PORT OF KLICKITAT

Bingen, Washington
and
Dallesport, Washington

FINANCIAL STATEMENTS

December 31, 2014

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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 15, *State Financial Assistance*	X
Schedule 16, *Expenditures of Federal Awards*	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, 2014

GOVERNMENT INFORMATION:

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

Official Website Address www.portofklickitat.com

Official E-mail Address port@portofklickitat.com

Official Phone Number (509) 493-1655

AUDIT CONTACT or PREPARER INFORMATION and CERTIFICATION:

Audit Contact or Preparer Name and Title Margie Ziegler, Port Auditor

Contact Phone Number (509) 493-1655

Contact E-mail Address mziegler@portofklickitat.com

I certify this 22nd day of May, 2015, that the annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to ensure accurate financial reporting, comply with applicable laws and safeguards public resources, including controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.

Audit Contact or Preparer Signature: Margie Ziegler

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, 2014. 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 $13.9 million as of December 31, 2014 (reported as *total net position*). This represented a decrease of $0.8 million from the Port's total net position of $14.7 million as of December 31, 2013.

- Of the $13.9 million and $14.7 million in total net position as of December 31, 2014 and 2013, respectively, $2.9 million in 2014 and $2.7 million in 2013 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. $10.7 million and $11.7 million in 2014 and 2013, respectively, was invested in capital assets, net of related debt and $0.3 million and $0.2 million in 2014 and 2013, respectively, was invested in restricted assets. Net investment in capital assets 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. Net investment in capital assets was made up of $12.0 million of net capital assets less related debt of $1.3 million in 2014 and $13.2 million of net capital assets less related debt of $1.4 million in 2013, 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 reflects 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 - 43 of this report.

Financial Analysis

The largest portion of the Port's net position (77.1 percent as of December 31, 2014 as compared to 79.5 percent as of December 31, 2013) 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)

	2014	2013
ASSETS		
Current assets	$ 3,518	$ 3,172
Capital assets, net	11,980	13,161
Total assets	15,498	16,333
LIABILITIES		
Current liabilities	248	246
Long-term liabilities	1,376	1,421
Total liabilities	1,624	1,667
NET POSITION		
Net investment in capital assets	10,691	11,730
Restricted	251	226
Unrestricted	2,932	2,710
Total net position	$ 13,874	$ 14,666

Change in Net Position
(in thousands of dollars)

	2014	2013
OPERATING REVENUES		
Marine terminal operations	66	80
Water system operations	50	32
Royalties	111	153
Property lease and rental operations	666	612
Total operating revenues	893	877
NONOPERATING REVENUES		
Investment income	3	5
Property taxes - general	242	232
Gain on disposal of assets	(28)	8
Other nonoperating revenues	26	29
Total nonoperating revenues	243	274
Total revenues	1,136	1,151
OPERATING EXPENSES		
General operations	90	40
Maintenance	170	207
General and administrative	330	445
Depreciation	295	311
Total operating expenses	885	1,003
NONOPERATING EXPENSES		
Interest expense	17	56
Other nonoperating expenses	-	3
Total nonoperating expenses	17	59
Total expenses	902	1,062
Income before contributions	234	89
Capital contributions	43	-
Special Item	(1,069)	200
Change in net position	(792)	289
Net position as of January 1	14,666	14,345
Change in accounting principle	-	(11)
Prior period adjustment	-	43
Net position as of December 31	13,874	14,666

Operations

2014 activities resulted in a net decrease in the Port's net position of $0.8 million. There were no significant changes in the Port's operating activities during the year ended December 31, 2014. The Port's overall financial position has declined in 2014. The primary reason for the decrease in net position is the $1,069,272 special item related to the demolition of the 101 Parallel Building and related improvements.

Highlights of the 2014 year that impacted the Port's financial position and the results of operations include the following activities:

- Mt Adams Orchards demolished the 101 Parallel Building and concrete material was used to fill Dallesport Industrial Park (DIP) Lot 27. DIP Lot 40 was expanded and Mt Adams Orchards constructed a cold storage facility and detention pond.

- The Port replaced non functioning water meters at the DIP Water System.

- The Port leased DIP Lot 80 to Dirt Hugger to construct a composting facility. Grant funds were used to improve the property with power service and an irrigation well.

- The Port leased DIP Lot 8 to The Dallesport Log Yard.

- Development on Bingen Point Business Park Lot 24 was completed in June 2014 and the rent abatement for construction expired.

The Port is engaged in negotiations with the U.S. Environmental Protection Agency (EPA) regarding the Recycled Aluminum Metals Company (RAMCo) disposal site cleanup costs incurred by the EPA in 2010 at the Port's Dallesport Industrial Park. In the opinion of management, the applicable insurance polices are adequate to pay all known or pending claims.

Capital Asset and Long-Term Debt Activity

<u>Capital Assets</u>

The Port's investment in capital assets as of December 31, 2014 and 2013 was $12.0 million and $13.2 million, respectively, (net of accumulated depreciation of $3.1 million and $3.1 million, respectively). This investment in capital assets includes land, construction in progress, intangible assets, buildings, machinery, equipment and infrastructure.

The Port invested approximately $115,000 and $375,000 in capital assets and preliminary studies (combined) during the years ended December 31, 2014 and 2013, respectively. The Port's remaining capital commitments were approximately $57,790 and $11,853 as of December 31, 2014 and 2013, 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)

	2014	2013
Land	3,189	3,103
CIP	68	67
Intangible Assets	144	106
Buildings	7,308	8,595
Other Imp.	3,702	3,725
Dock & Marina	598	598
Truck & Vehicles	24	24
Machinery & Equip	59	56
Furn & Fixtures	2	2
Office Equip	7	7
Total Capital Assets before accumulated depreciation/amortization	15,101	16,283
Less accumulated depreciation/amortization	(3,120)	(3,123)
Total Capital Assets, net	11,981	13,160

Capital Asset and Long-Term Debt Activity, Continued

Long-Term Debt Activity

At December 31, 2014, the Port had outstanding general obligation bond debt of zero. The Port had no revenue bonds outstanding at any time during the year ended December 31, 2014. The Port had other long-term debt outstanding of $1.3 million at December 31, 2014. In 2014, the Port's long-term debt decreased by $0.1 million, from $1.4 million in 2013.

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, 2014

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 3,067,663
Restricted assets	
Cash and cash equivalents	279,333
Taxes Receivable	7,215
Interest Receivable	4
Taxes receivable	19,092
Accounts receivable, net	21,391
Interest receivable	254
Due from other Governments	35,000
Other receivables	-
Prepaid expenses	21,024
Total current assets	3,450,976
NONCURRENT ASSETS	
Restricted assets	
Cash and cash equivalents	12,500
Capital Assets not being depreciated	
Land	3,189,461
Construction in Progress	67,812
Capital assets being depreciated/amortized	
Property, plant and equipment	11,699,904
Intangible Assets	143,515
Less accumulated depreciation/amortization	(3,119,724)
Other noncurrent assets	
Preliminary surveys, net	53,704
Total noncurrent assets	12,047,172
Total assets	15,498,148

PORT OF KLICKITAT
STATEMENT OF NET POSITION
December 31, 2014

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable		12,288
Accrued employee benefits		3,913
Accrued wages		9,853
Leasehold taxes payable		20,225
Sales Tax payable		1,184
Accrued interest payable		12,980
Current Portion of long-term obligations		125,355
Customer deposits and prepayments		61,854
Total current liabilities		247,652
NONCURRENT LIABILITIES		
Employee leave benefits		23,047
Other post-employment benefits		55,813
Other noncurrent liabilities		133,799
Due to other governments		1,163,808
Total noncurrent liabilities		1,376,467
Total Liabilities		1,624,119
NET POSITION		
Net Investment in capital assets		10,691,805
Restricted for:		
Industrial Development District		47,394
Sales Tax deferral		36,612
Security deposit		61,854
Water system reserve		92,082
Other		12,500
Unrestricted		2,931,782
TOTAL NET POSITION	$	13,874,029

PORT OF KLICKITAT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
December 31, 2014

Operating Revenues	
Marine Terminal operations	66,297
Water System operations	49,659
Royalties	111,430
Property Lease and rental operations	665,463
Total Operating Revenue	892,849
Operating Expenses	
General operations	90,106
Maintenance	169,885
General and administrative	330,048
Depreciation	294,688
Total Operating Expenses	884,728
Operating Income	8,121
Nonoperating Revenues (Expenses)	
Investment income	2,835
Taxes levied for:	
General purposes	242,359
Miscellaneous taxes	24,408
Gain or (Loss) on disposition of assets	(27,366)
Interest expense	(17,108)
Other nonoperating revenues (expenses)	1,142
Total nonoperating revenues (expenses)	226,270
Income before other revenues and expenses	234,392
Capital contributions	42,712
Special Item	(1,069,272)
Increase (decrease) in net position	(792,168)
Net Position as of January 1	14,666,197
Net position as of December 31	$ 13,874,029

PORT OF KLICKITAT
STATEMENT OF CASH FLOWS
December 31, 2014

Cash flows from operating activities	
Cash received from customers	$ 869,462
Cash received from other operating activities	111,430
Cash payment for goods and services	(219,514)
Cash payments to employees	(356,111)
Other receipts	1,142
Net cash provided (used) by operating activities	406,409
Cash flows from noncapital financing activities	
Proceeds from unrestricted property taxes	273,515
Net cash provided (used) by noncapital financing activities	273,515
Cash flows from capital and related financing activities	
Payment of loans and notes	(144,801)
Disbursements for purchase of capital assets	(205,156)
Interest and fiscal charges paid	(18,869)
Net cash provided (used) for capital and related financing activities	(368,826)
Cash flows from investing activities	
Receipts of interest and dividends	2,926
Net cash provided by investing activities	2,926
Net increase (decrease) in cash and cash equivalents	314,024
Cash and cash equivalents - January 1	3,045,470
Cash and cash equivalents - December 31	$ 3,359,494
Reconciliation to statement of net position	
Cash and cash equivalents - unrestricted	3,067,661
Cash and cash equivalents - restricted	279,333
Cash and cash equivalents - restricted, non-current	12,500
Cash and cash equivalents - December 31	$ 3,359,494

PORT OF KLICKITAT
STATEMENT OF CASH FLOWS
December 31, 2014

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	$	8,121
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization		294,688
Change in assets and liabilities:		
Decrease (increase) in accounts receivable		(5,773)
Increase (decrease) in customer deposits		25,147
Decrease (increase) in prepaid items		889
Increase (decrease) in other payables		2,064
Other expenses (payments)		81,273
Total adjustments		398,288
Net cash used by operating activities	$	406,409

Noncash Transactions

None in 2014

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 Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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 GAAP, 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).

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Basis of Accounting and Reporting, Continued

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 industrial properties and buildings, marine terminal, and the water system at the Dallesport Industrial Park. 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, 2014, the Port was holding $135,125 in short-term residual investments of surplus cash invested with financial institutions through the Klickitat County Treasurer, $2,932,438 in the Washington State Investment Pool and $100 of cash on hand for total cash and equivalents of $3,067,663. 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, 2014, the Port was holding $216 in short-term residual investments of surplus cash invested with financial institutions through the Klickitat County Treasurer and $250,222 in the Washington State Investment Pool for total cash and equivalents of $250,438. Additionally, the Klickitat PUD held $41,393 in cash restricted for the water system. 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

<u>Receivables, Continued</u>

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, 2014, 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.

<u>Concentrations</u>

For the year ended December 31, 2014, four customers accounted for 88 percent of operating revenue. No other customers individually exceeded 4 percent of operating revenue in 2014.

<u>Significant Risks and Uncertainties</u>

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.

<u>Fair Value of Financial Instruments</u>

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, 2014.

The restricted assets at December 31, 2014 consist of the following:

Current restricted assets	
Cash - Industrial Development District (IDD)	$ 216
Water System PUD	41,393
	41,609
Investments - State Pool	
Building 1E sales tax	36,612
Customer deposits	61,854
Water System Reserve	92,082
IDD Taxes	47,174
Total Investments - State Pool	237,722
Interest Receivable - IDD	4
Total Current Restricted Assets	279,335
Noncurrent restricted assets	
Investments - State Pool	
Executive retention program	12,500
Total noncurrent restricted assets	12,500
Total Restricted Assets	$ 291,835

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 2014 and 2013, respectively, for a total of $12,500 at December 31, 2014, 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, 2014 was 50%.

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.

Other Assets, net, Non-current

Other assets, net represent preliminary surveys and investigations not yet finalized and are detailed in Note 6. Other assets were $53,704 at December 31, 2014, net of accumulated amortization.

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. The accrued short-term and long-term compensated absence balance at December 31, 2014 is $23,047.

Compensatory leave time may accumulate up to a maximum of eighty hours per hourly employee, unless approved by 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.

Advertising

The Port expenses its advertising costs as they are incurred. Advertising expense for the year ended December 31, 2014 was $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. Lessee's failure to pay or abandonment of the property and lease can be covered by the funds held and accessible to the Port.

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 the use of Port facilities, including industrial properties and buildings, marine terminal, and the water system at the Dallesport Industrial Park, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Assets, Liabilities and Equities, Continued

Use of Estimates

The preparation of financial statements in conformity with GAAP 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, 2014, the carrying amount of the Port's unrestricted and restricted cash deposits with financial institutions was $135,125 and $216, respectively.

The Port's deposits at year-end were entirely covered by the 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 Chapter 39.58 RCW) 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.

NOTE 2 - DEPOSITS AND INVESTMENTS, CONTINUED:

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, 2014, the Port had the following investments, which are classified as cash and cash equivalents:

Investment	Weighted Average Maturity	Fair Value
State Investment Pool	55 Days	$ 3,182,660
Total		$ 3,182,660

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.

NOTE 3 - PROPERTY TAX, CONTINUED:

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.

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 2014 and 2013 was $0.18174 and $0.17103 per $1,000 on a total assessed valuation of $1,335,259,985 and $1,366,395,546 for total regular levies of $242,671 and $233,688, respectively.

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 cost. 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 2014, 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

Impaired Capital Assets

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 (Chapter 90.48 RCW), Shoreline Management Act (Chapter 90.58 RCW) and Growth Management Act (Chapter 36.70A RCW). 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.

PORT OF KLICKITAT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION, CONTINUED:

Capital assets activity for the year ended December 31, 2014 was as follows:

Asset Category	Ending Balance 12/31/2013	Increases	Decreases	Ending Balance 12/31/2014
Capital Assets not being depreciated				
Land	$ 3,102,964	$ 86,497	$ -	$ 3,189,461
Construction in progress	67,149	28,029	27,366	67,812
Total capital assets not being depreciated	3,170,113	114,526	27,366	3,257,273
Captial assets being depreciated/amortized				
Buildings and structures	8,594,552	6,268	1,292,745	7,308,075
Other improvements	3,725,031	50,733	74,057	3,701,707
Docks and marina ramps	597,913	-	-	597,913
Trucks and vehicles	23,741	-	-	23,741
Machinery and equipment	56,059	3,179	-	59,238
Furniture and fixtures	2,116	-	-	2,116
Intangible assets	106,276	37,239	-	143,515
Office equipment	7,114	-	-	7,114
Total capital assets being depreciated	13,112,802	97,419	1,366,802	11,843,419
Less accumulated depreciation for				
Buildings and structures	1,444,199	119,533	294,306	1,269,426
Other improvements	1,277,691	147,077	3,227	1,421,541
Docks and marina ramps	339,290	14,948	-	354,238
Trucks and vehicles	18,110	1,778	-	19,888
Machinery and equipment	31,566	5,207	-	36,773
Furniture and fixture	1,287	212	-	1,499
Intangible assets	4,251	5,571	-	9,822
Office equipment	6,174	363	-	6,537
Total accumulated depreciation	3,122,568	294,689	297,533	3,119,724
Total capital assets being depreciated, net	9,990,234	(197,270)	1,096,635	8,723,695
Total capital assets, net	$13,160,347	$ (82,744)	$ 1,096,635	$ 11,980,968

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 2014.

NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction Commitments

The Port has various active construction projects as of December 31, 2014. At year-end the Port's commitments with contractors are as follows:

Project	Spent To-Date	Commitment
Marina Recreation Planning	$ 56,755	$ 7,790
DIP Lot 80 Dirt Hugger Project	57,980	50,000
	$ 114,735	$ 57,790

Of the committed balance of $57,790 the Port has raised all necessary funds.

NOTE 6 - OTHER ASSETS NET

Other assets, Net	
Preliminary study and investigation	$ 53,704
Total other assets, net	$ 53,704

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.

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; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49% 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.

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 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 2013, 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, in lieu of any retirement benefits, 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 from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age of 60 with at least five years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2% of the average final compensation (AFC) per year of service, but the benefit may not exceed 60% of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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% 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.

NOTE 7 - PENSION PLANS, CONTINUED:

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

Plan Description, Continued

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% of the AFC for each year of service reduced by 2% for each year that the member's age is less than 55. The total benefit is limited to 60% 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% annually. To offset the cost of this annual adjustment, the benefit is reduced.

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% 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% 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, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3% 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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% to 15% of salaries, based on member choice. Members who do not choose a contribution rate default to a 5% rate. 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 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' fiscal year 2013, PERS Plan 3 employee contributions were $99.0 million, and plan refunds paid out were $69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1% 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, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3% 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.
- If they have 30 service credit years, are a least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5% for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2% of the AFC per year of service. For Plan 3, the monthly benefit amount is 1% 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% annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies 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 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Active Plan Members Non-Vested	101,191
Total	368,272

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% for state agencies and local government unit employees, and at 7.5% 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% to 15%.

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, 2014, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer *	9.21%**	9.21%**	9.21% ***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% 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 4.92% 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
2014	$ 0	$ 18,549	$ 0
2013	$ 0	$ 15,934	$ 0
2012	$ 0	$ 14,076	$ 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, 2014, there are 491 Enduris members representing a broad array of special purpose districts throughout the state.

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

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:

<u>Long-Term Debt</u>

The Port is liable for subordinated interagency Washington State Community Economic Revitalization Board (CERB) loans. These loans are payable from the revenues of the Port.

NOTE 10 - LONG-TERM DEBT, CONTINUED:

Long-Term Debt, Continued

Subordinated interagency loans outstanding at December 31, 2014 are as follows:

Description/Purpose	Original Amount	Maturity	Interest Rate	Amount
CTED-CERB Loan/B. Pt. Infrastructure	$ 108,000	7/1/2015	4.00%	$ 8,203
CTED-CERB Loan/B. Pt. Ph 1, Bldg 1B	$ 353,606	1/27/2020	3.00%	152,499
CTED-CERB Loan/B. Pt. Ph 1, Bldg 1D	$ 650,000	7/1/2024	1.00%	444,019
CTED-CERB Loan/B. Pt. Ph 1, Bldg 1E	$ 525,000	1/1/2027	1.60%	436,442
CTED-CERB Loan/B. Pt. Harbor Dr	$ 310,000	7/1/2026	0.00%	248,000
Total subordinated interagency loans outstanding				1,289,163
Less current portion				(125,355)
Long-term portion				$ 1,163,808

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

Year ending December 31	Total	Principal	Interest
2015	$ 141,681	$ 125,355	$ 16,326
2016	133,150	118,771	14,379
2017	133,150	120,423	12,727
2018	133,150	122,110	11,040
2019	133,150	123,831	9,319
2020 - 2024	553,146	528,486	24,660
2025 - 2027	153,689	150,187	3,502
	$ 1,381,116	$ 1,289,163	$ 91,953

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, 2014.

Changes in Long-Term Liabilities

During the year ended December 31, 2014, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2014	Additions	Reductions	Ending Balance 12/31/2014	Due Within One Year
Employee Leave Benefits	$ 21,862	$ 1,185	$ -	$ 23,047	$ -
Other post-employment benefits	45,534	10,279	-	55,813	-
Loans Payable	1,433,964	-	144,801	1,289,163	125,355
Total Long-Term Liabilities	$ 1,501,360	$ 11,464	$ 144,801	$ 1,368,023	$ 125,355

NOTE 11 - LEASE COMMITMENTS:

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
2015	$ 756,733
2016	662,531
2017	475,606
2018	483,976
2019	331,242
2020 - 2024	1,330,422
2025 - 2029	1,244,021
2030 - 2034	984,185
2035 - 2039	885,548
2040 - 2044	675,188
2045 - 2049	634,643
2050 - 2054	667,016
2055 - 2059	701,040
2060 - 2064	532,706
2065 - 2069	93,524
Total	$ 10,458,381

NOTE 11 - LEASE COMMITMENTS, CONTINUED:

Property Leases, Continued

Property lease revenue for the year ended December 31, 2014 was $665,463. The total cost of leased property for December 31, 2014, was $7,213,595. Accumulated depreciation on the leased property as of December 31, 2014, was $1,231,833.

NOTE 12 - RESTRICTED NET POSITION:

The Port's Statement of Net Position reports $250,442 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 2014, 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 Chapter 82.60 RCW, 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 Chapter 82.60 RCW.

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 $36,612 as of December 31, 2014. 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.

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.

In April 2015 the United States Department of Justice (DOJ), on behalf of the EPA, filed suit against the Port for claims related to the RAMCo disposal site cleanup. The insurance companies involved and Special Counsel for the Port are currently engaged in negotiations with the EPA/DOJ. In the opinion of management, the applicable insurance policies are adequate to pay all known or pending claims.

NOTE 14 - CAPITAL CONTRIBUTIONS - GRANTS:

In 2014 Klickitat County approved a grant of $35,000 to the Port for the Dirt Hugger Project. The grant was expended in 2014 and reimbursed in 2015.

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (OPEB):

Plan Description

In addition to the pension benefits described in Note 7, the Port participates in a cost sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. This plan is administered by the Health Care Authority (HCA) per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the HCA, 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. Benefits are offered to retirees at a subsidized rate.

The benefits are provided in accordance with a substantive plan, in which the plan terms are understood by the employers and plan member, but not formalized in a contract or plan document. 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.

As of year-end, there were no Port employees that had retired and were receiving these benefits.

This OPEB plan does not issue a stand-alone financial report but it is included in the report of the State of Washington, Office of Financial Management. This report can be obtained from the following website: http://www.ofm.wa.gov/cafr/.

Funding Policy:

This plan is not currently funded. The Port was required to contribute $11,090 at December 31, 2014, but only contributed $0. The amount contributed differs from the Annual Required Contribution (ARC) because the plan is financed on a pay-as-you-go-basis. The difference between the OPEB Costs and the required contribution is called the Net OPEB Obligation (NOO). This amount of $54,118 is the actuarial accrued liability recognized on the statement of net position at December 31, 2014.

The total unfunded actuarial liability (UAAL) is $54,118. The covered payroll (annual payroll of active employees covered by the plan) was $206,994 and the ratio of the UAAL to the covered payroll was 26 percent.

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (OPEB), CONTINUED:

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2014	$ 10,279	0%	$ 55,813
2013	9,195	0%	45,534
2012	10,249	0%	36,339

Annual OPEB Cost and Net OPEB Obligation

The Port's annual other postemployment benefit (OPEB) cost (expense) is determined based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the Alternative measurement method parameters of GASB Statement 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 liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Port's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Port's net OPEB obligation.

	2014
Actuarial Required Contribution (ARC)	$ 11,090
Interest on Net OPEB Obligation (NOO)	1,822
Adjustment to NOO	(2,633)
Annual OPEB Cost	10,279
Employer Contributions	-
Increase (Decrease) in NOO	10,279
Net OPEB Obligation January 1	45,534
Net OPEB Obligation December 31	$ 55,813

Actuarial Methods and Assumptions:

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (OPEB), CONTINUED:

Additionally, calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. The specific actuarial methods and significant assumptions used to determine the ARC for the current year are as follows:

Valuation Date	1/1/2014
Actuarial Cost Method	Projected Unit Credit
Method used to determine the actuarial value of assets	N/A
Interest Rate for Discounting Future Liabilities	3.50%
Projected Payroll Growth	1.25%
Expected Retirement Age	65
Investment Return	4.5
Healthcare Cost Trend Rate - Initial	7.0%
Healthcare Cost Trend Rate - Ultimate	5.0%
Amortization Period - Open	20

Retirement, disablement, termination and mortality rates were assumed to follow the PERS 2 rates used in the June 30, 2013 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 2013. The results were based on grouped data with 4 active groupings and 4 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. The assumptions are individually and collectively reasonable for the purposes of this evaluation.

NOTE 16 - SUBSEQUENT EVENTS:

The Port has evaluated subsequent events through May 22, 2015, which is the date the financial statements were available to be issued.

In February 2015, the Port leased a portion of Dallesport Industrial Park Lot 39 to Wildish.

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.

NOTE 17 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

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

NOTE 18 – SPECIAL ITEM:

The Statement of Revenues, Expenses and Changes in Net Position displays a $1,069,272 special item that represents the demolition of the 101 Parallel Building in the Dallesport Industrial Park. After the building was razed, the ground lessor constructed a cold storage facility and detention pond.

REVENUES AND EXPENSES

For the Year Ended December 31, 2014

BARS Account	Description	Amount
631.00	Marine Terminal User Charges	66,297
641.00	Misc Charges-Water Sales/Mine	161,090
651.00	Capital Contributions-Federal/State/Local	42,712
661.00	Property Rentals - User Charges	22,967
664.00	Real Property Rentals - Land	184,497
665.00	Real Property Rentals - Buildings	457,999
699.10	Interest Income	2,835
699.20	Ad Valorem (Property) Taxes	242,359
699.30	Miscellaneous Taxes	24,408
699.40	Gains\Losses (Other than Investments)	(27,366)
699.50	Special Item	(1,069,272)
699.90	Other Non-Operating Revenues	3,053
733.00	Marine Maintenance	28
741.00	Water System/Mine Operations	20,624
743.00	Water System/Mine Maintenance	226
751.00	Lake/Parks Operations	12,965
753.00	Lake/Parks Maintenance	2,204
761.00	Property Lease and Rental Operations	54,059
763.00	Property Lease and Rental Maintenance	169,885
781.00	General and Administrative Operating Expenses	330,048
787.00	Depreciation Expense	294,688
799.90	Other Nonoperating Expenses	1,911
799.91	Interest Expense	17,108

SCHEDULE OF LIABILITIES

For the Year Ended December 31, 2014

Debt Type	ID No.	Description	Maturity/Payment Due Date	Beginning Balance 01/1/2014	Additions	Reductions	Ending Balance 12/31/14
Revenue Obligations							
	263.81	CTED-CERB LOAN - B.Pt. Infra, ISSUED 1992, DRAWN 1995	7/1/2014	$ 16,091	-	7,888	8,203
	263.81	CTED-CERB LOAN - B.Pt. SBDC Bldg., ISSUED 1993	7/1/2014	21,348	-	21,348	-
	263.81	CTED-CERB LOAN - B.Pt. Phase 1, Bldg. 1B, ISSUED 2000	1/1/2014	175,388	-	22,889	152,499
	263.81	CTED-CERB LOAN - B.Pt. Phase 1, Bldg. 1D, ISSUED 2004	7/1/2014	486,039	-	42,020	444,019
	263.81	CTED-CERB LOAN - B.Pt. Phase 1, Bldg. 1E, ISSUED 2006	1/1/2014	466,431	-	29,989	436,442
	263.81	CTED-CERB LOAN - B.Pt. Phase 1, Harbor Drive, ISSUED 2011	7/1/2014	268,667	-	20,667	248,000
	259.11	Compensated Absences		21,862	1,185	-	23,047
	263.93	OPEB		45,534	10,279	-	55,813
		Total Liabilities		$ 1,501,360	$11,464	$ 144,801	$ 1,368,023

SCHEDULE OF STATE FINANCIAL ASSISTANCE

For the Year Ended December 31, 2014

1	2	3	4
Grantor	Program Title	Identification Number	Amount
Klickitat County	Dirt Hugger Project	C21414	$35,000

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2014

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.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2014

Note 1 - Basis of Accounting

The Schedule of Expenditures of Federal Awards is 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 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, 2014

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 22, 2015
Fiscal Period: FYE 12/31/14

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			