Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Port of Benton

For the period January 1, 2018 through December 31, 2018

Published September 26, 2019

Report No. 1024684

Office of the Washington State Auditor
Pat McCarthy

September 26, 2019

Board of Commissioners
Port of Benton
Richland, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Port of Benton's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the Port's financial condition.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Port of Benton
January 1, 2018 through December 31, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of the Port of Benton are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Port.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Port's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

CFDA No.	Program or Cluster Title
20.106	Airport Improvement Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $750,000.

The Port did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Port of Benton
January 1, 2018 through December 31, 2018

Board of Commissioners
Port of Benton
Richland, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Port of Benton, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated September 18, 2019. As discussed in Note 1 to the financial statements, during the year ended December 31, 2018, the Port implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of the Port's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

September 18, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Port of Benton
January 1, 2018 through December 31, 2018

Board of Commissioners
Port of Benton
Richland, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Port of Benton, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended December 31, 2018. The Port's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

September 18, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Benton
January 1, 2018 through December 31, 2018

Board of Commissioners
Port of Benton
Richland, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Benton, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 14.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Benton, as of December 31, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2018, the Port adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2019 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

September 18, 2019

FINANCIAL SECTION

Port of Benton
January 1, 2018 through December 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

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Statement of Revenues, Expenses and Changes in Net Position – 2018
Statement of Cash Flows – 2018
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REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Proportionate Share of Net Pension Liability – PERS 1 & PERS 2/3 – 2018
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Schedule of Expenditures of Federal Awards – 2018
Notes to the Schedule of Expenditures of Federal Awards – 2018

Port of Benton

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018

INTRODUCTION

The following is the Port of Benton's (the Port) Management Discussion and Analysis (MD&A) of financial activities and the performance for the calendar year ended December 31, 2018, with selected comparative information for the year ended 2017. The discussion and analysis 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. Information contained in the MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and the notes. The notes to financial statements are essential to a full understanding of the data contained in the financial statements.

This report also presents certain required supplementary information regarding capital assets and long-term debt activity during the year, including commitments made for capital expenditures. Information contained in the MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and the notes. The goal is to provide readers an objective and easily understood overview of the Port's financial performance.

BACKGROUND

The Port is a Special Purpose Municipal Government that was created in November 1958. The Port's initial focus was on the development of basic roads and other services to their industrial sites. Once the majority of the infrastructure was completed the Port began to focus on constructing business development facilities and recruiting industries to the area.

In the middle of the 1990s the Port received several buildings and hundreds of acres of land from the Department of Energy (DOE). The Port began to modernize and update their DOE buildings to meet City of Richland codes and regulations. Tenants began to slowly populate into the Richland sites. At the same time, the Prosser area began to blossom as a key player in the wine industry. The Port changed its focus at the Prosser facilities to capitalize on the recreation and tourism aspects of the wine industry. The Port has several economic development partners as it moves forward in its mission statement. These include other municipalities, local economic development agencies, chambers of commerce, and the Tri-Ports organization, which was formed to unite the ports of Kennewick and Pasco with the Port of Benton.

Today, the Port of Benton concentrates its efforts on infrastructure and economic development in an effort to recruit entrepreneurial and diversified businesses to the Port district.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Port of Benton falls under the control of the Governmental Accounting Standards Board (GASB). In 2004 the Port implemented a new reporting model mandated by GASB referred to as GASB Statement No. 34. Since the Port is comprised of a single enterprise fund, no fund level financial statements are shown nor required.

The financial sections of this annual report consist of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The basic financial statements include: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

The statements of net position and the statements of revenues, expenses and changes in net position provides the Port with an overall financial position and the results of operations assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities. Over time, increases or decreases in net position may serve as an indicator of whether the Port is financially stable or if there is a going concern.

The statements of revenues, expenses and changes in net position show how the Port's net position changed during the most recent year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financial activities. A reconciliation of the cash provided by operating activities to the Port's operating income as reflected on the statement of revenues, expenses and changes in net position is also included.

The notes to the statements provide the reader additional detailed information that may not be apparent from the actual financial statements. The notes to the financial statements can be found immediately following the financial statements.

FINANCIAL REPORT

Financial and Operational Highlights

Increase in Net Position: The assets of the Port exceeded its liabilities at close of calendar year 2018 by $59,241,328.

There are no known significant liabilities or contingencies that will negatively impact the Port's future financial position.

Increase in Current Assets: The current assets increased $2,151,564 for calendar year 2018 which is an increase of approximately 105%.

Capital Assets: The Port's investment in capital assets for its business type activities as of December 31, 2018 amounts to $65,882,580 (net of accumulated depreciation) which is an increase of approximately 5%. This investment includes construction in process, improvements, buildings and machinery and equipment. Major capital asset events during the last year include the following:

In January of 2018, the Port finished construction of road improvements at the Richland Airport and Technology and Business Campus. The final project costs were $410,621 for the Airport and $221,783 for the Business Campus. In October of 2018, construction of a $2,797,811 development building was completed in Prosser's Vintners Village. Finally, in November of 2018 a $1,825,426 warehouse building was finished at the Prosser Airport.

Liabilities: At December 31, 2018, the Port's total long-term debt outstanding was $8,912,541. Of this amount, general obligation bonds outstanding were $2,810,000. The Port's total long-term liabilities increased by $3,128,844 between 2018 and 2017. Additional information on the Port's long-term debt may be found in Note 10 of this report.

Revenues: 2018 operating revenues are $4,530,186, which is approximately 9% higher than the 2017 operating revenues. The Port's overall operating revenues have increased by $1,736,938, or approximately 62%, in the past 10 years from the 2008 operating revenue total of $2,793,248. In 2018, the Port sold four (4) pieces of property, resulting in a gain of $1,727,738 on disposition.

Expenses: 2018 operating expenses are $9,346,396, which is $38,266 more than the 2017 operating expenses, which were $9,308,130.

Financial Position

The statements of net position present the financial position of the Port as of December 31, 2018. The statements include all Port assets and liabilities. As described earlier, the net position serves as an indicator of the Port's financial position. A summarized comparison of the Port's assets, liabilities and net position at December 31, 2018 and 2017 follows:

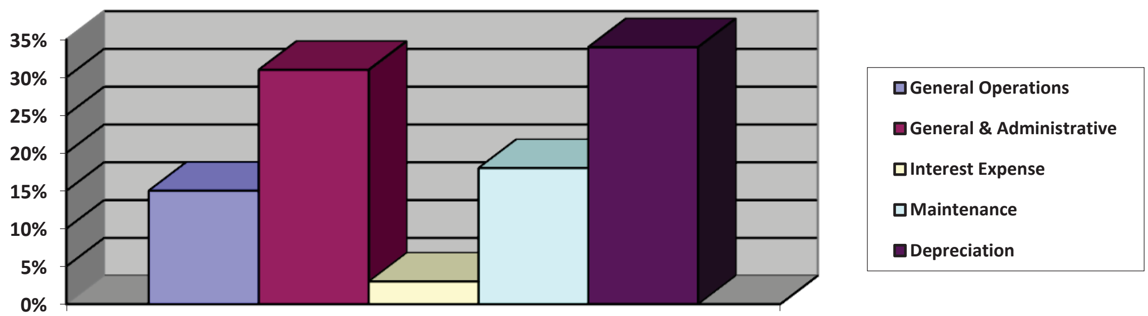
PORT OF BENTON'S Net Position

	2018	2017
Current assets	$ 4,201,013	$ 2,049,449
Net capital assets	65,882,580	62,764,322
Other noncurrent assets & deferred outflow	621,393	511,157
Total assets & deferred outflow	**70,704,986**	**65,324,928**
Current liabilities	2,221,663	1,832,578
Noncurrent liabilities & deferred inflow	9,241,995	5,976,821
Total liabilities	**11,463,658**	**7,809,399**
Net Position:		
Net Investment in capital assets, net of related debt	58,019,972	58,281,066
Unrestricted	1,221,356	(765,538)
Total net position	**$ 59,241,328**	**$ 57,515,528**

Financial Operations

The following condensed financial information summarizes the Port's revenues, expenses, and changes in net position:

Major Expense Sources - 2018



PORT OF BENTON'S
Statements of Revenues, Expenses and Changes in Net Position

	2018	2017
Operating revenues	$ 4,530,186	$ 4,153,803
Operating expenses	9,346,396	9,308,130
Operating Income (loss)	**(4,816,210)**	**(5,154,327)**
Non-operating revenue (expense)	2,096,866	545,540
Ad valorem tax revenues	2,314,389	2,300,389
Total non-operating revenues (expenses)	**4,411,255**	**2,845,929**
Change in net position, before capital contribution	(404,955)	(2,308,398)
Capital contributions	2,439,341	3,010,892
Increase in net position, before special items	2,034,386	702,494
Prior Period Adjustments	(232,949)	-
Change in Accounting Principle	(75,638)	-
Net position at beginning of year	57,515,529	56,813,034
Net position at end of year	**$ 59,241,328**	**$ 57,515,528**

ECONOMIC FACTORS

U.S. Economic Outlook:

Airports: The Port will begin a master plan update for the Richland Airport. The Richland Airport is very close to running out of land that can be leased. The master plan will guide the Port in its development of the next 40 acres. The Prosser airport is finishing a master plan that will show the need to extend the runway 4,000 feet. Upon completion of extending the Prosser runway the Port projects revenue at this airport to increase approximately 5-8% compared to prior years.

Richland Innovation Center: In 2017, the Government Services Administration conducted an appraisal of the property to determine a value for the removal of deed restrictions. The Port is in the process of cleaning and removing decades old concrete slabs and building shells that DOE gave to the Port when it transferred this property to the Port. These projects are estimated to cost approximately $100,000. Once the debris is removed the Port will continue landscaping, this will greatly increase the appeal of the site. After improvements to the site have been made the Port projects an increase in revenue from this site of approximately 5-10% compared to prior years.

Technology & Business Campus: The Port finished the renovation of 3250 Port of Benton Blvd and created more space for lease in the 3100 GWAY Building. These activities will create additional lease space for future tenants in the area. The Port is beginning to see increased demand for lease space, this is expected to continue. Revenue from this site will increase approximately 5% compared to prior years.

Tax Levy: Over the years, the Port of Benton has worked to minimize the Port's tax levy. We strive to keep the Port levy low. Our goal is to be able to offset operation cost and future economic development opportunities with revenue from tenants while keeping tax revenue below our taxing authority. Using this goal, the Port's levy rate has decreased from $.4878 in 2005 to $.4008 in 2018 which is approximately an 18% decrease. A $100,000 house paid $48 in Port of Benton property taxes in 2005; and just $40 in 2018.

REQUEST FOR INFORMATION

This annual report is designed to provide citizens, customers, investors, and creditors with a general overview of the Port's finances and to illustrate accountability of public funds. If you have any questions or comments regarding this annual report, or need additional information, please visit our website at www.portofbenton.com or contact: Director of Finance/Auditor, 3250 Port of Benton Blvd, Richland, WA 99354. Telephone (509) 375-3060.

Port of Benton
STATEMENT OF NET POSITION*
December 31, 2018

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 3,217,158
Taxes Receivable	49,841
Accounts Receivable	60,551
Due from other governments	662,189
Prepaids	189,649
Contracts with Interest Receivable	21,625
Total current assets	4,201,013
RESTRICTED ASSETS	
Cash and Cash Equivalents	$ 1,007
Total Restricted Assets	1,007
NONCURRENT ASSETS	
Capital assets	
Property, Plant and Equipment	95,966,327
Land	11,825,776
Construction in Process	4,149,816
Less: Accumulated depreciation	(46,059,339)
Total Net Capital Assets	65,882,580
Other Noncurrent Assets	
Contracts Receivable	272,902
TOTAL ASSETS	$ 70,357,502
Deferred Outflows of Resources:	
State Pension	179,424
Other Post-employment Benefits	168,060
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 347,484

Port of Benton
STATEMENT OF NET POSITION*
December 31, 2018

LIABILITIES		
CURRENT LIABILITIES		
Warrants Payable	$	573,984
Accrued Vacation Payable		297,349
Retainage Under Construction Contracts		249,582
Interest & Other Payables		164,641
Prepaid Surety Deposits		375,371
Current Portion of Long-Term Obligations		560,736
Total current liabilities		2,221,663
NONCURRENT LIABILITIES		
Customer Deposits Payable		77,519
Other Post Employment Benefits		918,242
Net port share of state pension liability		864,490
General Obligation Bonds		2,810,000
Notes Payable		4,242,290
Total noncurrent liabilities		8,912,541
Total liabilities	$	11,134,204
Deferred Inflow of Resources:		
State Pension	$	329,455
TOTAL DEFERRED INFLOWS OF RESOURCES	$	329,455
NET POSITION		
Net Investment in Capital Assets	$	58,019,972
Unrestricted		1,221,356
TOTAL NET POSITION	$	59,241,328

* The notes to financial statements are an integral part of these financial statements

Port of Benton
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION*
For the Year Ended December 31, 2018

OPERATING REVENUES		
Crow Butte Park Operations	$	129,863
Property Lease/Rental Operations		3,850,119
Airport Operations		550,204
Total operating revenues		**4,530,186**
OPERATING EXPENSES		
General Operations		1,440,975
Maintenance		1,724,578
General and Administration		2,961,432
Total before depreciation		**6,126,985**
Depreciation		3,219,411
Total operating expenses		**9,346,396**
Operating loss		**(4,816,210)**
NONOPERATING REVENUES (EXPENSES)		
Interest income		32,601
Taxes levied for:		
General purposes		1,976,862
Debt service principal/interest		337,527
Interest expense		(261,256)
Gain on disposition of assets		1,730,040
Other nonoperating revenues		595,481
Total nonoperating revenues		**4,411,255**
Income before other revenues, expenses, gains, losses and transfers		**(404,955)**
Capital contributions		2,439,341
Increase in net position		**2,034,386**
Net Position - beginning of year	$	57,515,529
Change in Accounting Principle (Note 17)		(75,638)
Prior Period Adjustment (Note 18)		(232,949)
Net Position - end of year	$	59,241,328

*The notes to financial statements are an integral part of these financial statements.

Port of Benton

STATEMENT OF CASH FLOWS*
For the Year Ended December 31, 2018

Business-Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 4,547,795
Payments to employees	(2,669,234)
Payments to suppliers	(3,413,308)
Net cash used by operating activities	**(1,534,747)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Noncapital property taxes received	$ 2,317,409
Non-operating receipts	595,481
Net cash provided by non-operating financing activities	**2,912,890**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	$ 1,730,040
Principal payments paid on capital debt	(390,498)
Interest paid on capital debt	(261,256)
Proceeds from capital debt	3,590,000
Acquisition and construction of capital assets	(6,413,307)
Cash received from other governments	2,091,527
Net cash used by capital and related financing activities	**346,506**
CASH FLOW FROM INVESTING ACTIVITIES	
Collection of Notes Receivable	$ 22,234
Interest income	32,601
Net cash provided by investing activities	**54,835**
Net decrease in cash and cash equivalents	1,779,484
Balances - beginning of the year	$ 1,438,681
Balances - end of the year	$ 3,218,165

*The notes to financial statements are an integral part of these financial statements

Port of Benton

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES
Proprietary Fund*
For the Year Ended December 31, 2018

Operating loss	$ (4,816,210)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	3,219,411
Changes in assets and liabilities:	
Receivables, net	4,237
Prepaid expenses	(30,494)
Customer deposits	13,373
Payables, net	194,266
Warrants payable	(190,809)
Unearned Revenue	(101,136)
Vacation payable	172,615
Net cash used by operating activities	$ (1,534,747)

Non-Cash Investing, Capital and Financing Activities:

The noncash portion of these transactions are as follows:

Net pension expense (GASB 68)	$ (101,140)
Net OPEB expense (GASB 75)	$ 31,569

*The notes to financial statements are an integral part of these financial statements

Port of Benton

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Port have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The Port of Benton (the "Port") was formed by citizen vote on November 4, 1958. The Port operates under the laws of the State of Washington applicable to Port Districts. The Port is a special purpose government and provides industrial park and non-commercial airport facilities to the general public and is supported primarily through user charges, property taxes and federal and state grants.

The Port is governed by a three-member Board of Commissioners, elected by Port district voters. As required by generally accepted accounting principles, the Port has one blended component unit, which is a separate Economic Development corporation as discussed in Note #12. These financial statements present the Port's primary government.

B. 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 RCW. The Port uses the *Budgeting, Accounting and Reporting System for GAAP Port Districts* in the State of Washington.

Funds are accounted for on a cost of services or an economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on the Statement of Net Positions (or balance sheets). Their reported fund position is segregated into net investment in capital assets, restricted and unrestricted components of net position. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in 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 full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. 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 non-operating ones. 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 lease rents of the airport and the Port's commercial, retail and industrial development buildings. Operating expenses for the Port include (e.g., the cost of sales and services, administrative expenses, depreciation on capital assets, etc.). All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses

C. Assets, Liabilities and Equities

1. Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2018 the Benton County Treasurer was holding $3,090,146 in short-term residual investments of surplus cash as discussed in Note #2, Deposits and Investments held in Washington State approved depository. This amount is classified on the statement of net position as cash and cash equivalents. Interest on deposits and investments are accounted for on the Statement of Revenues, Expenses, and Changes in Net Position as non-operating revenues.

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.

2. Receivables

Taxes receivable consists of property taxes and related interest and penalties. (See Note 3). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer 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. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

Amounts due from other Governments are for grants, entitlements, temporary loans, taxes and charges for services.

3. Restricted Assets

In accordance with bond resolutions and certain related agreements, separate restricted funds are required to be established. These accounts contain resources for the debt service. Restricted assets currently include the Redemption Fund assets. The Port Commission has recommended that accounts be established consisting of those monies specifically collected from taxes which are designated for the payment of outstanding bond liabilities including principal and interest.

The restricted assets are composed of the following:

Debt Service Redemption Fund	$ 1,007

4. Capital Assets and Depreciation (See Note 4).

5. Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences,* the Port accrues a liability for compensated absences (e.g. paid time off). The Port records unpaid leave for compensated absences as an expense when paid and a liability when incurred.

Upon separation from Port service, a maximum of thirty (30) days or 240 hours at the employee's current salary rate, along with a maximum of sixty (60) days or 480 hours at 50% of the employee's current salary rate, as well as a maximum of thirty 30 days or 240 hours at 25% of the employee's current salary rate, will be paid to the employee. Furthermore, employees shall have the option to cash out their accrued PTO and receive monetary compensation up to a maximum of eighty (80) PTO hours in a calendar year. No cash out will be allowed if the remaining accrued PTO of the employee would be less than (80) hours after the cash out is complete.

6. Long-Term Debt (See Note 10).

7. Other Assets, Debts or Liabilities

Lease securities payable are lease securities or deposits held under the terms of certain lease agreements. The Port requires or allows its customers or tenants to provide security to satisfy contractual obligations. The Port classifies these amounts as lease securities, and they are included in the current liability in the Statement of Net Position. The Port is allowed to draw from these lease securities in certain events as defined in these agreements, such as defaults or delinquencies in rent payment. The balance is determined by the lease terms and is recalculated according to the provisions of the agreements.

Unearned revenue includes amounts recognized as receivables (assets) but not revenues because the revenue recognition criteria have not been met.

Retainage payable under construction contracts are retainage amounts held and required to be paid upon full legal performance of the contractor. The Port reports the amounts owed to contractors under retainage payable on the Statement of Net Assets as a current liability.

Preliminary surveys or planning costs include preliminary costs incurred for proposed construction projects and are included in the construction in progress within the Port's capital assets. If the asset is successfully constructed and placed into service, the related costs become part of the cost of the asset; if the project is abandoned, related costs are charged as a non-operating or operating expense based on its proper operating or non-operating definition previously described.

8. Deferred Outflows/Inflows of Resources

In accordance with GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The Port reports a separate section for deferred inflows and outflows of resource. This represents an increase or decrease in net position that applies to future periods. GASB 68 for the Port's portion of the State's pension created $179,424 of deferred outflow and $329,455 of deferred inflow of resources as of December 31, 2018. GASB 75 for the Port's portion of the State's other post-employment benefits (OPEB) created $168,060 of deferred outflow of resources as of December 31, 2018.

9. Recent Accounting Pronouncements

In 2015, the Port implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* GASB also issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (amending GASB Statement No. 68). An Amendment of GASB Statement No. 27 (Issued 06/12). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Prescribed disclosures are in Note 7.

In 2018, the Port implemented GASB Statement No. 75, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans.* The statement establishes standards for state and local government employer recognition, measurement and presentation information about post-employment benefits other than pensions (OPEB). Prescribed disclosures are in Note 13.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

The Benton County Treasurer is the ex officio treasurer for the Port of Benton and holds all accounts of the Port in the Port's name within the Benton County Treasurer's accounts. The Port directs the County Treasurer to invest Port financial resources which the Port has determined are not needed to meet the current financial obligations of the Port.

The Port is a participant in the Benton County Treasurer's Investment Pool (TIP), an external investment pool. The Port reports its investments in the Pool at fair value amount, which is the value of the Pool per share. Benton County Treasurer is responsible for managing the Pool and has adopted a formal deposit and investment policy pursuant to RCW 36.29.020. The Benton County Finance Committee consists of the Benton County Treasurer as Chair, the Benton County Auditor as Secretary, and the Chair of the Board of Benton County Commissioners. All deposits and investments are subject to written policies and procedures adopted by the Benton County Finance Committee. The philosophy in developing the TIP was to create a locally managed diversified investment option that would take advantage of the economies of scale, simplify administration, and achieve a potentially higher yield than other available programs.

Deposits are classified on the Statement of Net Position as cash and cash equivalents. Investments with maturities of more than three months are classified on the Statement of Net Positions as investments. The Port of Benton had no investments and no insured or collateralized investments with maturities of more than three months as of December 31, 2018 since all of the Port's deposits are within the Benton County TIP and can be cashed out in their entirety daily or with a ten (10) day notice if over $10 million as per the Investment Service Agreement.

Custodial Risk. Custodial risk for deposits and investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its deposits and investment or collateral securities that are in the possession of an outside party. The Port's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in multiple financial institutions collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The Benton County Treasurer's policy dictates that all deposits and investment instruments other than non-negotiable certificates of deposit and monies placed with the Washington State Local Government Investment Pool are transacted on the delivery versus payment basis. This means that payment is made simultaneously with the receipt of the security. Securities are held in safekeeping in the county's name by an institution (custodian) under contract with the county Treasurer. Currently, safekeeping is with Bank of New York Mellon.

Port of Benton deposits by type at December 31, 2018 are as follows:

Deposit	**Maturity**	**Fair Value of Port of Benton's Own Investments**	**Fair Value of the Port of Benton Deposits**	**Total**
Benton County Investment Pool	Daily	$0.00	$3,090,146	$3,090,146
Banner Bank	Daily	$0.00	$115,364	$115,364
US Bank	Daily	$0.00	$12,657	$12,657
Total		$0.00	$3,218,167	$3,218,167

The Banner Bank and US Bank funds are cash accounts that are highly liquid and are held at Washington State approved depositories.

External Investment Pool. The Benton County TIP is not registered with the Securities and Exchange Commission (SEC) as an investment company. Oversight is provided by the Benton County Finance Committee. In 2013, the Board of Commissioners, Finance Committee, and County Treasurer authorized the expansion of the TIP and with that expansion, an alternative investment vehicle is available not only to the county, but allows for participation by other legally separate entities such as special districts and public agencies, for which the county is ex officio treasurer. Participation in the pool by districts and agencies is voluntary, with a signed Investment Service Agreement submitted to the county treasurer. The county and districts are able to take advantage of higher yielding investment opportunities by combining purchasing power while maintaining objectives of safety, liquidity, and yield. The TIP has grown from four participants with 34 funds to ten participants encompassing 58 funds in 2014. It is expected that the growth of the TIP will continue.

NOTE 3 – PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

Property Tax Calendar	
January 1	Tax islevied 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 tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. 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 are evaluated annually.

The Port may levy up to $0.45 per $1,000 assessed valuation for general governmental services.
The Port's regular levy for 2018 was $.4008 per $1,000 on an assessed valuation of $5.89 billion for a total regular levy of $2,359,753. In 2017, the regular tax levy was $.4001 per $1,000 on an assessed valuation of $5.77 billion for a total regular levy of $2,309,810. Washington State Constitution and State law, RCW 84.55.010, limit the rate.

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

A. Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

   All capital assets are valued at historical cost (or estimated historical cost, where historical cost is not known/ or estimated market value for donated assets). (Donations by developers and customers are recorded at the contract price or donor cost or appraised value).

   The Port has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the Port has sufficient legal interest to accomplish the purpose for which the assets were acquired and has included such assets within the applicable account.

   The Port's policy is to capitalize all assets greater than $1,000 and with an estimated life of more than one year. Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of 5 to 50 years.

B. Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 12/31/2017	Increase	Decrease	Balance 12/31/2018
Capital assets, not depreciated:				
Land	11,845,828	-	(20,062)	$ 11,825,766
Construction in progress	4,445,008	6,578,242	(6,873,434)	4,149,816
Total capital assets, not depreciated	16,290,836	6,578,242	(6,893,496)	15,975,582
Capital assets, depreciated:				
Buildings	44,078,156	4,997,490	(150,797)	48,924,849
Improvements other than buildings	42,200,741	1,637,559	(592,353)	43,245,947
Machinery and equipment	3,723,248	93,511	(21,218)	3,795,541
Total capital assets, depreciated	90,002,145	6,728,560	(764,368)	95,966,337
Less accumulated depreciation for:				
Buildings	16,390,421	1,514,426	(172,015)	17,732,832
Improvements other than buildings	23,943,676	1,701,916	(592,353)	25,053,239
Machinery and equipment	3,194,562	78,706	-	3,273,268
Total accumulated depreciation	43,528,659	3,295,048	(764,368)	46,059,339
Total capital assets, depreciated, net	$ 62,764,322	$ 10,011,754	$ (6,893,496)	$ 65,882,580

C. The Port of Benton has active construction projects as of December 31, 2018. The Port's commitment on contracts were as follows:

Project:	Spent to Date:	Remaining Commitment:
Prosser Airport Masterplan	$275,804	$14,508
Richland Airport Pavement	$2,938,138	$14,834
Richland Airport Helipad	$426,405	$90,000
Crow Butte RV Planning	$130,135	$11,625

NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no violations of finance-related legal or contractual provisions.

NOTE 6 – LEASES

The Port, as a lessor, leases land and facilities under terms of 1 to 50 years. In addition, some properties are rented on a month-to-month basis. Minimum future rental revenue under non-cancellable operating leases are as follows:

Years Ending December 31,

2019	$	2,813,476
2020		2,502,528
2021		1,502,472
2022		1,004,966
2023		881,532
Thereafter		16,580,655
TOTAL	$	25,285,629

NOTE 7 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2018:

Aggregate Pension Amounts – All Plans		
Pension liabilities	$	(864,490)
Pension assets	$	-
Deferred outflows of resources	$	179,424
Deferred inflows of resources	$	(329,455)
Pension expense/expenditures	$	77,628

State Sponsored Pension Plans

Substantially all of the Port's 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 and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

<u>Contributions</u>

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January – August 2018		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**12.70%**	**6.00%**
September – December 2018		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	**12.83%**	**6.00%**

* For employees participating in JBM, the contribution rate was 12.26%.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 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 three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. 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 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – August 2018		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0,18%	
Employee PERS Plan 3		Varies
Total	**12.70%**	**7.38%**
September – December 2018		
PERS Plan 2/3	7.52%	7.41%

PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.83%**	**7.41%**

* For employees participating in JBM, the contribution rate was 18.45% to 18.53%.

The Port's actual PERS plan contributions were $87,257 to PERS Plan 1 and $129,249 to PERS Plan 2/3 for the year ended December 31, 2018.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation

- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.

- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.

- Lowered assumed inflation from 3.00% to 2.75% for all systems.

- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.

- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease -6.40%		Current Discount Rate -7.40%		1% Increase -8.40%	
PERS 1	$	711,526	$	578,977	$	464,162
PERS 2/3	$	1,305,944	$	285,513	$	(551,126)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Port reported a total pension liability of $864,490 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)	
PERS 1	$	578,977
PERS 2/3	$	285,513

At June 30, the Port's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.012744%	0.012964%	0.000220%
PERS 2/3	0.016392%	0.016722%	0.000330%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the Port recognized pension expense as follows:

	Pension Expense
PERS 1	$ 61,360
PERS 2/3	$ 16,268
TOTAL	$ 77,628

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (23,008)
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 44,078	$ -
TOTAL	$ 44,078	$ (23,008)

PERS 2 & 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 34,996	$ (49,988)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (175,204)
Changes of assumptions	$ 3,340	$ (81,255)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 32,058	$ -
Contributions subsequent to the measurement date	$ 64,952	$ -
TOTAL	$ 135,347	$ (306,447)

TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 34,996	$ (49,988)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (198,212)
Changes of assumptions	$ 3,340	$ (81,255)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 32,058	$ -
Contributions subsequent to the measurement date	$ 109,030	$ -
TOTAL	$ 179,424	$ (329,455)

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2019	$ 1,007
2020	$ (5,030)
2021	$ (15,093)
2022	$ (3,892)
2023	$ -
Thereafter	$ -

Year ended December 31:	PERS 2 & 3
2019	$ (10,719)
2020	$ (53,306)
2021	$ (104,250)
2022	$ (36,721)
2023	$ (11,708)
Thereafter	$ (19,349)

NOTE 8 – RISK MANAGEMENT

Port of Benton 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, 2018, there are 549 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- $1,000,000 self-insured retention on liability loss - the member is responsible for the first $1,000 of the amount of each claim, while Enduris is responsible for the remaining $999,000 on a liability loss.

- $250,000 self-insured retention on property loss - the member is responsible for the first $10,000 of the amount of each claim, while Enduris is responsible for the remaining $240,000 on a property loss.

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is 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, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is $20 million per occurrence and property coverage limit is $1 billion per occurrence. Enduris offers crime coverage up to a limit of $1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

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

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

A Board of Directors consisting of seven (7) board members governs Enduris. The Pool's 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.

Enduris did not have any claim settlements that exceeded limits in the last three years.

NOTE 9 – SHORT-TERM DEBT

As of December 31, 2018, the Port of Benton has no Short-Term Debt.

NOTE 10 – LONG-TERM DEBT

The Port issues general obligation bonds to finance the construction of buildings and infrastructure related to economic development. Bonded indebtedness has also been entered into in prior years to advance refund several general obligation bonds. The Port is also liable for notes that were entered into for the modifications to an existing Port owned warehouse, building purchases and land purchases. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources.

The general obligation bonds currently outstanding are as follows:

Taxable, matures, 2012-2026	5.25% to 6.20%	$1,580,000
Tax-Exempt, matures, 2026-2030	4.75%	$1,410,000

A. Annual Debt Amortization

The annual principal and interest requirements for all debt outstanding as of December 31, 2018 are as follows:

Years Ending December 31,	Principal	Interest	Total
2019	560,736	383,336	944,072
2020	582,685	360,820	943,505
2021	582,137	334,671	916,808
2022	452,928	307,887	760,815
2023	479,394	283,340	762,734
2024-2033	4,955,147	1,298,965	6,254,112
Total	$ 7,613,027	$ 2,969,019	$ 10,582,046

B. Changes in Long-Term Liabilities

During the year ended December 31, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2018	Advances	Re payments	Ending Balance 12/31/2018	Due Within One Year
CERB Loan	$ 91,515	$ -	$ (14,876)	$ 76,639	$ 15,024
WSDOT Loan	$ 100,000	$ -	$ (16,667)	$ 83,333	$ 16,667
HAEIFC	$ 562,009	$ -	$ (133,733)	$ 428,276	$ 136,676
OPEB Liability	$ 886,673	$ 31,569	$ -	$ 918,242	$ -
Port Share of State PERS	$ 1,174,256	$ -	$ (309,766)	$ 864,490	$ -
NoaNet Liability	$ -	$ 90,000	$ (30,000)	$ 60,000	$ 30,000
Banner Bank Notes TE	$ -	$ 1,000,000		$ 1,000,000	$ 47,703
Banner Bank Notes TAX	$ 500,000	$ 2,500,000	$ (25,223)	$ 2,974,777	$ 134,666
Total Other Obligations	$ 3,314,453	$ 3,621,569	$ (530,265)	$ 6,405,757	$ 380,736
2012 GO Bonds Taxable	$ 1,750,000	$ -	$ (170,000)	$ 1,580,000	$ 180,000
2012 GO Bonds Nontaxable	1,410,000	-	-	$ 1,410,000	-
	-				
Total GO Debt	$ 3,160,000	$ -	$ (170,000)	$ 2,990,000	$ 180,000

NOTE 11 – CONTINGENCIES AND LITIGATION

The Port's financial statements included all material liabilities. There are no material contingent liabilities to record. The Port participates in a number of federal and state assisted programs. These grants are subject to audit by the 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.

The Port is currently involved in the following litigation:

1. Center Parkway: The City of Kennewick and the City of Richland named the Tri-City Railroad Company, LLC (TCRY), and the Port of Benton in a civil lawsuit (Benton County Superior Court, No. 15-2-01039-2). The Port of Benton has had basically no involvement in this suit and has no potential financial obligation or liability regardless of the outcome. TCRY recently lost their Motion to Dismiss.

2. Taxpayer Lawsuit: The Port of Benton was named in a taxpayer lawsuit originating in Thurston County Superior Court (Randolph Peterson, taxpayer, et al., v. Port of Benton, and the State of Washington Department of Revenue, and Intervenor Plaintiff Union Pacific Railroad, and Intervenor Defendant BNSF Railway Company, No. 16-2-03211-34). Upon a summary judgment hearing, all issues were decided in favor of the Port of Benton. The taxpayer, Randolph Peterson, owner of Tri-City Railroad Company, LLC, attempted to directly appeal the judgment to the Washington Supreme Court. The Supreme Court declined to accept the direct appeal and directed the case back to Division II, Court of Appeals out of Tacoma. Division II then transferred the case to Division I in Seattle. Oral arguments were heard at the Court of Appeals on January 15, 2019. All parties are still awaiting a ruling. The Port does not feel that there is significant outstanding liability in this case. Should the taxpayer prevail in the lawsuit, the Port would be forced to charge additional money for use of the rail line as well as additional rent from the TCRY.

3. Railroad Default: The Tri-City Railroad Company, LLC, was sent a letter notifying them that they are in default of their Lease with the Port of Benton as of March 16, 2018 for failure to maintain the railroad to the standard enumerated in the Lease (FRA Class 3 maintenance standard). The Port believes that the tenant is in material default but cannot bring an unlawful detainer suit to evict the tenant and terminate the Lease because of federal preemption protection from the Surface Transportation Board (see #6 below).

4. Reimbursement for Marv Bonney cleanup - Restorical Research, LLC, along with attorney Matthew Cockrell, were retained by the Port of Benton on a contingency fee basis to explore recovery of funds expended on the Prosser Airport Marv Bonney Cleanup site. To date, the entities have found approximately $344,000 in costs that the insurers have reimbursed to the Port. Out of that recovery, the Port compensates both Restorical and Cockrell 15%.

5. Railroad Retirement Board: The Port of Benton was, again, determined not to be a covered employer under the Railroad Retirement and Railroad Unemployment Insurance Acts. The Board determined that because the Port is not involved in day to day operations, and because the primary business purpose of the Port is not to profit from railroad activities, that the Port is not a covered employer that must pay into the Retirement and Unemployment Insurance Acts. TCRY has attempted to appeal this ruling to the Ninth Circuit Court of Appeals. The Railroad Retirement Board has opposed this appeal. To date, the Port has not made any filings as we believe, as does the RRB, that TCRY lacks standing (since they are not an aggrieved party) to bring such an appeal.

6. Surface Transportation Board: The Port of Benton filed an Adverse Discontinuance of Rail Service at the Surface Transportation Board. TCRY remains in default of their Lease, but the Port is unable to evict them due to a preemptive shield held by the STB. Both parties have submitted all filings and documentation and await a ruling, likely to be given sometime in June of 2019. If the Port prevails, then the Port will be able to seek an unlawful detainer remedy in either State Superior Court, or within the *Qui Tam* federal lawsuit that remains pending (see #8).

7. The Port has retained the law firm of Gordon Tilden Thomas & Cordell LLP out of Seattle, WA in regard to an insurance defense dispute. When the Port was presented with the *Qui Tam* claim from TCRY, the Port reached out to Enduris, the Port's insurer. Enduris initially denied all coverage without providing reasoning that the Port found sufficient. The Port tendered letters to all past insurance coverage entities for the years relevant to the lawsuit and received similar denials. The Port then retained Frank Cordell of the Gordon Tilden Thomas & Cordell law firm. Since that time, four total insurance entities have provided notice that they will begin reimbursing all defense costs related to the *Qui Tam* lawsuit.

8. On June 1, 2018, the US Department of Justice and the US Attorney's office declined to intervene in a lawsuit against the Port of Benton. The US Attorney declined the case, finding a lack of merit, and the case was unsealed to all parties. The lawsuit is a *Qui Tam* and False Claims Act lawsuit filed against the Port of Benton by Randolph V. Peterson one of the owners of Tri-City Railroad Company, LLC and the Company itself. The lawsuit was filed in the Eastern District of Washington Federal Court in June 5, 2017, unbeknownst to the Port. On October 24, 2017, the Port was given a Civil Investigative Demand from the US Attorney's office and Department of Justice. This document is similar to Interrogatories in a lawsuit and sought numerous documents and answers to questions regarding false claims for payments submitted to the United States from 1998 to present in connection with the Southern Connection and the Indenture. The Port fully complied with written documentation. The US Attorney's office then asked for an in-person follow-up interview, which was held at POB offices on December 7, 2017. At the interview, Port counsel Tom Cowan asked US Attorney Dan

Fruchter if he could reveal the reasoning or source behind the investigative demand and was told that information was confidential and could not be revealed.

The US Attorney's Office obtained an Order from the Court lifting the seal so that the 1st Amended Complaint could be provided to the Port, to allow the Port to provide any other information deemed worthwhile to the DOJ. Additional documentation was provided. This Amended Complaint revealed for the first time that the relator was TCRY, and that the Port, along with the City of Richland, and numerous individuals were being sued. Still, the Port did not break the ongoing seal as related to other Defendants but did notify our insurance carrier of the lawsuit once the US Attorney's Office verified that we were allowed to do so.

The Operative Complaint names the following defendants: (1) the Port; (2) Scott Keller, individually, and as the Executive Director of the Port; (3) Robert Larson, individually, and as Commissioner of the Port; (4) Roy Keck, individually, and as Commissioner of the Port; (5) Jane Hagerty, individually, and as Commissioner of the Port; (6) John Does 1-99, asserted to be employees, officers, directors, agents of the Port; (7) the City of Richland ("Richland"); (8) Peter Rogalsky, individually, and as the Richland Public Works Director; and (9) John Does 1-99, asserted to be employees, officers, directors, agents of Richland. The civil action seeks "the recovery of damages, civil penalties and disgorgement of monies obtained by the Port…as a result of violations of the Federal False Claims Act, 31 U.S.C. §§ 3729-3733, and other violations of the common law which support the causes of action for unjust enrichment and/or other legal and equitable remedies."

The Operative Complaint contains the following causes of action: (a) Qui Tam – 31 U.S.C. §§ 3729-3733; (b)Qui Tam Retaliation – 31 U.S.C. 3730(h); (c) retaliation for exercise of federal rights including those secured by the First and Fifth Amendments to the U.S. Constitution – 42 U.S.C. § 1983; (d) violation of federal rights as to equal protection, equal treatment, due process and equal enforcement of tax laws and property laws – 42 U.S.C. § 1983; (e) federal and state takings – physical taking of real property, business and expectations; (f) federal and state causes of action – regulatory taking of TCRC's Richland Junction in violation of TCRC's property interest under the state and federal constitutions; (g) federal and state causes of action – inverse condemnation, taking, oppressive pre-condemnation activities as to Richland Junction; (h) tortious interference with business expectancy; (i) tortious interference with TCRC's Railroad Lease; (j) breach of contract – TCRC as intended third party beneficiary; (k) trespass; (l) unjust enrichment; (m) nuisance; (n) negligence; (o) tortious interference with business expectancies/contracts; and (p) breach of 2002 Railroad

The dollar figure TCRY has attached to their claim is $7.5 Billion. Outside legal counsel has been retained. The Port does not believe it has acted improperly in regard to any of the claims. Plaintiffs have amended their Complaint numerous times. The case is in the early stages of discovery, and depositions are beginning to be scheduled. There is a trial set for March of 2020.

NOTE 12 – ECONOMIC DEVELOPMENT CORPORATION

The Port of Benton Economic Development Corporation was formed in 1981 by the Port Commissioners pursuant to the provisions of 1981 Washington laws Chapter 300 to promote local economic development. Commissioners of the Port of Benton also serve as directors of the Port of Benton Economic Development Corporation.

The balance of funds available as of December 31, 2018 was $6,348. These funds are to be used for economic development.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

In June 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaced GASB 45 and was implemented by the Port in 2018. The adoption of GASB 75 resulted in a restatement of net position at January 1, 2018 to reflect the change in the OPEB liability. The restatement increased the OPEB liability by $232,949 with an offsetting change in net position. See note 18 for additional details for the change in accounting principal adjustment.

As per the GASB Statement No. 75 summary, "The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency."

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2018:

Aggregate OPEB Amounts - All Plans		
OPEB liabilities	$	918,242
OPEB assets	$	-
Deferred outflows of resources	$	168,060
Deferred inflows of resources	$	-
OPEB expenditures	$	31,569

Plan Description

Other Post-Employment Benefits (OPEB) are benefits to retired employees beyond those provided by their pension plans. Such benefits include medical, prescription drug, dental, life, vision, disability, and long-term care insurance. The Public Employees Benefits Board (PEBB), the Port's substantive plan carrier, offers retirees access to all these benefits through PEBB. However, the Port provides only monetary assistance, or subsidies, for medical, prescription drug, life, and vision insurance. Port employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system.

The OPEB relationship between PEBB 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 employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

The Office of the State Actuary, a department within the primary government of the State of Washington, issues a publicly available Other Post-Employment Benefits Actuarial Valuation Report. The Other Post-Employment Benefits Actuarial Valuation Report may be obtained by writing to: Office of the State Actuary, PO Box 40914, Olympia, Washington 98504 or it may be downloaded from the Office of the State Actuary website at http://osa.leg.wa.gov.

Subsidies

The Washington State Health Care Authority (HCA) administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidy, permitted under RCW 41.05.085, is a straightforward, set dollar amount for a specific group of people. The explicit subsidy lowers the monthly premium paid by retired members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually.

The implicit subsidy, set up under RCW 41.05.022, is more complex because it is not a direct payment from the employer on behalf of the member. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retirees.

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitiled to but not yet receiving benefits	0
Active employees	24
Total	24

Funding Policy, Funding Progress and Reserves

The Port funds the implicit and explicit subsidies on a pay-as-you-go basis, meaning that Port pays these costs as they occur or become due. The Port’s cost-sharing policy on the medical premiums is to pay 100% of the PEBB medical plan for employees as described above. Plan Description above and 100% of the premiums up to 90 days after termination or retirement.

In order to fund the OPEB plan, the Port would have to establish an irrevocable trust, which means that the Port would no longer have control of the money from the trust. If the Port left the PEBB program, the Port would not be able to retrieve the money out of the trust. As of December 31, 2018, the Port does not pre-fund post-retirement medical insurance subsidies. Since the PEBB plan is paid for on a pay-as-you-go basis and was 0% funded, there are no assets to invest. However, currently the Port has sufficient cash and cash equivalents to cover the entire liabilities (if any costs are incurred in the future). If the Port no longer uses PEBB for their medical insurance coverage, under the current Port policy, the Port is not liable for any future cost to retired employees.

Assumptions and Other Inputs

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, service retirement, disability, mortality, and the health care cost trend. Amounts determined regarding the OPEB liability are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Changes in Total OPEB Liability and Related Ratios, presented as required supplementary information following the notes to the financial statements, presents the results of OPEB valuations as of June 30, 2018, and looking forward, the schedule will eventually provide multi-year trend information about the actuarial values of OPEB liability.

The actuarial assumptions used to measure the total OPEB liability, the entry-age normal cost method was used. The assumptions included a discount rate that ranged from 3.58% at the beginning of the measurement year to 3.87% at the end of the measurement year (Source Used: *Bond Buyer General Obligation 20-Bond Municipal Index*). Projected salary changes were 3.75% with the additional of service-based increases. Healthcare trend rates ranged from 5 to 7%. The inflation rate was set at 3.0%. The Post-Retirement participation percentage was 65%, with 45% assumed for spouse coverage.

The Port used the alternative measurement method permitted under GASB Statement No. 75. Data (e.g., age range, years of service, active age average, etc.) is compiled into the Office of State Actuary (OSA) GASB No. 75 reporting tool for all active and inactive members to determine the total pension liability and the total pension expense. The OSA report involves calculations that require assumptions about future economic and demographic events. Consistent with GASB reporting requirements, the Office of the State Actuary assumed a pay-as-you-go funding policy when selecting the assumed rate of investment return of 3.58%-3.87%, a decrease from 4% used in 2017. General and salary inflation are the same as those used in the June 30, 2017 Actuarial Valuation Report (AVR) issued by the OSA. Cost inflation begins at approximately 7% and decreases to an ultimate rate of about 5% in 2080. Participation percentage, percentage of spouses' coverage, and Medicare coverage was determined by the Office of the State Actuary. Covered payroll is assumed to grow at 3.75% per year.

OSA assumed 2/3 of members select a UMP plan and 1/3 select a Group Health plan. UMP pre- and post-Medicare costs and premiums are equal to the Uniform Medical Plan. The Group Health pre-Medicare costs and premiums are a 50/50 blend of GH Classic and GH Value. The Group Health post-Medicare costs and premiums are equal to GH Medicare.

OSA estimated retirement service for each active cohort based on the average entry age of 35. For example, an age 47 member is assumed to have 12 years of service. Service is a component of benefit eligibility.

Retirement, disablement, termination, and mortality rates were assumed to follow the PERS 2 rates used in the June 30, 2017 actuarial valuation report issued by the Office of the State Actuary (OSA). The following changes were made for simplicity. Assumed all employees are retirement eligible at age 55. Relied on OSA retirement rates for members with <30 years of service. Assumed a 100% rate of retirement at the age of 70.

Each cohort is assumed to be a 50/50 male/female split. OSA further assumed that eligible spouses are the same age as the primary member. Generally, males are older than females, but OSA believes the simplification is reasonable. Age-based cohorts were used based upon the overall distribution of State employees and retirees that participate in PEBB. OSA believes the grouping approach is reasonable for the purposes of the Alternative Measurement Method.

The following presents the total OPEB liability of the District for each plan calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8 percent) or 1-percentage point higher (7.8 percent) that the current rate.

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	$736,835	$918,242	$1,156,626

The following presents the total OPEB liability of the District calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5 percent) or 1-percentage point higher (4.5 percent) that the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	$1,120,208	$918,242	$759,285

Changes to the Total OPEB Liability
The following presents the changes to the total OPEB liability.

Total OPEB Liability at 07/01/2017	$	886,673
Service cost		53,447
Interest		33,656
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		(55,534)
Benefit Payments		-
Other Changes		-
Total OPEB Liability at 06/30/2018	**$**	**918,242**

The Port reported a total OPEB expense of $31,569 in 2018.

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outlows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	-	$	-
Changes of assumptions	$	-	$	-
Payments subsequent to the measurement date	$	168,060	$	-
Total	$	168,060	$	-

Deferred outflows of resources of $168,060 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2019	$ 168,060
2020	$ -
2021	$ -
2022	$ -
2023	$ -
Thereafter	$ -

NOTE 14 – ENVIRONMENTAL LIABILITIES

The Port of Benton is subject to laws and regulations relating to the protection of the environment. The Port's policy is to accrue environmental and cleanup related costs when it is both probable that a liability has been incurred and when the amount can be reasonably estimated.

In November 2006, the Government Accounting Standards Board issued GASB No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The provisions of this Statement are effective for fiscal periods beginning after December 15, 2007. The Port has adopted this standard in 2008.

GASB Statement No. 49 requires disclosure of "obligations to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities. GASB Statement No. 49 identifies five "obligating events" that require a government agency to disclose future outlays associated with remediation of contaminated sites. Once any of the five obligating events occurs, the government agency must document the components of expected pollution remediation outlays that are reasonably estimable. At this time, the Port has determined that future cleanup costs associated with the site constitute the pollution remediation obligations.

From 2007 to 2012 the Port was involved in cleaning up a property at the Prosser Airport. The Port has completed the cleanup and is now working with the Department of Ecology to monitor the site. At December 31, 2018 the Port does not believe any further action will be needed to remediate this site.

In 2015 the Port received 759 acres of industrial land near Horn Rapids Road in Richland from the Department of Energy. At the time of the transfer the Port was not aware of any hazardous materials or contamination. However, the land is in the proximity of ongoing and planned waste cleanup activities. There is a possibility that the land could require pollution remediation. Although the Port may not bear ultimate liability for any contamination, the Port is presumptively liable as the property owner.

NOTE 15 – RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements.

NOTE 16 – SUBSEQUENT EVENTS

The following events and transactions occurred subsequent to December 31, 2018**:**

On January 31, 2019, the Port sold real property in the Technology and Business Campus for $2,510,000. Additionally, on March 4, 2019, the Port sold real property in the Technology and Business Campus for $955,000.

On August 6, 2019, the Port executed the final documents to own fee simple 71.5 acres of land in the Richland Industrial Center. The Port paid the United States of America through the Secretary of Transportation $3,060,000 for this ownership.

NOTE 17 – PRIOR PERIOD ADJUSTMENT

During the year ending December 31, 2018, an immaterial error in the amount of $75,638 was identified in the accumulated depreciation balance. This error has been corrected and the impact has been shown as an adjustment to net position on the statement of revenues, expenses and changes in net position.

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLE

The Port adopted GASB 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions (OPEB),* in 2018 which resulted in a restatement of net position to reflect the Port's increased OPEB liability. The restatement decreased the Port's net position by $232,949. See Note 13 for additional information.

PORT OF BENTON

MCAG No. 1698

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS PUBLIC EMPLOYEES BENEFITS BOARD

FOR THE YEAR ENDED DECEMBER 31, 2018

LAST 10 FISCAL YEARS*

	2018
Total OPEB Liability - beginning	$ 886,673
Service cost	$ 53,447
Interest	$ 33,656
Changes in benefit terms	$ -
Differences between expected and actual experience	$ -
Changes of assumptions	$ (55,534)
Benefit payments	$ -
Other changes	$ -
Total OPEB Liability - ending	$ 918,242
Covered-employee payroll	$ 1,798,040
Total OPEB liability as a % of covered payroll	51.07%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

PORT OF BENTON

MCAG No. 1698

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

SCHEDULE OF THE PORT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

AS OF JUNE 30, 2018

PERS 1

	2015	2016	2017	2018
Employer's proportion of the net pension liability (asset)	0.011772%	0.012689%	0.012744%	0.012964%
Employer's proportionate share of the net pension liability*	$ 615,785	$ 684,459	$ 604,713	$ 578,977
TOTAL	$ 615,785	$ 684,459	$ 604,713	$ 578,977
Covered payroll*	$ 1,349,356	$ 1,508,580	$ 1,607,109	$ 1,722,732
Employer's proportionate share of the net pension liability as a percentage of covered payroll	45.64%	45.37%	37.63%	33.61%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%

*Until a full 10-year trend is compiled, only information for those years available is presented

PERS 2/3

	2015	2016	2017	2018
Employer's proportion of the net pension liability (asset)	0.015210%	0.016280%	0.016392%	0.016722%
Employer's proportionate share of the net pension liability*	$ 543,391	$ 819,685	$ 569,544	$ 285,513
TOTAL	$ 543,391	$ 819,685	$ 569,544	$ 285,513
Covered payroll*	$ 1,349,356	$ 1,508,580	$ 1,607,109	$ 1,722,732
Employer's proportionate share of the net pension liability as a percentage of covered payroll	40.27%	54.33%	35.44%	16.57%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%

*Until a full 10-year trend is compiled, only information for those years available is presented

PORT OF BENTON

MCAG No.1698

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

AS OF DECEMBER 31, 2018

PERS 1

	2015	2016	2017	2018
Statutorily or contractually required contributions	$ 62,888	$ 74,139	$ 82,791	$ 87,257
Contributions in relation to the statutorily or contractually required contributions*	(62,888)	(74,139)	(82,791)	(87,257)
Contribution deficiency (excess)	-	-	-	-
Covered payroll*	$ 1,469,916	$ 1,554,286	$ 1,687,551	$ 1,723,322
Contributions as a percentage of covered payroll	4.28%	4.77%	4.91%	5.06%

*Until a full 10-year trend is compiled, only information for those years available is presented

PERS 2/3

	2015	2016	2017	2018
Statutorily or contractually required contributions	$ 146,252	$ 173,769	$ 116,086	$ 129,249
Contributions in relation to the statutorily or contractually required contributions*	(146,252)	(173,769)	(116,086)	(129,249)
Contribution deficiency (excess)	-	-	-	-
Covered payroll*	$ 1,469,916	$ 1,554,286	$ 1,687,551	$ 1,723,322
Contributions as a percentage of covered payroll	9.95%	11.18%	6.88%	7.50%

*Until a full 10-year trend is compiled, only information for those years available is presented

Port of Benton
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF	Cluster Grants	11.020	ED17HDQ0200 056	-	89,005	89,005	-	1,2,3
U.S. FISH AND WILDLIFE SERVICE, INTERIOR, DEPARTMENT OF THE	Sportfishing and Boating Safety Act	15.622	F15AP00247	-	3,225	3,225	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0050-16	-	13,057	13,057	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0050-17	-	8,552	8,552	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0056-28	-	397,118	397,118	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0056-29	-	3,522	3,522	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0056-30	-	381,658	381,658	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0056-31	-	1,081	1,081	-	1,2
			Total CFDA 20.106:	**-**	**804,988**	**804,988**	-	

The accompanying notes are an integral part of this schedule.

Port of Benton
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

				Expenditures				
Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total	Passed through to Subrecipients	Note
		Total Federal Awards Expended:		-	897,218	897,218	-	

The accompanying notes are an integral part of this schedule.

Port of Benton

MCAG No. 1698

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2018

NOTE 1 – BASIS OF ACCOUTING

This schedule is prepared on the same basis of accounting as the Port's financial statements. The Port uses the full-accrual basis of accounting.

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Port of Benton's portion, are more than shown. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The Port has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as fraud, state whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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Toll-free Citizen Hotline	(866) 902-3900
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