's financial activities for the year ended December 31, 2012. It is designed to assist the reader in focusing on the significant financial issues and activities of the Port and to identify any significant changes in financial position. Please read it in conjunction with the Port's financial statements and notes to the financial statements.

Discussion of the Basic Financial Statements

Financial Highlights

- Total assets of the Port exceeded its total liabilities by $14.3 million as of December 31, 2012 (reported as *total net position*). This represented an increase of $0.6 million from the Port's total net position of $13.7 million as of December 31, 2011.

- Of the $14.3 million and $13.7 million in total net position as of December 31, 2012 and 2011, respectively, $2.6 million in 2012 and $2.4 million in 2011 are "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the Port's ongoing obligations to citizens and creditors. $11.0 million and $10.2 million in 2012 and 2011, respectively, was invested in capital assets, net of related debt and $0.9 million and $1.1 million in 2012 and 2011, respectively, was invested in restricted assets. Capital assets, net of related debt is calculated by taking the total net capital assets, less all capital related debt that is attributable to the acquisition, construction, or improvement of those assets, including the general obligation bonds and loans payable. Capital assets, net of related debt was made up of $13.2 million of net capital assets less related debt of $2.2 million in 2012 and $12.6 million of net capital assets less related debt of $2.4 million in 2011, respectively.

Overview of the Financial Statements

The Port's basic financial statements include two components: 1) financial statements, and 2) notes to the financial statements. The Port is not required to reflect both a government-wide perspective financial report and a fund perspective financial report since the Port maintains a single enterprise fund which uses the same measurement focus (economic resources) and accounting framework (accrual) as would be reflected in the government-wide financial statements.

The following is a brief discussion of the financial statements found on pages 10 - 14 of this report.

- The Statement of Net Position reflects the Port's financial position at year-end. The financial position is represented by the difference between assets owned and liabilities owed at a specific point in time. The difference between the two is reflected as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Port is improving or deteriorating.

Discussion of the Basic Financial Statements, Continued

Overview of the Financial Statements, Continued

- The Statement of Revenues, Expenses and Changes in Fund Net Position reflect the change in the Port's financial position (net position) during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and unpaid liabilities owed to vendors). This statement presents net income or loss from operations as well as nonoperating revenues and expenses, capital contributions and extraordinary items.

- The Statement of Cash Flows reflects the net increases or decreases in cash from four activities: 1) *Operating activities*, with a reconciliation of cash flows from operating activities to net income or loss from operations; 2) *Non-capital financing activities;* 3) *Capital and related activities;* 4) *Investing activities.*

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15 - 44 of this report.

Financial Analysis

The largest portion of the Port's net position (76.4 percent as of December 31, 2012 as compared to 74.3 percent as of December 31, 2011) reflects its investment in capital assets (e.g. land, construction in progress, intangible assets, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets. Although the Port's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Comparative Financial Data

Net Position
(in thousands of dollars)

	2012	2011
ASSETS		
Current assets	$ 3,491	$ 3,650
Capital assets, net	13,210	12,624
Other noncurrent assets	52	64
Total assets	16,753	16,338
LIABILITIES		
Current liabilities	310	374
Long-term liabilities	2,098	2,290
Total liabilities	2,408	2,664
NET POSITION		
Net investment in capital assets	10,966	10,165
Restricted for asset acquisition	826	1,050
Unrestricted	2,553	2,459
Total net position	$ 14,345	$ 13,674

PORT OF KLICKITAT
MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED
December 31, 2012

Change in Net Position
(in thousands of dollars)

	2012	2011
OPERATING REVENUES		
Marine terminal operations	$ 60	$ 53
Water system operations	20	20
Property lease and rental operations	787	808
Total operating revenues	867	881
NONOPERATING REVENUES		
Investment income	7	5
Property taxes - general	226	224
Property taxes - IDD	484	479
Other nonoperating revenues	65	61
Total nonoperating revenues	782	769
Total revenues	1,649	1,650
OPERATING EXPENSES		
General operations	31	26
Maintenance	175	154
General and administrative	416	364
Depreciation	292	287
Total operating expenses	914	831
NONOPERATING EXPENSES		
Interest expense	60	73
Loss on disposal of assets	--	3
Other nonoperating expenses	4	2
Total nonoperating expenses	64	78
Total expenses	978	909
Income before contributions	671	741
Capital contributions	--	90
Change in net position	671	831
Net position as of January 1	13,674	12,843
Net position as of December 31	$ 14,345	$ 13,674

Overall Analysis of Financial Position and Result of Operations

2012 activities resulted in a net increase in the Port's net position of $0.6 million. There were no significant changes in the Port's activities during the year ended December 31, 2012. The Port's overall financial position has improved in 2012.

Highlights of the 2012 year that impacted the Port's financial position and the results of operations include the following activities:

The Port started the BP Infrastructure Improvement Project that will level 7.5 acres and bring roads and utilities to 5 acres.

The Port started interior improvements to the 1211 Bingen Point Way Building.

The tenant in the 101 Parallel building located at the Dallesport Industrial Park vacated in 2012.

The Port entered into a lease option with Lex Bingen for future development of 8.06 acres on Bingen Point Business Park Lot 23 and Lot 24.

Development on Bingen Point Business Park Lot 14 was completed in January 2013 and the rent abatement for construction expired.

Capital Asset and Long-Term Debt Activity

Capital Assets

The Port's investment in capital assets as of December 31, 2012 and 2011 was $13.2 million and $12.6 million, respectively, (net of accumulated depreciation of $2.8 million and $2.5 million, respectively). This investment in capital assets includes land, construction in progress, intangible assets, buildings, machinery, equipment and infrastructure.

The Port invested approximately $899,000 and $520,000 in capital assets and preliminary studies (combined) during the years ended December 31, 2012 and 2011, respectively. The Port's remaining capital commitments were approximately $206,176 and $243,000 as of December 31, 2012 and 2011, respectively.

Additional information on the Port's capital assets can be found in Note 4 to the financial statements.

Capital Assets
(in thousands of dollars)

	2012	2011
Land	$ 2,867	$ 2,867
Construction in progress	739	115
Intangible assets	220	185
Buildings	8,595	8,531
Other improvements	2,915	2,759
Docks and marina ramps	598	598
Trucks and vehicles	24	24
Machinery and equipment	56	56
Furniture and fixtures	2	2
Office equipment	6	6
Total capital assets before accumulated depreciation	16,022	15,143
Less accumulated depreciation	(2,812)	(2,519)
Total capital assets, net	$ 13,210	$ 12,624

Capital Asset and Long-Term Debt Activity, Continued

Long-Term Debt Activity

At December 31, 2012, the Port had outstanding general obligation bond debt of $0.6 million. The Port had no revenue bonds outstanding at any time during the year ended December 31, 2012. The Port had other long-term debt outstanding of $1.4 million at December 31, 2012. In 2012, the Port's long-term debt decreased by $0.3 million, from $2.3 million to $2.0 million. There was an increase of $10,249 in the Port's Other Post Employment Benefits liability accrual in accordance with GASB 45 and a decrease of $5,685 in the classification of the long-term portions of compensated absences.

Additional information on the Port's long-term debt activity can be found in Note 10 to the financial statements.

Other Potentially Significant Matters

All known facts, decisions and conditions that are expected to have a significant effect on the Port's financial position have been addressed in these financial statements.

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Port's finances and to show the Port's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Port of Klickitat, Port Auditor, 154 E. Bingen Point Way, Suite A, Bingen, Washington 98605, or by phone at (509) 493-1655.

PORT OF KLICKITAT
STATEMENT OF NET POSITION
December 31, 2012

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 110,655
Investments	2,458,898
Restricted assets	
Cash and cash equivalents	4,613
Investments	813,444
Interest receivable	152
Taxes receivable	61,853
Accounts receivable, net	20,126
Interest receivable	502
Due from other governments	--
Other receivables	--
Prepaid expenses	20,650
Total current assets	3,490,893
NONCURRENT ASSETS	
Restricted assets	
Investments	7,500
Capital assets not being depreciated	
Land	2,866,736
Construction in progress	738,734
Intangible assets	220,276
Capital assets being depreciated	
Property, plant and equipment	12,196,241
Less accumulated depreciation	(2,811,731)
Other noncurrent assets	
Deferred charges, net	44,895
Total noncurrent assets	13,262,651
Total assets	16,753,545

PORT OF KLICKITAT
STATEMENT OF NET POSITION
December 31, 2012

LIABILITIES

CURRENT LIABILITIES	
Accounts payable	8,251
Accrued employee benefits	10,556
Accrued wages	10,004
Accrued compensated absences	--
Leasehold taxes payable	18,759
Sales tax payable	4,506
Other payable	982
Accrued interest payable	18,713
Contracts payable	2,360
Retainage payable	--
Current portion of long-term obligations	197,321
Customer deposits and prepayments	38,476
Total current liabilities	309,928
NONCURRENT LIABILITIES	
General obligation bonds, net	610,843
Employee leave benefits	17,202
Other post-employment benefits	36,339
Other noncurrent liabilities	1,433,964
Total noncurrent liabilities	2,098,348
Total liabilities	2,408,276
NET POSITION	
Net investment in capital assets	10,965,768
Restricted for:	
Industrial Development District	636,121
Sales tax deferral	91,530
Security deposit	38,476
Water system reserve	52,082
Other	7,500
Unrestricted	2,553,791
TOTAL NET POSITION	$ 14,345,268

The accompanying notes are an integral part of these financial statements.

PORT OF KLICKITAT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the year ended December 31, 2012

OPERATING REVENUES	
Marine terminal operations	$ 60,320
Water system operations	20,000
Property lease and rental operations	787,147
Total operating revenues	867,467
OPERATING EXPENSES	
General operations	30,828
Maintenance	174,522
General and administrative	416,428
Depreciation	292,416
Total operating expenses	914,194
Operating income (loss)	(46,727)
NONOPERATING REVENUES (EXPENSES)	
Investment income	6,532
Taxes levied for:	
General purposes	225,865
Industrial development district	484,172
Miscellaneous taxes	65,475
Loss on disposition of assets	(0)
Interest expense	(59,832)
Election expense	(1,872)
Other nonoperating revenues (expenses)	(2,217)
Total nonoperating revenues (expenses)	718,123
Income before contributions	671,396
Capital contributions	--
Increase in net position	671,396
Net position as of January 1	13,673,873
Net position as of December 31	$ 14,345,268

The accompanying notes are an integral part of these financial statements.

PORT OF KLICKITAT
STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and others	$	879,741
Cash payments to suppliers for goods and services		(429,083)
Cash payments to employees and on their behalf		(230,213)
Net cash provided by operating activities		220,445
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes received		713,116
Other tax receipts		65,475
Other nonoperating revenues		(4,090)
Net cash provided by noncapital financing activities		774,501
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions		350,000
Purchase and construction of capital assets		(891,834)
Principal paid on capital debt		(188,054)
Interest paid on capital debt		(63,603)
Other receipts		--
Net cash used by capital and related financing activities		(793,491)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments		(153,438)
Interest received		6,206
Net cash used by investing activities		(147,232)
Net increase in cash and cash equivalents		54,223
Cash and cash equivalents as of January 1		61,044
Cash and cash equivalents as of December 31	$	115,267

The accompanying notes are an integral part of these financial statements.

PORT OF KLICKITAT
STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Income from operations	$ (46,727)
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation	292,416
(Increase) decrease in:	
Accounts receivable	2,058
Other current assets	9,824
Increase (decrease) in:	
Accounts payable	(30,703)
Other current liabilities	(10,987)
Other long-term liabilities	4,564
Total adjustments	267,172
Net cash provided by operating activities	$ 220,445

Supplemental disclosure of non-cash transactions:
The Port did not have any non-cash financing, capital or investing activities for the year ended December 31, 2012.

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Port of Klickitat was created in 1945 and operates under the laws of the State of Washington applicable to Port districts. The financial statements of the Port have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America, as they are applied to governments. The accounting policies of the Port conform to accounting principles generally accepted in the United States of America, as applicable to proprietary funds of governmental units, except as otherwise noted. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

In June 1999, GASB approved Statement 34, *Basic Financial Statements-and Management Discussion and Analysis - for State and Local Governments.* This and consecutive statements are reflected in the accompanying financial statements (including notes to financial statements).

Reporting Entity

The Port is located in Klickitat County, Washington and its territory covers less than the entire county. The Port is a special purpose government that provides marine terminal, marina and industrial park facilities and services to the general public and is supported by user charges, property lease revenues, ad valorem property taxes levied for operations and debt services and other miscellaneous taxes.

The Port is governed by an elected three member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Port is a primary government and does not have any component units.

Basis of Accounting and Reporting

The accounting records of the Port are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 of the Revised Code of Washington (RCW). Effective January 1, 2008, the Port uses the *Budgeting, Accounting and Reporting System for GAAP Port Districts* in the State of Washington. Prior to January 1, 2008, the Port used the *Budgeting, Accounting and Reporting System (BARS) for Cash Basis Port Districts* in the State of Washington.

Effective January 1, 2008, the Port accounts for funds on a cost of services or an economic resources measurement basis. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their Statement of Net Position. The reported fund equity (total net position) is segregated into net position invested in capital assets, net of related debt, restricted and unrestricted net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in total net position. The Port discloses changes in cash flows by a separate statement that presents their operating, noncapital financing, capital and related financing and investing activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Basis of Accounting and Reporting, Continued

Effective January 1, 2008, the Port uses the accrual framework of accounting where revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are earned. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund.

The Port distinguishes between operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Port's principal ongoing operations. The principal operating revenues of the Port are charges to customers for the use of Port facilities, including the marina, utilities and industrial property and facility rental. Operating expenses for the Port include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues include ad valorem tax levy revenues, interest income, grant reimbursements and other revenues. Nonoperating expenses include interest expense, election expense and other expenses.

Assets, Liabilities and Equities

<u>Cash and Cash Equivalents</u> - See Note 2 and the Statement of Cash Flows.

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2012, the Port was holding $110,555 in short-term residual investments of surplus cash invested with the financial institutions including $109,956 at the Klickitat County Treasurer and $599 at the Columbia State Bank and $100 of cash on hand for total cash and equivalents of $110,655. This amount is classified on the Statement of Net Position as Cash and cash equivalents.

For purposes of the Statement of Cash Flows, the Port considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

<u>Cash and Cash Equivalents - Restricted</u> - See Note 2 and the Statement of Cash Flows.

At December 31, 2012, the Port was holding $4,613 in short-term residual investments of surplus cash invested with financial institutions at the Klickitat County Treasurer. This amount is classified in the Statement of Net Position as Restricted assets - Cash and cash equivalents.

<u>Investments</u> - See Notes 2 and 10.

<u>Receivables</u>

Taxes receivable consists of property taxes and related interest and penalties. Because such taxes are considered liens on property and all property taxes are ultimately collected with interest at the statutory rate, the Port has not established a reserve for doubtful taxes receivable. See Note 3.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Assets, Liabilities and Equities, Continued

Receivables, Continued

Accrued interest receivable consists of amounts earned on investments at the end of the year.

Accounts receivable consists of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared. Receivables are recorded when either the asset or revenue recognition criteria have been met as discussed in Note 1, Basis of Accounting and Reporting. Accounts receivable are reported net of an allowance for amounts estimated to be uncollectible. Any amounts written off are adjusted to the allowance for doubtful accounts. The Port uses the reserve method of accounting for doubtful accounts, which is maintained based on historical analysis, as a percentage of outstanding receivables. Accounts receivable are written off according to criteria established by the Port. Any amounts written off are adjusted to the allowance for doubtful accounts.

Allowance for doubtful accounts consists of the estimated amounts of customer accounts that will never be collected. The allowance is estimated from an annual review of historical and current customer activities. As of December 31, 2012, the allowance for doubtful accounts was $500.

Interest receivable consists of interest earned on investments, not yet received, and is net of an allowance of zero.

Concentrations

For the year ended December 31, 2012, three tenants accounted for 66 percent of operating revenue. No other customers individually exceeded 10.00 percent of operating revenue in 2012.

Significant Risks and Uncertainties

The Port is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, federal, state and local government regulations and changes in law.

Fair Value of Financial Instruments

The Port's financial instruments consist of cash and cash equivalents, investments, taxes receivable, accounts receivable, interest receivable, deferred rent receivable, accounts payable, general obligation bonds payable and loans payable for which their current carrying amounts approximate fair market value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Assets, Liabilities and Equities, Continued

Amounts Due From Other Governments

This account includes amounts due from other governments for grants, entitlements, temporary loans, taxes and charges for services. See Note 14.

Inventories

The Port expenses office supplies, maintenance parts, inventory and supplies in the period they are acquired. If these items were inventoried, no material change in net income would result.

Restricted Assets and Liabilities

In accordance with contractual agreements, restricted asset accounts are established, which are restricted for specific uses, including construction and debt service. There are no related restricted liabilities at December 31, 2012.

The restricted assets at December 31, 2012 consist of the following:

Current restricted assets	
Cash - Industrial Development District (IDD)	$ 4,613
Investments - State Pool	
Building 1E sales tax	91,530
Customer deposits	38,476
Water system reserve	52,082
IDD	631,356
Total Investments - State Pool	813,444
Interest receivable - IDD	152
Total current restricted assets	818,209
Noncurrent restricted assets	
Investments - State Pool	
Executive retention program	7,500
Total noncurrent restricted assets	7,500
Total restricted assets	$ 825,709

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Assets, Liabilities and Equities, Continued

Deferred Compensation Plan

In 2010, the Port activated an executive incentive plan. $2,500 was reclassified to restricted assets for 2012 and 2011, respectively, for a total of $7,500 at December 31, 2012, in accordance with the agreement terms. The funds are being held within the Port's investments account at the Washington State Investment Pool. The employee vesting at December 31, 2012 and 2011 was 25% and 25%, respectively.

Capital Assets and Depreciation

Capital assets, including intangible assets are detailed in Note 4. Intangible assets represent the cost of long-lived organizational master plans.

Deferred Charges, Net

Deferred charges, net represent preliminary surveys and investigations and bond issuance costs, net of amortization. Deferred charges, net was $44,895 at December 31, 2012, net of accumulated amortization. The total accumulated amortization was $11,215 at December 31, 2012. See Notes 5 and 10.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The Port records unpaid vacation and sick leave for compensated absences as an expense and liability when incurred.

Compensatory leave time may accumulate up to a maximum of eighty hours per hourly employee, unless approved by both the employee and the Executive Director. The employee may elect to receive compensatory time off instead of cash payment for overtime pay (both are computed at 1.5 times the hours worked).

Vacation leave, which may be accumulated up to an employee's amount of vacation hours accrued during a twenty four month period, is payable upon separation, retirement or death. Sick leave may accumulate up to 1,056 hours and upon separation or retirement, employees receive payment of unused sick leave up to a maximum of 120 hours. The accrued short-term and long-term compensated absence balances at December 31, 2012 were $-0- and $17,202, respectively.

Advertising

The Port expenses its advertising costs as they are incurred. Advertising expense for the year ended December 31, 2012 totaled $100.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Assets, Liabilities and Equities, Continued

Customer Deposits

The Port is required by law to hold a performance or security deposit on all leases and is in compliance with the law. Tenant's failure to pay or abandonment of the property and lease can be covered by the funds held and accessible to the Port.

Long-Term Debt - See Note 10.

Original Issue Discount - See Note 10.

Net Position

Net Investment in Capital Assets - Represents the historical cost of capital assets reduced for accumulated depreciation less outstanding debt and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets.

Restricted - Represents restricted assets that have been externally restricted by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation and deferred outflows of resources related to those assets. The Port maintains a variety of internal use restrictions on various funds; however, none of these funds are restricted as defined here.

Unrestricted - Represents the net amount of the assets, deferred outflow of resources liabilities and deferred inflow of resources not included in the determination of net investment in capital assets or the restricted portion of net position.

Operating and Nonoperating Revenues and Expenses

Charges for services provided by the Port, including utility operations and marine terminal, marina and industrial property and facility use, are reported as operating revenues. Costs associated with these operating segments are reported as operating costs. Ad Valorem and other tax revenues, as well as grants, settlements and other miscellaneous revenues are reported as nonoperating revenues. Interest on debt, costs of elections and other miscellaneous costs are reported as nonoperating expenses.

Accounting and Reporting Changes

Effective for year ending December 31, 2011, the Port implemented the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The major impact on the Port of this adoption was a change in terminology from using Net Assets to using Net Position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Assets, Liabilities and Equities, Continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits

As of December 31, 2012, the carrying amount of the Port's unrestricted and restricted cash deposits with financial institutions was $110,555 and $4,613, respectively.

The Port's deposits at year-end were entirely covered by Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The FDIC covers the Port's insured deposits. The PDPC provides collateral protection. The PDPC (established under RCW Chapter 39.58) constitutes a multiple financial institution collateral pool. Pledged securities under the PDPC collateral pool are held by the PDPC's agent in the name of the collateral pool.

Investments

Investments are stated at fair value. Interest on debt securities held as investments is recognized in nonoperating revenues when earned. Changes in the fair value of investments are included in nonoperating revenues (for unrealized gains) or nonoperating expense (for unrealized losses).

As of December 31, 2012, the Port had the following investments:

Investment	Weighted Average Maturity	Fair Value
State Investment Pool	55 Days	$ 3,279,842
Total		$ 3,279,842

NOTE 2 - DEPOSITS AND INVESTMENTS, CONTINUED:

Investments, Continued

The Port invests its cash reserves in and utilizes short-term cash management through the Washington State Local Government Investment Pool (LGIP). The LGIP is similar to a money market fund recognized by the Securities and Exchange Commission. The LGIP investments are limited to high quality obligations with limited maximum and average maturities and are valued at cost.

As required by state law, all investments of Port funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, or certificates of deposit with Washington State banks or savings and loan institutions.

NOTE 3 - PROPERTY TAX:

The Klickitat County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed to the Port of Klickitat's account daily as they are received by the Klickitat County Treasurer. A revaluation of all property is performed every year.

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property taxes are recorded as a receivable and revenue when levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes evaluated annually.

NOTE 3 - PROPERTY TAX, CONTINUED:

The Port may levy up to $0.45 per $1,000 of assessed valuation for general Port purposes. This amount may be reduced for any of the following reasons:

a. Washington State law, in RCW Chapter 84.55.010, as amended by initiative 747, limits the growth of regular property taxes to one percent per year, after adjustments for new construction. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.

b. The Port may voluntarily levy taxes below the legal limit.

c. The State Constitution limits total regular property taxes to one percent of assessed valuation. If the combined taxes of all districts within the county exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.

The Port's regular levy for 2012 and 2011 was $0.16615 and $0.14449 per $1,000 on a total assessed valuation of $1,383,684,439 and $1,562,819,572 for total regular levies of $229,898 and $225,812, respectively.

The Port assessed an Industrial Development District (IDD) levy for repayment of debt and new infrastructure improvements under RCW Chapters 53.35.110 and 53.36.100. The Port's IDD levy for 2012 and 2011 was $0.35514 and $0.30884 per $1,000 on a total assessed valuation of $1,383,684,439 and $1,562,819,572 for a total IDD levy of $491,401 and $482,667, respectively. The IDD levy ran for a period of six years, with tax revenues received from 2007 through 2012.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION:

Major expenses for capital assets, including major repairs that increase the useful life of an asset, are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when incurred.

All capital assets are valued at historical cost, or where historical cost is not known, at estimated historical costs. Donations of capital assets from developers and customers are recorded at estimated fair market values at the date of donation. Certain capital assets were acquired from other governmental entities in prior years and these assets are also recorded at their estimated fair market value at the time of the donation. The Port of Klickitat's capitalization threshold is $500. The Port maintains detailed depreciable infrastructure records.

The Port acquired certain assets with funding provided by federal and state financial assistance programs. Depending upon the terms of the agreements involved, the funding governmental unit could retain an equity interest in these assets resulting in the assets reverting back to the agency if the assets are not used for their intended purposes. However, the Port has sufficient legal interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable account.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION, CONTINUED:

An allowance for funds used during construction is capitalized, when material, as part of the cost of the asset. The procedure is intended to remove the cost of financing construction activity from the operating statements and to treat such costs in the same manner as construction labor and material costs. During 2012, the Port had no capitalized net interest costs and did not offset any interest costs by any interest income.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives using the straight-line method, full month convention, with useful lives of 3 to 70 years. The major categories are:

Buildings and structures	30 - 70 years
Other improvements	10 - 60 years
Docks and marina ramps	20 - 40 years
Trucks and vehicles	5 - 10 years
Machinery and equipment	5 - 10 years
Furniture and fixtures	5 - 10 years
Office equipment	3 - 5 years

<u>Impaired Capital Assets</u>

The Port does not have any impaired capital assets. However, the Port has identified Bingen Lake, the surrounding wetland and buffer, which totals 36.33 acres as an identified wetland and as such, is subject to various governmental agency restrictions as to its future development. The subject lake and wetland is being carried on the Port's books at its allocated historical cost of $7,820 from when it was first purchased in 1959.

In 1987, the Port had an engineering firm delineate the wetland. The lake, wetland and buffer are subject to the Klickitat County Critical Areas Ordinance adopted January 27, 2004, Washington Administrative Code (WAC) 173-22, Water Pollution Control Act (RCW 90.48), Shoreline Management Act (RCW 90.58) and Growth Management Act (RCW 36.70A). Developable lands that are adjacent to the identified lake and wetland could potentially be enhanced by such adjacent habitat. As there is no determination if the value of the identified lake and wetland is less than the carrying value of $7,820, the Port has not made any reductions to the carrying value of the lake and wetland on its books at this time.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION, CONTINUED:

Capital assets activity for the year ended December 31, 2012 was as follows:

Asset Category	Ending Balance 12/31/11	Increases	Decreases	Ending Balance 12/31/12
Capital assets not being depreciated				
Land	$ 2,866,736	$ --	$ --	$ 2,866,736
Construction in progress	115,272	863,848	240,386	738,734
Intangible assets	185,480	49,950	15,154	220,276
Total capital assets not being depreciated	3,167,488	913,798	255,540	3,825,746
Capital assets being depreciated				
Buildings and structures	8,530,725	63,827	--	8,594,552
Other improvements	2,759,107	156,209	--	2,915,316
Docks and marina ramps	597,913	--	--	597,913
Trucks and vehicles	23,741	--	--	23,741
Machinery and equipment	56,059	--	--	56,059
Furniture and fixtures	2,116	--	--	2,116
Office equipment	6,544	--	--	6,544
Total capital assets being depreciated	11,976,205	220,036	--	12,196,241
Less accumulated depreciation for				
Buildings and structures	1,133,635	154,841	--	1,288,476
Other improvements	1,035,562	114,008	--	1,149,570
Docks and marina ramps	309,394	14,948	--	324,342
Trucks and vehicles	14,355	1,977	--	16,332
Machinery and equipment	21,206	5,180	--	26,386
Furniture and fixtures	863	212	--	1,075
Office equipment	4,300	1,251	--	5,551
Total accumulated depreciation	2,519,315	292,416	--	2,811,731
Total capital assets being depreciated, net	9,456,890	(72,380)	--	9,384,510
Total capital assets, net	$ 12,624,378	$ 841,418	$ 255,540	$ 13,210,256

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION, CONTINUED:

Interlocal Agreement - Equipment

During 2010, the Port entered into an interlocal cost sharing agreement with the City of Bingen and the City of White Salmon to share equally in the cost of a piece of pavement marking equipment. The Port did not incur any expenses under the interlocal agreement in 2012.

Construction Commitments

The Port has various active construction projects as of December 31, 2012. At year-end the Port's commitments with contractors are as follows:

Project	Spent To-Date	Remaining Commitment
BP Infrastructure Improvement Project	$ 482,610	$ 181,047
BP Lot 31 Rock Removal	$ --	$ 3,424
Fire Protection System Modifications	$ 10,745	$ 1,108
Marina Recreation Planning	$ 43,948	$ 20,597
	$ 537,303	$ 206,176

NOTE 5 - DEFERRED CHARGES, NET

Deferred Charges, Net	
Preliminary study and investigation	$ 33,680
Bond issuance costs	
2003 G.O. bonds	22,431
Less accumulated amortization	(11,215)
Bond issuance costs, net of amortization	11,215
Total deferred charges, net	$ 44,895

NOTE 6 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

The Port is in compliance with all finance-related legal and contractual provisions.

NOTE 7 - PENSION PLANS:

Substantially all Port of Klickitat full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit 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: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to the GASB Statement 27, *Accounting for Pensions by State and Local Government Employers* and the GASB Statement 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.*

Public Employees' Retirement System (PERS) Plans 1, 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: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised 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. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined

NOTE 7 - PENSION PLANS, CONTINUED:

Public Employees' Retirement System (PERS) Plans 1, 2, and 3, Continued

Plan Description, Continued

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 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2012, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

The monthly benefit is subject to a minimum for retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is reduced. Plan 1 members retiring from inactive status prior to the age of 65 may also receive actuarially reduced benefits. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

NOTE 7 - PENSION PLANS, CONTINUED:

Public Employees' Retirement System (PERS) Plans 1, 2, and 3, Continued

Plan Description, Continued

PERS Plan 1 members can receive credit for military service while actively serving in the military if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

The survivor of a PERS Plan 1 member who dies after having earned ten years of service credit has the option, upon the member's death, of either a monthly survivor benefit or the lump sum of contributions plus interest.

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 component 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.

NOTE 7 - PENSION PLANS, CONTINUED:

Public Employees' Retirement System (PERS) Plans 1, 2, and 3, Continued

Plan Description, Continued

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 contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. 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.

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 by 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.

NOTE 7 - PENSION PLANS, CONTINUED:

Public Employees' Retirement System (PERS) Plans 1, 2, and 3, Continued

Plan Description, Continued

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 the 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 7 - PENSION PLANS, CONTINUED:

Public Employees' Retirement System (PERS) Plans 1, 2, and 3, 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. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. 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 methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer *	7.21%**	7.21%**	7.21% ***
Employee	6.00%****	4.64%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** The employer rate for state elected officials is 10.74% for Plan 1 and 7.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2012	$ 0	$ 14,076	$ 0
2011	$ 0	$ 11,728	$ 0
2010	$ 0	$ 9,932	$ 0

NOTE 8 - RISK MANAGEMENT:

The Port of Klickitat maintains insurance against most normal hazards for commercial automobile, property loss and general liability.

Insurance settlements, if any, have not exceeded insurance coverage in each of the past three years.

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

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

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

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

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.

NOTE 8 - RISK MANAGEMENT, CONTINUED:

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

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

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

NOTE 9 - SHORT-TERM DEBT:

See Note 10 for current portion of long-term debt.

NOTE 10 - LONG-TERM DEBT:

Long-Term Debt

The Port of Klickitat issues general obligation bonds to finance the acquisition and construction of capital assets. Unamortized debt issuance costs are recorded as deferred charges and the bonds are displayed net of premium or discount. Annual interest expense is decreased by amortization of debt premium and increased by amortization of debt issuance costs and discount. The Port is also liable for subordinated interagency Washington State Community Economic Revitalization Board (CERB) loans. These loans are payable from the revenues of the Port.

General obligation bonds outstanding at December 31, 2012 are as follows:

Description / Purpose	Original Amount	Maturity	Interest Rate	Amount
2003 General Obligation Bonds/ Bldg. 1D	$1,100,000	12/01/2022	1.50 - 5.50%	$ 675,000
Total general obligation bonds outstanding				675,000
Less current portion				(55,000)
				620,000
Less unamortized bond discount, net of amortization				(9,157)
Total long-term general obligation bonds, net of current portion and amortized bond discount, net				$ 610,843

NOTE 10 - LONG-TERM DEBT, CONTINUED:

Long-Term Debt, Continued

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year ending December 31	Total	Principal	Interest
2013	$ 91,388	$ 55,000	$ 36,388
2014	88,500	55,000	33,500
2015	90,613	60,000	30,613
2016	87,463	60,000	27,463
2017	89,311	65,000	24,311
2018 - 2022	444,900	380,000	64,900
	$ 892,175	$ 675,000	$ 217,175

Subordinated interagency loans outstanding at December 31, 2012 are as follows:

Description / Purpose	Original Amount	Maturity	Interest Rate	Amount
CERB Loan/B. Pt. Infrastructure	$108,000	7/01/2015	4.00%	$ 23,675
CERB Loan/B. Pt. SBDC Bldg.	$262,500	7/01/2014	3.00%	42,075
CERB Loan/B. Pt. Ph 1, Bldg. 1B	$353,606	1/27/2020	3.00%	197,611
CERB Loan/B. Pt. Ph 1, Bldg. 1D	$650,000	7/01/2024	1.00%	527,643
CERB Loan/B. Pt. Ph 1, Bldg. 1E	$525,000	1/01/2027	1.60%	495,948
CERB Loan/B. Pt. Harbor Drive	$310,000	07/01/2026	0%	289,333
Total subordinated interagency loans				1,576,285
Less current portion				(142,321)
Total long-term portion of subordinated interagency loans outstanding				$ 1,433,964

The annual debt service requirements to maturity for subordinated interagency loans are as follows:

Year ending December 31	Total	Principal	Interest
2013	$ 163,670	$ 142,321	$ 21,349
2014	163,670	144,801	18,869
2015	141,682	125,355	16,326
2016	133,150	118,771	14,379
2017	133,151	120,425	12,728
2018 - 2022	609,449	570,980	38,469
2023 - 2027	363,683	353,632	10,051
	$ 1,708,455	$ 1,576,285	$ 132,171

NOTE 10 - LONG-TERM DEBT, CONTINUED:

Long-Term Debt, Continued

The accompanying Schedule of Liabilities (Schedule 09) provides a listing of the outstanding debt of the Port and summarizes the Port's debt transactions for the year ended December 31, 2012. The debt service requirements, including interest, are as follows:

Year ending December 31	General Obligation Bonds	Other Debt	Total Debt
2013	$ 91,388	$ 163,670	$ 255,057
2014	88,500	163,670	252,170
2015	90,613	141,681	232,294
2016	87,463	133,150	220,612
2017	89,311	133,150	222,462
2018 - 2022	444,900	609,447	1,054,348
2023 - 2027	--	363,687	363,687
	$ 892,175	$ 1,708,455	$ 2,600,630

Bond Issuance Costs and Bond Issuance Discount

Unamortized bond issuance costs are recorded as deferred charges in other noncurrent assets. The Port's unamortized bond issuance costs, net of accumulated amortization at December 31, 2012 was $11,215. Current bond issuance amortization expense for 2012 was $1,131 for the 2003 G.O. bond. See Notes 1 and 5.

Bonds are displayed net of discount. Annual interest expense is increased by the amortization of bond issuance discount. Unamortized bond discount, net of accumulated amortization at December 31, 2012 was $9,157. Current bond discount amortization for 2012 is $923 per year.

Changes in Long-Term Liabilities

During the year ended December 31, 2012, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/12	Additions	Reductions	Ending Balance 12/31/12	Due Within One Year
G.O. bonds payable	$ 725,000	$ --	$ 50,000	$ 675,000	$ 55,000
Less issuance discounts	(10,080)	--	(923)	(9,157)	--
Total G.O. bonds payable	714,920	--	49,077	665,843	55,000
Employee leave benefits	22,887		5,685	17,202	--
Other post-employment benefits	26,090	10,249	--	36,339	--
Loans payable	1,716,186	--	139,901	1,576,285	142,321
Total long-term liabilities	$ 2,480,083	$ 10,249	$ 194,663	$ 2,295,669	$ 197,321

NOTE 11 - LEASE COMMITMENTS:

Operating Lease

The Port leases a piece of equipment under a non-cancelable operating lease. The total cost for the lease, including maintenance and usage charges was $2,820 for the year ended December 31, 2012. The future minimum lease payments for these leases are as follows:

Year		Total
2013	$	430
2014		--
Total	$	430

Property Leases

As part of its normal operations, the Port of Klickitat leases land and buildings under operating leases to tenants who intend to utilize the facilities to generate direct benefits within the community.

The Port's objective is that lease terms be for a length of time that will assist in insuring economic stability and a fair return on the value of the facilities being leased. Lease terms, not including renewal options, run for one to fifty years. In addition, there are properties that are rented on a month-to-month basis. All leases are accounted for as operating leases.

Minimum annual rental payments for all operating leases for the next five years and thereafter having non-cancelable terms exceeding one year are as follows:

Year		Total
2013	$	568,473
2014		395,404
2015		330,582
2016		292,238
2017		103,340
2018 - 2022		195,225
2023 - 2027		226,319
2028 - 2032		262,366
2033 - 2037		216,044
2038 - 2042		12,849
Total	$	2,602,840

NOTE 11 - LEASE COMMITMENTS, CONTINUED:

Property Leases, Continued

Property lease revenue for the year ended December 31, 2012 was $787,147. The total cost of leased property for December 31, 2012 was $8,500,071. Accumulated depreciation on the leased property as of December 31, 2012 was $1,254,166.

NOTE 12 - RESTRICTED NET POSITION:

The Port's Statement of Net Position reports $825,708 of restricted net position, all of which is restricted by government law or regulation, constitutional provision or contractual agreement.

NOTE 13 - CONTINGENCIES AND LITIGATION:

The Port of Klickitat has recorded in its financial statements all material liabilities. For 2012, there are no other claims, matters of litigation or assessments. In the opinion of management, the Port's insurance policies are adequate to pay all known or pending claims.

The Port participates in a number of federal and state assisted programs. The grants that the Port receives under these programs are subject to audit by grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Port management believes that such disallowances, if any, will be immaterial.

Under RCW Chapter 82.60, a project located in an area defined by the State of Washington as a depressed rural area is eligible for a deferral of sales tax due on the building components and construction. If certain requirements are met, the deferred tax due is never paid and becomes an exemption from sales tax. See RCW Chapter 82.60.

NOTE 13 - CONTINGENCIES AND LITIGATION, CONTINUED:

The Port constructed Building 1E, a qualified tax-deferred building, for a tenant in 2006 and 2007 and entered into a five-year lease for the premises. The sales tax deferred and potentially exempt on this project is $91,530 as of December 31, 2012. If the tenant does not maintain an eligible use and/or number of employees through December 31, 2015, then the Port will have to pay part or all of the sales tax due based on a sliding scale depending on the time when the conditions are no longer met. RCW Chapter 82.60.060 sets forth the repayment schedule which also corresponds to the forgiveness schedule under RCW Chapter 82.60.065 as follows:

December 31,	Amount
2007 - 2010	$ 122,040
2011	$ 109,836
2012	$ 91,530
2013	$ 67,122
2014	$ 36,612
Thereafter	$ --

The Port has established a restricted reserve fund to retire this contingent liability in the event it is required to be paid.

NOTE 14 - CAPITAL CONTRIBUTIONS - GRANTS:

During 2010, the Port was awarded a grant of $40,000 and a loan of $310,000 from the Washington State Community Economic Revitalization Board (CERB) for the Harbor Drive Improvement Project. The grant and loan were received in 2012 and expended in 2011.

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS:

Plan Description and Funding Policy

In addition to pension benefits as described in Note 7, the Port, through the Health Care Authority (HCA), administers an agent multiple-employer other post-employment benefit plan (OPEB). Per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the Health Care Authority, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability.

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS, CONTINUED:

Plan Description and Funding Policy, Continued

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 54 of the state's K-12 schools and educational service districts (ESDs) and 207 political subdivisions and tribal governments, including the Port. Additionally, the PEBB plan is available to the retirees of the remaining 246 K-12 schools and ESDs. As of June 2012, membership in the PEBB plan consisted of the following:

	Active Employees	Retirees[1]	Total
State	106,255	27,807	134,062
K-12 schools and ESDs[2]	1,800	29,245	31,045
Political subdivisions	11,375	1,261	12,636
Total	119,430	58,313	177,743

[1] Retirees include retired employees, surviving spouses, and terminated members entitled to a benefit.
[2] In Fiscal Year 2012, there were 98,349 full-time equivalent active employees in the 246 K-12 schools and ESDs that elected to limit participation in PEBB only to their retirees.

	Active Employees	Retirees	Total
Port of Klickitat	4	--	4

For Washington State Fiscal Year 2012, the estimated monthly cost for PEBB benefits for active employees (average across all plans and tiers) is as follows:

Required Premium[3]			Contributions		
Medical	$	880	Employer contribution	$	852
Dental		83	Employee contribution		118
Life		5			
Long-term disability		2	Total	$	970
Total	$	970			

[3] Per 2012 Index Rate Model 3.60.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS, CONTINUED:

Plan Description and Funding Policy, Continued

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to PEBB plans depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, and Higher Education.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2011, the average weighted implicit subsidy was valued at $301 per member per month, and in calendar year 2012, the average weighted implicit subsidy was projected to be $326 per member per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the Health Care Authority administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. In calendar year 2011, the explicit subsidy was $183 per member per month, and in calendar year 2012, the explicit subsidy was $150 per member per month.

Retirees participating in the PEBB life insurance program received an explicit subsidy of $5 per member per month in calendar year 2011. The retire subsidy of life insurance was eliminated January 2012.

Administrative costs as well as implicit and explicit subsidies are funded by required contributions from participating employers. The subsidies provide monetary assistance for medical and life insurance benefits.

Contributions are set each biennium as part of the budget process. In fiscal year 2012, the cost of the subsidies was approximately 6.5 percent of the cost of benefits for active employees. The benefits are funded on a pay-as-you-go basis.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan and actuarial methods and assumptions used.

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS, CONTINUED:

Plan Description and Funding Policy, Continued

The PEBB OPEB plan is accounted for as an agency fund on an accrual basis. The plan has no investments or other assets. The PEBB OPEB plan does not issue a publicly available financial report.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to:
http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm.

Annual OPEB Cost and Net OPEB Obligation

The Port's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following tables show the components of the Port's annual OPEB cost for fiscal year 2012, the amount contributed to the plan, and changes in the net OPEB obligation (NOO):

Annual OPEB Cost		
Annual required contribution	$	10,249
Interest on NOO		--
Amortization on NOO		--
Annual OPEB cost	$	10,249

Net OPEB Obligation		
NOO beginning of year	$	26,090
Annual OPEB cost		10,249
Contributions made		--
NOO end of year*	$	36,339

* Estimated

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Years 2012, 2011 and 2010 was as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	$ 10,249	0%	$ 36,339
2011	$ 11,010	0%	$ 26,090
2010	$ 7,888	0%	$ 15,080

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS, CONTINUED:

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2012, the latest date for which information is available, was as follows (expressed in thousands):

Unfunded Actuarial Accrued Liability (UAAL)		
Actuarial accrued liability (AAL)	$	41,098
Actuarial value of plan assets		--
Unfunded actuarial accrued liability (UAAL)	$	41,098

UAAL/Covered Payroll		
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	$	170,171
UAAL as a percentage of covered payroll		24.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

The Port has used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 62.20 was assumed for all active members to determine the AAL and normal cost. Retirement, disablement, termination and mortality rates were assumed to follow the PERS 2 rates used in the June 30, 2010, actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide PEBB study performed in 2011. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 30 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

NOTE 16 - SUBSEQUENT EVENTS:

The Port has evaluated subsequent events through May 24, 2013, which is the date the financial statements were available to be issued.

The Port has been identified by the U.S. Environmental Protection Agency (EPA) as a Potentially Responsible Party at the RAMCO Aluminum Waste Disposal Site located in the Port's Dallesport Industrial Park, Dallesport, Washington. In 2010, the EPA conducted a Time-Critical Removal Action that included the removal and disposal of approximately 40,000 tons of waste material. On February 28, 2013, the EPA issued a demand letter to the Port requesting reimbursement of $2,190,529.55 for all response costs incurred by the EPA. In 2007, the Washington Department of Ecology (DoE) agreed to perform a cleanup of the site at its expense, but after performing work in 2008 and 2009, DoE's cleanup was taken over by the EPA. Through its legal counsel, the Port has sought information on other Potentially Responsible Parties from the EPA, is investigating any applicable insurance policies, and has sought a reduction in the amount requested as a result of the Port's limited financial ability to pay the EPA's response costs. The Port expects that any post-reduction balance will be paid over time, which may exceed ten years. Although the Port believes its reserves are adequate, there can be no assurance that the ultimate payments will not exceed the amount of the Port's reserves and will not have a material effect on the Port's financial position or cash flow.

The Port is in the process of various land and building improvements as a part of their ongoing commitment to capital infrastructure to enhance its leasing opportunities. The Port has entered into various contracts with engineers and architects as a part of its capital improvement plan.

PORT OF KLICKITAT
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES
For the year ended December 31, 2012

OPERATING EXPENSES - GENERAL OPERATIONS		
Marina utilities	$	3,052
Water system outside services		287
Property lease and rental utilities		24,053
Total operating expenses - general operations	$	27,392
OPERATING EXPENSES - MAINTENANCE		
Marina supplies and maintenance	$	3,722
Marine terminal maintenance		--
Water system supplies and maintenance		8
Property lease and rental		
Salaries		86,650
Payroll taxes and benefits		41,392
Supplies and maintenance		38,658
Fuel and lubricants		3,759
Repairs		3,769
		174,228
Total operating expenses - maintenance	$	177,958
OPERATING EXPENSES - GENERAL AND ADMINISTRATIVE		
Salaries	$	142,332
Payroll taxes and benefits		75,578
Advertising		100
Conferences		2,032
Dues		4,589
Insurance		30,583
Legal notices		786
Legal services		25,821
Marketing		--
Office expenses and supplies		6,338
Other expenses		5,028
Outside services		
Accounting services		24,350
State Auditor		905
Survey		3,647
Administrative and office		313
Architecture and engineering		9,312
Preliminary study closeout		67,418
Publications		59
Taxes		4,610
Telecommunications		3,595
Travel		6,882
Utilities		2,150
Total operating expenses - general and administrative	$	416,428

PORT OF KLICKITAT
SUPPLEMENTARY SCHEDULE OF NONOPERATING REVENUES - MISCELLANEOUS TAXES
For the year ended December 31, 2012

NONOPERATING REVENUES - MISCELLANEOUS TAXES		
Timber excise taxes	$	20,461
Leasehold excise taxes		1,518
State forest - DNR		39,989
PILT - DNR		3,508
Total nonoperating revenues - miscellaneous taxes	$	65,476

REVENUES AND EXPENSES

For the Year Ended December 31, 2012

Account Code	Account Title	Actual Amount
63100	Marine Terminal User Charges	60320
64100	Water System User Charges	20000
66100	Property Lease and Rental - User Charges	12445
66400	Property Lease and Rental - Land	193853
66500	Real Property Rentals - Facilities	564866
66900	Property Lease and Rental - Other	15983
69910	Interest Income	6532
69920	Ad Valorem Taxes	710037
69930	Miscellaneous Taxes	65475
69990	Other Nonoperating Revenues	464
72100	Marina Operations	3052
72300	Marina Maintenance	3722
74100	Water System Operations	287
74300	Water System Maintenance	8
76100	Property Lease and Rental Operations	24053
76300	Property Lease and Rental Maintenance	174227
78100	General and Administrative Operating Expenses	416428
78700	Depreciation Expense	292416
79990	Other Nonoperating Expenses	2682
79991	Interest Expense	59832
79992	Election Expense	1872

Port of Klickitat

SCHEDULE OF LIABILITIES

For the Year Ended December 31, 2012

ID. No.	Description	Maturity/Payment Due Date	Beginning Balance 01/01/2012	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance 12/31/2012
251.11	03 LTGO BONDS Bldg. 1D, ISSUED 2003	6/1/2012	725000		50000		675000
263.81	CTED-CERB LOAN - B.Pt. Infra, ISSUED 1992, DRAWN 1995	7/1/2012	30968		7293		23675
263.81	CTED-CERB LOAN - B.Pt. SBDC Bldg., ISSUED 1993	7/1/2012	62197		20122		42075
263.81	CTED-CERB LOAN - B.Pt. Phase 1, Bldg. 1B, ISSUED 2000	1/1/2012	219186		21575		197611
263.81	CTED-CERB LOAN - B.Pt. Phase 1, Bldg. 1D, ISSUED 2004	7/1/2012	568835		41192		527643
263.81	CTED-CERB LOAN - B.Pt. Phase 1, Bldg. 1E, ISSUED 2006	1/1/2012	525000		29052		495948
263.81	CTED-CERB LOAN - B.Pt. Phase 1, Harbor Drive, ISSUED 2011	7/1/2012	310000		20667		289333
259.11	Compensated Absences		21427		4225		17202
263.93	OPEB		26090	10249			36339

Schedule Of Limitation Of Indebtedness
As Of December 31, 2012

Total Taxable Property Value $1,562,819,572

I. Indebtedness Without A Vote (Legal Limit .25% or .375% if I.B. applicable)			$ 5,860,573
A. General Purpose Indebtedness Without A Vote (Legal Limit .25%)		$ 3,907,049	
Indebtedness (Liabilities):			
GO Bonds	$ 675,000		
Others	$ 93,894		
Less Assets Available	$ (768,894)		
Indebtedness Incurred - Section A		$ --	
Margin Of Indebtedness Available - Section A		$ 3,907,049	
B. Indebtedness For Acquisition Or Construction Of A Facility Without A Vote (Legal Limit .375% including I.A.)		$ 5,860,573	
Indebtedness (Liabilities):			
GO Bonds	$ 675,000		
Others	$ 93,894		
Less Assets Available	$ (768,894)		
Indebtedness Incurred - Section B		$ --	
Margin Of Indebtedness Available - Section B		$ 5,860,573	
Less: Indebtedness Incurred (Section A + B)			$ --
Margin Of Indebtedness Available Without A Vote (Section A + B)			$ 5,860,573
II. Indebtedness With A 3/5 Vote		$ 11,721,147	
Indebtedness (Liabilities):			
GO Bonds	$ 675,000		
Others	$ 93,894		
Less Assets Available	$ (768,894)		
Indebtedness Incurred - Section II		$ --	
Margin Of Indebtedness Available With 3/5 Vote		$ 11,721,147	
Total Indebtedness Allowable – Section I and II (Legal Limit .75%)			$ 11,721,147
Less: Indebtedness Incurred Section I and II			$ --
MARGIN of INDEBTEDNESS AVAILABLE			$ 11,721,147
III. Additional Indebtedness For Airport Capital Improvement Purposes Without A Vote (Legal Limit .125%)		$ --	

Schedule Of Limitation Of Indebtedness
As Of December 31, 2012

Indebtedness (Liabilities):			
GO Bonds	$ --		
Others	$ --		
Less Assets Available	$ --		
Indebtedness Incurred - Section III		$ --	
Margin Of Indebtedness Available – Section III		$ --	
IV. Additional Indebtedness For Airport Capital Improvement Purposes With A 3/5 Vote (Legal Limit .375%)		$ --	
Indebtedness (Liabilities):			
GO Bonds	$ --		
Others	$ --		
Less Assets Available	$ --		
Indebtedness Incurred - Section IV		$ --	
Margin Of Indebtedness Available – Section IV		$ --	
Total Indebtedness Allowable – Section I - IV (Legal Limit .75%)			$ --
Less: Indebtedness Incurred (Section I –IV)			$ --
MARGIN of INDEBTEDNESS AVAILABLE			$ 11,721,147
V. Additional Indebtedness For Foreign Trade Zone With A 3/5 Vote (Legal Limit 1.0%)			$ --
Indebtedness (Liabilities):			
GO Bonds	$ --		
Others	$ --		
Less Assets Available	$ --		
Indebtedness Incurred - Section V			$ --
MARGIN of INDEBTEDNESS AVAILABLE			$ 11,721,147

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2012

1	2	3	4	5			6
Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Foot-Note Ref.
				From Pass-Through Awards	From Direct Awards	Total	
NONE							

The Accompanying Notes To The Schedule Of Expenditures of Federal Awards Are An Integral Part Of This Schedule.

SCHEDULE OF STATE FINANCIAL ASSISTANCE

For the Year Ended December 31, 2012

1	2	3
Grantor/ Program Title	Identification Number	Current Year Expenses
NONE		

The Accompanying Notes To The Schedule Of State Financial Assistance Are An Integral Part Of This Schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE OF STATE FINANCIAL ASSISTANCE

For the Year Ended December 31, 2012

Note 1 - Basis of Accounting

The Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance are prepared on the same basis of accounting as the Port of Klickitat's financial statements. The Port uses the accrual framework of accounting where revenues are recognized when earned and expenses are recognized when incurred. Fixed asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

Note 2 - Program Costs

The amounts shown as current year expenses represent only the federal or state grant portions of the program costs. Entire program costs, including the Port's portion, may be more than shown.

SCHEDULE OF LABOR RELATIONS CONSULTANT(S)

For the Year Ended December 31, 2012

Has your government engaged labor relations consultants? ____Yes _X_ No

If yes, please provide the following information for each consultant:

Name of Firm
Name of Consultant
Business Address
Amount Paid To Consultant During Fiscal Year
Terms and Conditions, as Applicable, Including: Rates (e.g., hourly, etc.) ____________________ Maximum Compensation Allowed ____________________ Duration of Services ____________________ Services Provided ____________________ ____________________

SCHEDULE OF RISK MANAGEMENT
LOCAL GOVERNMENT RISK-ASSUMPTION
WITHOUT FORMAL RISK FINANCING PLAN

Port of Klickitat

Program Manager: Mr. Marc Thornsbury, Executive Director
Address: 154 E. Bingen Point Way, Suite A
Bingen, Washington 98605
Phone: (509) 493-1655
Email: mthornsbury@portofklickitat.com

Date: May 24, 2013
Fiscal Period: FYE 12/31/12

Property/Liability Risk Assumed:

Effective Date	Description of Risk	Amount (i.e., attachment point, etc.)	Change from prior year?
NONE			

Health/Welfare Risk Assumed:

Effective Date	Description of Risk	Number of Participants	Change from prior year?
NONE			