Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Benton

For the period January 1, 2019 through December 31, 2020

Published February 10, 2022

Report No. 1029883

Office of the Washington State Auditor
Pat McCarthy

February 10, 2022

Board of Commissioners
Port of Benton
Richland, Washington

Report on Financial Statements

Please find attached our report on the Port of Benton's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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INDEPENDENT AUDITOR'S REPORT

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, 2019 through December 31, 2020

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 years ended December 31, 2019 and 2020, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated February 4, 2022.

As discussed in Note 15 to the 2019 and 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Port is unknown.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits 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 opinions 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

Pat McCarthy, State Auditor

Olympia, WA

February 4, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Port of Benton
January 1, 2019 through December 31, 2020

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 years ended December 31, 2019 and 2020, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 9.

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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 opinions.

Opinions

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, 2019 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 15 to the 2019 and 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Port is unknown. 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 9 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2022 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

February 4, 2022

FINANCIAL SECTION

Port of Benton
January 1, 2019 through December 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020
Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020
Statement of Net Position – 2019
Statement of Revenues, Expenses and Changes in Net Position – 2020
Statement of Revenues, Expenses and Changes in Net Position – 2019
Statement of Cash Flows – 2020
Statement of Cash Flows – 2019
Notes to Financial Statements – 2020
Notes to Financial Statements – 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios Public Employee Benefits Board – 2020
Schedule of Changes in Total OPEB Liability and Related Ratios Public Employee Benefits Board – 2019
Schedule of Proportionate Share of Net Pension Liability – PERS 1 & PERS 2/3 – 2020
Schedule of Proportionate Share of Net Pension Liability – PERS 1 & PERS 2/3 – 2019
Schedule of Employer Contributions – PERS 1 & PERS 2/3 – 2020
Schedule of Employer Contributions – PERS 1 & PERS 2/3 – 2019

Port of Benton

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

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, 2020, with selected comparative information for the year ended 2020. This 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 1990s, the Port received several buildings and hundreds of acres of land from the Department of Energy (DOE), which were subsequently modernized and updated to meet City of Richland codes and regulations. As tenants began to populate into the Richland sites, the wine industry was also developing in the Prosser area. To better support development of the recreation and tourism aspects of the emerging wine industry, the Port changed its focus in west Benton County. The Walter Clore Wine & Culinary Center and the Wine and Food Park highlight the Port's investment in the growth of this industry. In addition, the Port liaisons with several economic development partners, as it moves forward in achieving its long-term vision to support community prosperity. These partners include other municipalities, local economic development agencies, chambers of commerce, the Tri-Ports organization, which was formed to unite the ports of Kennewick and Pasco with the Port of Benton, universities and the State and Federal governments.

Today, the Port of Benton concentrates its resources on infrastructure and economic development, in an inclusive 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 reporting model mandated by GASB, referred to as GASB Statement No. 34, where the Port is comprised of a single enterprise fund. Adoption of GASB Statement No. 34 negated the requirement for Fund level financial statements. In conformance with GASB, such statements have been excluded.

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 provide 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: As of December 31, 2020, total Port assets of $69,010,908 exceed total liabilities of $9,423,169 by $59,587,739, a change of -0.2% over the period ended December 31, 2019.

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

Decrease in Current Assets: Current assets as of December 31, 2020 decreased $72616, or -1.8% over the prior period.

Capital Assets: The Port's investment in capital assets for its business type activities as of December 31, 2020 amounts to $64,597,349 (net of accumulated depreciation) which is an decrease of approximately -1.3%. This investment includes construction in process, improvements, buildings and machinery and equipment.

Liabilities: At December 31, 2020, the Port's total long-term debt outstanding was $6,256,209. Of this amount, general obligation bonds outstanding were $2,620,000. The Port's total long-term liabilities decreased by $354,111 between 2019 and 2020. Additional information on the Port's long-term debt may be found in Note 9 of this report.

Revenues: 2020 annual operating revenues are $4,819,980. Operating revenues increased as compared to $4,495,670 for that same period in 2019.

Expenses: Operating expenses for the year ended December 31, 2020 remained stable at $9,643,777 as compared to 2019 operating expenses of $9,529,888.

Financial Position

The statements of net position present the financial position of the Port as of December 31, 2020. 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, 2020 and 2019 follows:

PORT OF BENTON'S Net Position

	2020	2019
Current assets	$ 4,049,471	$ 4,122,087
Net capital assets	64,597,349	65,437,855
Other noncurrent assets & deferred outflow	364,088	596,568
Total assets & deferred outflow	**69,010,908**	**70,156,510**
Current liabilities	1,324,073	2,459,838
Noncurrent liabilities & deferred inflow	8,099,096	7,971,983
Total liabilities	**9,423,169**	**10,431,821**
Net Position:		
Net Investment in capital assets, net of related debt	58,273,249	58,813,819
Unrestricted	1,314,490	910,870
Total net position	**$ 59,587,739**	**$ 59,724,689**

Financial Operations

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

Statements of Revenues, Expenses and Changes in Net Position

	2020	2019
Operating revenues	$ 4,819,980	$ 4,495,670
Operating expenses	9,643,777	9,529,888
Operating Income (loss)	**(4,823,797)**	**(5,034,218)**
Non-operating revenue (expense)	657,112	3,413,635
Ad valorem tax revenues	2,519,083	2,415,249
Total non-operating revenues (expenses)	**3,176,195**	**5,828,884**
Change in net position, before capital contribution	(1,647,602)	794,666
Capital contributions	2,019,484	1,079,265
Increase in net position, before special items	371,882	1,873,931
Prior Period Adjustments	(508,832)	(1,390,570)
Change in Accounting Principle	-	-
Net position at beginning of year	59,724,689	59,241,328
Net position at end of year	**$ 59,587,739**	**$ 59,724,689**

ECONOMIC FACTORS

Economic Outlook:

Tri-Energy Partnership: In 2020 the U.S. Department of Energy announced two awards for the Advanced Reactor Demonstration Program, one of the awardees – X-Energy – later announced that it would locate its development site in the Tri-Cities while forming the Tri-Energy Partnership with Energy Northwest and Grant County PUD. With this announcement the Port was positioned to leverage the region's extensive clean energy technology experience to drive economic growth in support industries for this project throughout the clean energy industry. The Port will serve as a founding member of a clean energy technology supply chain alliance, focusing industrial development activity around a reliable domestic supply chain for global advanced energy technology products.

COVID-19 Pandemic Considerations and Business Continuity: As of the date of these statements, the known adverse economic effects of the COVID-19 pandemic have been reflected in the Port operations. The Port currently anticipates some lease revenue reduction due to the reduction of office space from existing tenants and limited inquiries for office space. The Port continues to consider various internal and external factors in assessing the potential impact of the COVID-19 pandemic on its business and financial results based upon information available at this time, as follows:

Operating Model: The Port has a diversified business model with flexibility designed into its operations and commercial leasing capabilities.

Supply Chain: The Port continues to closely monitor and maintain critical project inventory away from high-risk areas to ensure adequate and effective distribution.

Business Continuity: A dynamic COVID-19 focused business continuity plan has been instrumental in preparing the Port for events like COVID-19, resulting in uninterrupted Port operations and meeting lessee needs.

Workforce: The Port has put procedures in place to protect its essential workforce in operations, while ensuring appropriate remote working protocols have been established for all employees.

The Port will continue to assess and evaluate on-going legislative efforts to combat the COVID-19 impact on economies, its tenants and the sectors in which the Port participates. Currently, recent legislative acts put in place are not expected to have a material impact on the Port's operations.

Airports: The Port has a new master plan (the Plan) in process for the Richland Airport. The Richland Airport is very close to running out of land that can be leased. The FAA has approved the master plan forecast. The Plan will guide the Port in its development of the next 20 years. The Prosser Airport completed a master plan during 2019, the FAA following with funding for new east taxi-lane construction. Upon completion of planned improvements, the Port projects revenue at this Airport will remain stable and perhaps experience a nominal increase in revenue over the next three years, excluding the local, regional and federal effects of the COVID-19 pandemic.

Tri-Cities Research District: In 2019, the Port removed an indenture agreement with General Services Administration (GSA) and U.S. Department of Administration Maritime Administration (MARAD), within the Richland Innovation Center (RIC) making the property available for both lease and sale. The Port has already seen an increase in land and building use flexibility as a result. Current roadway projects are anticipated to result in additional land sales and job creation. In addition, within the Technology and Business Campus, the Port sold land for private development during 2019, to encourage private investment and job creation. The Port has seen stable demand for commercial and industrial lease space. The State Regional Economic forecast reflects that the region Metropolitan Statistical Area (MSA) has the second largest job recovery rate within the 12 Metro areas within the state and added 800 jobs to the economy.

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 operating costs 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 $.4879 in 2005 to $.3622 in 2020 which is approximately a 26% decrease. A $100,000 house paid $48 in Port of Benton property taxes in 2005; and just $36 in 2020.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

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, 2019, with selected comparative information for the year ended 2019. 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 1990s, the Port received several buildings and hundreds of acres of land from the Department of Energy (DOE), which were subsequently modernized and updated to meet City of Richland codes and regulations. As tenants began to populate into the Richland sites, the wine industry was also developing in the Prosser area. To better support development of the recreation and tourism aspects of the emerging wine industry, the Port changed its focus in west Benton County. The Walter Clore Wine & Culinary Center and the Wine and Food Park highlight the Port's investment in the growth of this industry. In addition, the Port liaisons with several economic development partners, as it moves forward in achieving its long-term vision to support community prosperity. These partners include other municipalities, local economic development agencies, chambers of commerce, the Tri-Ports organization, which was formed to unite the ports of Kennewick and Pasco with the Port of Benton, universities and the State and Federal governments.

Today, the Port of Benton concentrates its resources on infrastructure and economic development, in an inclusive 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 reporting model mandated by GASB, referred to as GASB Statement No. 34, where the Port is comprised of a single enterprise fund. Adoption of GASB Statement No. 34 negated the requirement for Fund level financial statements. In conformance with GASB, such statements have been excluded.

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The statements of net position and the statements of revenues, expenses and changes in net position provide 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: As of December 31, 2019, total Port assets of $70,156,510 exceed total liabilities of $10,431,821 by $59,724,689, a change of 0.8% over the period ended December 31, 2018.

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

Decrease in Current Assets: Current assets as of December 31, 2019 decreased $78,926, or -1.9% over the prior period.

Capital Assets: The Port's investment in capital assets for its business type activities as of December 31, 2019 amounts to $65,437,855 (net of accumulated depreciation) which is an decrease of approximately -0.7%. This investment includes construction in process, improvements, buildings and machinery and equipment.

Liabilities: At December 31, 2019, the Port's total long-term debt outstanding was $6,610,320. Of this amount, general obligation bonds outstanding were $2,810,000. The Port's total long-term liabilities decreased by $1,013,243 between 2018 and 2019. Additional information on the Port's long-term debt may be found in Note 9 of this report.

Revenues: 2019 annual operating revenues are $4,495,670. Operating revenues remained stable as compared to $4,530,186 for that same period in 2018.

Expenses: Operating expenses for the year ended December 31, 2019 are $9,529,888, or 2.0% more than 2018 operating expenses of $9,346,396 for that same period.

Financial Position

The statements of net position present the financial position of the Port as of December 31, 2019. 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, 2019 and 2018 follows:

PORT OF BENTON'S Net Position

	2019	2018
Current assets	$ 4,122,087	$ 4,201,013
Net capital assets	65,437,855	65,882,580
Other noncurrent assets & deferred outflow	596,568	621,393
Total assets & deferred outflow	**70,156,510**	**70,704,986**
Current liabilities	2,459,838	2,221,663
Noncurrent liabilities & deferred inflow	7,971,983	9,241,995
Total liabilities	**10,431,821**	**11,463,658**
Net Position:		
Net Investment in capital assets, net of related debt	58,813,819	58,019,972
Unrestricted	910,870	1,221,356
Total net position	**$ 59,724,689**	**$ 59,241,328**

Financial Operations

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

Statements of Revenues, Expenses and Changes in Net Position

	2019	2018
Operating revenues	$ 4,495,670	$ 4,530,186
Operating expenses	9,529,888	9,346,396
Operating Income (loss)	**(5,034,218)**	**(4,816,210)**
Non-operating revenue (expense)	3,413,635	2,096,866
Ad valorem tax revenues	2,415,249	2,314,389
Total non-operating revenues (expenses)	**5,828,884**	**4,411,255**
Change in net position, before capital contribution	794,666	(404,955)
Capital contributions	1,079,265	2,439,341
Increase in net position, before special items	1,873,931	2,034,386
Prior Period Adjustments	(1,390,570)	(232,949)
Change in Accounting Principle	-	(75,638)
Net position at beginning of year	59,241,328	57,515,529
Net position at end of year	**$ 59,724,689**	**$ 59,241,328**

ECONOMIC FACTORS

Economic Outlook:

Airports: The Port has begun a new master plan (the Plan) for the Richland Airport. The Richland Airport is very close to running out of land that can be leased. The FAA has approved the master plan forecast. The Plan will guide the Port in its development of the next 20 years. The Prosser Airport completed a master plan during 2019, that identifies the future need to extend the runway to 4,000 feet. Upon completion of planned improvements, the Port projects revenue at this Airport will remain stable and perhaps experience a nominal increase in revenue over the next three years, excluding the local, regional and federal effects of the Covid-19 pandemic.

Tri-Cities Research District: In 2019, the Port removed an indenture agreement with General Services Administration (GSA) and U.S. Department of Administration Maritime Administration (MARAD), within the Richland Innovation Center (RIC) making the property available for both lease and sale. The Port anticipates that the increase in land and building use flexibility in addition to prior period site improvements, will result in an increase in revenue from this site of approximately 5-10% as compared to prior years. In addition, within the Technology and Business Campus, the Port sold land for private development during 2019, to encourage private investment and job creation. The Port has seen stable demand for commercial and industrial lease space. The TRIDEC Regional Economic forecast suggests that this market is expected to remain stable over the next 24 months.

COVID-19 Pandemic Considerations and Business Continuity: The Port has considered various internal and external factors in assessing the potential impact of the COVID-19 pandemic on its business and financial results based upon information available at this time, as follows:
Operating Model: The Port has a diversified business model with flexibility designed into its operations and commercial leasing capabilities.
Supply Chain: The Port continues to closely monitor and maintain critical project inventory away from high-risk areas to ensure adequate and effective distribution.
Business Continuity: A dynamic COVID-19 focused business continuity plan has been instrumental in preparing the Port for events like COVID-19, resulting in uninterrupted Port operations and meeting lessee needs.
Workforce: The Port has put procedures in place to protect its essential workforce in operations, while ensuring appropriate remote working protocols have been established for all employees.

The Port will continue to assess and evaluate on-going legislative efforts to combat the COVID-19 impact on economies and the sectors in which the Port participates. Currently, recent legislative acts put in place are not expected to have a material impact on the Port's operations.

Tax Levy: Over the years, the Port of Benton has worked to minimize the Port's tax levy. The Port's goal is to offset operation cost and future economic development opportunities with revenue from tenants, while keeping tax revenue below the Port's taxing authority. To attain this goal, the Port's levy rate has decreased from $.4215 in 2009 to $.3736 in 2019, which is approximately an 11% decrease.

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, 2020

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	2,786,273
Taxes Receivable		52,107
Accounts Receivable		374,820
Due from Other Governments		25,000
Prepaids		260,056
Contracts with Interest Receivable		191,332
Total Current Assets		3,689,588
RESTRICTED ASSETS		
Cash and Cash Equivalents		2,551
Assets Held for Sale		357,332
Total Restricted Assets		359,883
NONCURRENT ASSETS		
Capital assets		
Property, Plant and Equipment		110,279,787
Construction in Process		3,330,168
Less: Accumulated Depreciation		(49,012,606)
Total Net Capital Assets		64,597,349
TOTAL ASSETS	$	68,646,820
Deferred Outflows of Resources:		
State Pension		189,859
Other Post-employment Benefits		174,229
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	364,088

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

Port of Benton
STATEMENT OF NET POSITION
December 31, 2020

LIABILITIES		
CURRENT LIABILITIES		
Warrants Payable	$	147,149
Payroll Payable		25,794
Accrued Vacation Payable		213,551
Retainage Under Construction Contracts		67,890
Interest & Other Payables		194,592
Deferred Revenue - Prepaid Rent		127,953
Current Portion of Long-Term Obligations		547,144
Total Current Liabilities		1,324,073
NONCURRENT LIABILITIES		
Customer Deposits Payable		452,996
Other Post Employment Benefits		1,168,166
Net Port Share of State Pension Liability		544,808
General Obligation Bonds		2,620,000
Notes Payable		3,089,066
Total Noncurrent Liabilities		7,875,036
Total Liabilities		9,199,109
Deferred Inflow of Resources:		
State Pension		224,060
TOTAL DEFERRED INFLOWS OF RESOURCES		224,060
NET POSITION		
Net Investment in Capital Assets		58,273,249
Unrestricted		1,314,490
TOTAL NET POSITION	$	59,587,739

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

Port of Benton
STATEMENT OF NET POSITION*
December 31, 2019

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	2,892,865
Taxes Receivable		48,896
Accounts Receivable		124,154
Due from Other Governments		466,737
Prepaids		207,573
Contracts with Interest Receivable		21,244
Total Current Assets		3,761,469
RESTRICTED ASSETS		
Cash and Cash Equivalents		1,157
Assets Held for Sale		359,461
Total Restricted Assets		360,618
NONCURRENT ASSETS		
Capital assets		
Property, Plant and Equipment		105,629,510
Construction in Process		5,587,729
Less: Accumulated Depreciation		(45,779,384)
Total Net Capital Assets		65,437,855
Other Noncurrent Assets		
Contracts Receivable		255,958
TOTAL ASSETS	$	69,815,900
Deferred Outflows of Resources:		
State Pension		175,887
Other Post-employment Benefits		164,723
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	340,610

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

Port of Benton
STATEMENT OF NET POSITION*
December 31, 2019

LIABILITIES		
CURRENT LIABILITIES		
Warrants Payable	$	672,488
Payroll Payable		29,594
Accrued Vacation Payable		243,902
Retainage Under Construction Contracts		13,715
Interest & Other Payables		161,045
Deferred Revenue - Prepaid Rent		338,692
Prepaid Surety Deposits		445,266
Current Portion of Long-Term Obligations		555,136
Total Current Liabilities		2,459,838
NONCURRENT LIABILITIES		
Customer Deposits Payable		77,475
Other Post Employment Benefits		840,702
Net Port Share of State Pension Liability		619,382
General Obligation Bonds		2,620,000
Notes Payable		3,435,185
Total Noncurrent Liabilities		7,592,744
Total Liabilities		10,052,582
Deferred Inflow of Resources:		
State Pension		379,239
TOTAL DEFERRED INFLOWS OF RESOURCES		379,239
NET POSITION		
Net Investment in Capital Assets		58,813,819
Unrestricted		910,870
TOTAL NET POSITION	$	59,724,689

*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, 2020

OPERATING REVENUES		
Property Lease/Rental Operations	$	4,819,980
Total Operating Revenues		**4,819,980**
OPERATING EXPENSES		
General Operations		1,058,952
Maintenance		1,082,346
General and Administration		4,178,495
Total Before Depreciation		**6,319,793**
Depreciation		3,323,984
Total Operating Expenses		**9,643,777**
Operating Loss		**(4,823,797)**
NONOPERATING REVENUES (EXPENSES)		
Interest Income		61,124
Taxes Levied For:		
General Purposes		2,188,359
Debt Service Principal/Interest		330,724
Interest Expense		(335,070)
Gain on Disposition of Assets		214,992
Other Nonoperating Revenues		716,066
Total Nonoperating Revenues		**3,176,195**
Income Before Other Revenues, Expenses, Gains, Losses and Transfers		**(1,647,602)**
Capital Contributions		2,019,484
Increase in Net Position		**371,882**
Net Position - Beginning of Year		59,724,689
Prior Period Adjustment		(508,832)
Net Position - End of Year	$	59,587,739

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, 2019

OPERATING REVENUES		
Crow Butte Park Operations	$	228,138
Property Lease/Rental Operations		3,630,998
Airport Operations		636,534
Total Operating Revenues		**4,495,670**
OPERATING EXPENSES		
General Operations		1,664,237
Maintenance		1,258,265
General and Administration		3,430,332
Total Before Depreciation		**6,352,834**
Depreciation		3,177,054
Total Operating Expenses		**9,529,888**
Operating Loss		**(5,034,218)**
NONOPERATING REVENUES (EXPENSES)		
Interest Income		122,059
Taxes Levied For:		
General Purposes		2,075,217
Debt Service Principal/Interest		340,032
Interest Expense		(375,578)
Gain on Disposition of Assets		3,127,878
Other Nonoperating Revenues		539,276
Total Nonoperating Revenues		**5,828,884**
Income Before Other Revenues, Expenses, Gains, Losses and Transfers		**794,666**
Capital Contributions		1,079,265
Increase in Net Position		**1,873,931**
Net Position - Beginning of Year		59,241,328
Prior Period Adjustment		(1,390,570)
Net Position - End of Year	$	59,724,689

*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, 2020
Business-Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	4,118,742
Payments to Employees		(2,876,005)
Payments to Suppliers		(3,893,808)
Net Cash Used by Operating Activities		**(2,651,071)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital Property Taxes Received		2,519,083
Non-operating Receipts		712,856
Net Cash Provided by Non-operating Financing Activities		**3,231,939**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets		217,121
Principal Payments Paid on Capital Debt		(354,111)
Interest Paid on Capital Debt		(335,070)
Proceeds from Capital Debt		-
Acquisition and Construction of Capital Assets		(972,826)
Cash Received from Other Governments		441,737
Net Cash Used by Capital and Related Financing Activities		**(1,003,149)**
CASH FLOW FROM INVESTING ACTIVITIES		
Collection of Notes Receivable		255,959
Interest Income		61,124
Net Cash Provided by Investing Activities		**317,083**
Net Decrease in Cash and Cash Equivalents		(105,198)
Balances - Beginning of the Year		2,894,022
Balances - End of the Year	$	2,788,824

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, 2019
Business-Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	4,840,992
Payments to Employees		(2,865,707)
Payments to Suppliers		(3,978,358)
Net Cash Used by Operating Activities		**(2,003,073)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital Property Taxes Received		2,416,193
Non-operating Receipts		539,276
Net Cash Provided by Non-operating Financing Activities		**2,955,469**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets		2,768,417
Principal Payments Paid on Capital Debt		(1,002,704)
Interest Paid on Capital Debt		(375,578)
Proceeds from Capital Debt		-
Acquisition and Construction of Capital Assets		(3,001,129)
Cash Received from Other Governments		195,452
Net Cash Used by Capital and Related Financing Activities		**(1,415,542)**
CASH FLOW FROM INVESTING ACTIVITIES		
Collection of Notes Receivable		16,944
Interest Income		122,059
Net Cash Provided by Investing Activities		**139,003**
Net Decrease in Cash and Cash Equivalents		(324,143)
Balances - Beginning of the Year		3,218,165
Balances - End of the Year	$	2,894,022

*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, 2020

Operating Loss	$ (4,823,797)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	3,323,984
Changes in Assets and Liabilities:	
Receivables, Net	(420,753)
Prepaid Expenses	(52,483)
Customer Deposits	(69,746)
Payables, Net	124,608
Warrants Payable	(525,341)
Unearned Revenue	(177,192)
Vacation Payable	(30,351)
Net Cash Used by Operating Activities	$ (2,651,071)

Non-Cash Investing, Capital and Financing Activities:

The Noncash Portion of These Transactions are as Follows:

Net Pension Expense (GASB 68)	$ (243,725)
Net OPEB Expense (GASB 75)	$ 317,958

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, 2019

Operating Loss	$ (5,034,218)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	3,177,054
Changes in Assets and Liabilities:	
Receivables, Net	(63,222)
Prepaid Expenses	(17,925)
Customer Deposits	69,852
Payables, Net	(472,263)
Warrants Payable	56,000
Unearned Revenue	335,096
Vacation Payable	(53,447)
Net Cash Used by Operating Activities	$ (2,003,073)

Non-Cash Investing, Capital and Financing Activities:

The Noncash Portion of These Transactions are as Follows:

Net Pension Expense (GASB 68)	$ 191,787
Net OPEB Expense (GASB 75)	$ 74,203

*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, 2020

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 entity, which provides industrial park and non-commercial airport facilities to the general public. Primary sources of revenue are user charges, property taxes and federal and state grants.

The Port is governed by an elected three-member Board of Commissioners. As required by generally accepted accounting principles, the Port has one blended component unit, which is a separate Economic Development corporation, as discussed in the notes to the financial statements. Refer to Note #10. These financial statements present the Port's primary government.

B. Basis of Accounting and Reporting

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Port are charges to customers for lease rents of the airports and the Port's commercial, retail and industrial development buildings. Operating expenses for the Port include but are not limited to the cost of sales and services, administrative expenses and depreciation on capital assets. 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 surplus. For the period ended December 31, 2020, the Benton County Treasurer holds $2,770,325 in short-term residual investments of surplus cash, as discussed in Note #2. This amount is classified on the statement of net position as cash and cash equivalents. The County of Benton holds Port deposits and investments in a Washington State approved depository. 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. Investments (See Note 2)

3. Receivables

   Taxes receivable consists of property taxes, related interest and penalties. (See Note 3). Accrued interest receivable consists of amounts earned on investments, notes, and contracts as of December 31st of each 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 consist of grants, entitlements, temporary loans, taxes and charges for services.

4. 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.

   Restricted assets of $2,551 represent the Debt Service Redemption Fund, as of December 31, 2020.

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

6. 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, is paid to the employee. Furthermore, employees 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 is allowed if the remaining accrued PTO of the employee is less than (80) hours, after the cash out is complete.

7. Long-Term Debt (See Note 9).

8. 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 which are not recognized as revenue until revenue recognition criteria has been met.

Retainage Payable under construction contracts represents amounts held for payment upon full legal performance by the contractor. The Port reports amounts retained 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 Construction in Progress (CIP) 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 the operating or non-operating nature of the of the project.

9. 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, which represents an increase or decrease in net position that applies to future periods. GASB 68 created $189,859 of deferred outflow and $224,060 of deferred inflow of resources for the Port's portion of the State's pension, as of December 31, 2020. GASB 75 created $174,229 of deferred outflow of resources for the Port's portion of the State's other post-employment benefits (OPEB) as of December 31, 2020.

10. Pensions

For purposes of measuring the net pension liability or asset, 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.

11. Recent Accounting Pronouncements

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 8.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Due to COVID-19's effect on local governments, GASB has delayed required implementation of this standard eighteen months. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

In April 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. Due to COVID-19's effect on local governments, GASB has delayed required implementation of this standard one year. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the end of a Construction Period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Due to COVID-19's effect on local governments, GASB has delayed required implementation of this standard one year. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

On May 8, 2020, the GASB issued GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance, which is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. The effects of adopting this standard are included in the discussion of each of the applicable recent accounting pronouncements.

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, 2020 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, 2020 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	$ -	$ 2,770,325	$ 2,770,325
Banner Bank	Daily	-	5,746	5,746
US Bank	Daily	-	12,753	12,753
Total		$ -	$ 2,788,824	$ 2,788,824

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.

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

Property 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 2020 was $.3622 per $1,000 on an assessed valuation of $7.02 billion for a total regular levy of $2,541,196. In 2019, the regular tax levy was $.3736 per $1,000 on an assessed valuation of $6.57 billion for a total regular levy of $2,454,773. 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. When historical cost is not known, an estimate of market value is required for donated assets. All donations by developers and customers are recorded at the contract price, 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 $5,000 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, 2020 was as follows:

	Balance 12/31/2019	Increase	Decrease	Balance 12/31/2020
Capital assets, not depreciated:				
Land	14,695,555	449,189	(333,753)	$ 14,810,991
Construction in progress	5,587,729	3,666,376	(5,923,937)	3,330,168
Total capital assets, not depreciated	20,283,284	4,115,565	(6,257,690)	18,141,159
Capital assets, depreciated:				
Buildings	44,669,445	-	-	44,669,445
Improvements other than buildings	42,468,972	4,119,008	(234,432)	46,353,548
Machinery and equipment	3,795,538	650,265	-	4,445,803
Total capital assets, depreciated	90,933,955	4,769,273	(234,432)	95,468,796
Less accumulated depreciation for:				
Buildings	16,109,252	1,609,992	-	17,719,244
Improvements other than buildings	25,109,142	1,591,886	(90,786)	26,610,242
Machinery and equipment	4,560,990	122,130	-	4,683,120
Total accumulated depreciation	45,779,384	3,324,008	(90,786)	49,012,606
Total capital assets, depreciated, net	$ 65,437,855	$ 5,560,830	$ (6,401,336)	$ 64,597,349

C. The Port of Benton has active construction projects as of December 31, 2020. The Port's commitment on contracts were as follows:

Project	Spent to Date	Remaining Commitment
Railroad Rehabilitation Project	1,360,392	112,955
Train Derailment Project	-	128,322
Total	$ 1,360,392	$ 241,277

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,		
2021	$	4,453,349
2022		1,004,966
2023		881,532
2024		865,751
2025		837,027
Thereafter		14,877,877
TOTAL	$	22,920,502

NOTE 7 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts – All Plans		
Pension liabilities	$	(544,808)
Pension assets	$	-
Deferred outflows of resources	$	189,859
Deferred inflows of resources	$	(224,060)
Pension expense/expenditures	$	(27,406)

State Sponsored Pension Plans

Substantially all Port of Benton'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.

Contributions

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 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	**12.86%**	**6.00%**
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	**12.97%**	**6.00%**

* For employees participating in the Judicial Benefits Multiplier (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 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.86%**	**7.90%**
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.97%**	**7.90%**

* For employees participating in JBM, the contribution rate was 19.75%.

The Port's actual PERS plan contributions were $81,588 to PERS Plan 1 and $134,734 to PERS Plan 2/3 for the year ended December 31, 2020.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans is determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, 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 developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. 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.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

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 was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

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, 2020, 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%	2.20%
Tangible Assets	7%	5.10%
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 (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 463,801	$ 370,283	$ 288,726
PERS 2/3	$ 1,085,939	$ 174,525	$ (576,025)

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, 2020, the Port reported a total pension liability of $619,382 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$ 370,283
PERS 2/3	$ 174,525

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

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.012148%	0.010488%	-0.001660%
PERS 2/3	0.015674%	0.013646%	-0.002028%

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) is measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the Port recognized pension expense as follows:

	Pension Expense
PERS 1	$ (44,951)
PERS 2/3	$ 17,545
TOTAL	$ (27,406)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the Port of Benton 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	$ -	$ (2,062)
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 43,476	$ -
TOTAL	$ 43,476	$ (2,062)

PERS 2 & 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 62,477	$ (21,872)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (8,863)
Changes of assumptions	$ 2,486	$ (119,215)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 10,100	$ (72,048)
Contributions subsequent to the measurement date	$ 71,320	$ -
TOTAL	$ 146,383	$ (221,998)

TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 62,477	$ (21,872)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (10,925)
Changes of assumptions	$ 2,486	$ (119,215)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 10,100	$ (72,048)
Contributions subsequent to the measurement date	$ 114,796	$ -
TOTAL	$ 189,859	$ (224,060)

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, 2021. 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
2021	$ (9,356)
2022	$ (294)
2023	$ 2,855
2024	$ 4,734
2025	$ -
Thereafter	$ -

Year ended December 31:	PERS 2 & 3
2021	$ (82,344)
2022	$ (27,237)
2023	$ (6,825)
2024	$ 5,313
2025	$ (18,412)
Thereafter	$ (17,430)

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

In 2018, the Port implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (OPEB). The Port elected to use the Alternative Measurement Method (AMM) to calculate the 2020 total OPEB liability.

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 2020:

Aggregate OPEB Amounts - All Plans	
OPEB liabilities	$ 1,168,166
OPEB assets	-
Deferred outflows of resources	174,229
Deferred inflows of resources	-
OPEB expenditures	$ 317,958

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. 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 simple, 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, 2020, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	27
Total	27

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 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, 2020, the Port does not pre-fund post-retirement medical insurance subsidies. Since the PEBB plan is paid on a "pay-as-you-go" basis and is 0% funded, there are no assets to invest. However, currently the Port has sufficient cash and cash equivalents to cover the entire liability (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, 2020, and looking forward, the schedule provides multi-year trend information about the actuarial values of OPEB liability.

The actuarial assumptions in use to measure the total OPEB liability includes the entry-age cost method. The assumptions also include a discount rate that ranged from 3.50% at the beginning of the measurement year, to 2.21% at the end of the measurement year (Source Used: *Bond Buyer General Obligation 20-Bond Municipal Index*). Projected salary changes are 3.5% with the addition of service-based increases. Healthcare trend rates range from 5 to 7%. The inflation rate is set at 2.75%. The Post-Retirement participation percentage is 65%, with 45% assumed for spouse coverage.

The Port uses 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 uses a "pay-as-you-go" funding policy when selecting the assumed rate of investment return. General and salary inflation are the same as those used in the June 30, 2018 Actuarial Valuation Report (AVR) issued by the OSA. Cost inflation begins at approximately 7% and decreases to an ultimate rate of about 5% in 2020. Participation percentage, percentage of spouses' coverage, and Medicare coverage is determined by the Office of the State Actuary. Covered payroll is assumed to grow at 3.5% per year.

OSA assumes 2/3 of members select a UMP plan and 1/3 select a Kaiser Permanente (KP) plan. UMP pre- and post-Medicare costs and premiums are equal to the Uniform Medical Plan. The KP pre-Medicare costs and premiums are a 50/50 blend of KP Classic and KP Value. The KP post-Medicare costs and premiums are equal to KP Medicare.

OSA estimates retirement service for each active cohort based on the average entry age of 35, with a minimum service of 1 year. 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 are based on the 2018 PEBB OPEB AVR. The following changes were made for simplicity: all employees are assumed to be retirement eligible at age 55. Reliance is placed on PEBB retirement rates for members with <30 years of service. A 100% rate of retirement has been assumed, at age 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. Age-based cohorts are 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, which varies by plan, as well as what the OPEB liability would be, if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher that the current rate.

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	$ 903,467	$ 1,168,166	$ 1,529,294

The following presents the total OPEB liability of the District calculated using the discount rate of 2.21 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21 percent) or 1-percentage point higher (3.21 percent) that the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	$ 1,460,780	$ 116,866	$ 943,300

Changes to the Total OPEB Liability

The following presents the changes to the total OPEB liability.

Total OPEB Liability at 07/01/2019	$ 840,702
Service cost	54,758
Interest	31,333
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	241,828
Benefit Payments	(455)
Other Changes	-
Total OPEB Liability at 06/30/2020	**$ 1,168,166**

The Port reported a total OPEB expense of $317,958 in 2020.

At December 31, 2020, 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	174,229	-
Total	$ 174,229	$ -

Deferred outflows of resources of $174,229 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, 2021. 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:	
2020	$ 174,229
2021	-
2022	-
2023	-
2024	-
Thereafter	$ -

NOTE 9 – 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%	$1,210,000
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, 2020 are as follows:

Years Ending December 31,	Principal	Interest	Total
2021	$ 547,144	$ 315,046	$ 862,190
2022	450,861	289,552	740,413
2023	476,038	266,354	742,392
2024	468,913	242,072	710,985
2025	495,447	215,659	711,105
2026-2030	2,881,996	669,703	3,551,699
2031-2035	940,035	91,008	1,031,043
Total	$ 6,260,434	$ 2,089,394	$ 8,349,828

B. Changes in Long-Term Liabilities

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2020	Advances	Payments	Ending Balance 12/31/2020	Due Within One Year
WSDOT Note RR00406	$ 66,667	$ -	$ (16,667)	$ 50,000	$ 16,667
WSDOT Note RRB1228	10,539	239,461	-	250,000	25,000
NP Banner Bank 48534	2,387,762	-	(116,210)	2,271,552	122,239
NP Banner Bank 54861	952,138	-	(49,857)	902,281	51,975
CERB Note	61,615	-	(15,175)	46,440	15,326
HAEIFC Note	291,600	-	(214,188)	77,412	77,412
Noaa Net Note	30,000	38,525	(30,000)	38,525	38,525
PERS/Pension related	619,382	-	(74,574)	544,808	-
OPEB Liability	840,702	327,464	-	1,168,166	-
Total Other Obligations	5,260,404	605,450	(516,671)	5,349,183	347,144
2011A Taxable	1,400,000	-	(190,000)	1,210,000	200,000
2011B Tax-Exempt	1,410,000	-	-	1,410,000	-
Total GO Debt	$ 2,810,000	$ -	$ (190,000)	$ 2,620,000	$ 200,000

NOTE 10 – 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, 2020 was $6,308. These funds are to be used for economic development.

NOTE 11 – 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. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two 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, 2020, there are 547 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 the Pool and share in the self-insured retention. 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 $1,000 of the amount of each claim, while Enduris is responsible for the remaining $249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first $4,000 of the claim.

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 $800 million per occurrence. Enduris offers crime coverage up to a limit of $1 million per occurrence.

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

The contract requires members to remain in the Pool for a minimum of one 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 the Pool and are administered in house.

The Pool is governed by a Board of Directors which is comprised of seven board members. 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 the limits in the last 3 years.

NOTE 12 – CONTINGINCIES AND LITIGATION

1. The Port was involved in a taxpayer lawsuit filed against it by Randolph V. Peterson, one of the owners of Tri-City Railroad Company, LLC, the Lessee of the Port's railroad. The plaintiffs contended that the Port was violating the Washington State Constitution's ban on making gifts of public property to private entities because it allows the Burlington Northern Santa Fe Railroad (BNSF) to operate across the Port's railroad without current changes. The Federal Government conveyed this railroad to the Port without cost subject to the existing contract with BNSF and Union Pacific Railroad (UP). The Port has continued to honor these contracts because this infrastructure provides 02access to both major carriers for businesses served by the railroad. The plaintiffs contend the Port has the ability to cancel these contracts and must cancel the contracts.

   The Port was granted summary of judgement in the Thurston County Superior Court. The plaintiffs appealed to the Washington State Supreme Court. The Washington State Supreme court denied the direct appeal and remanded the Division II, court of Appeal in Tacoma, WA. Division II transferred the case to Division I in Seattle. The Division I Court of Appeals ruled in favor of the Port. Plaintiffs re-appealed the Court of Appeals ruling to the Washington State Supreme Court. The Supreme Court ruled 9-0 in the Port's favor. There was a chance that Mr. Peterson would try to appeal this ruling to the United States Supreme Court, but he did not do so during the window of opportunity he had to file a further appeal. **This matter closed with the Port Prevailing.**

2. The Port was involved in a Qui Tam and False Claims Act lawsuit filed against it by Randolph V. Peterson and Tri-City Railroad Company, LLC (a Lessee of the Port). 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 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 the 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 named the following defendants: (1) the Port; (2) Scott Keller, individually, and as the Executive Director or the Port; (3) Robert Larson, individuals, and as the commissioner of the Port; (4) Roy Keck, individually, and as Commissioner of the Port; (5) Jane Hagerty, individually, and as the Richland Public Works Directors; (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 Directors; and (9) John Does

1-99, asserted to be employees, officers, directors, agents of the 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 legal and equitable remedies."

Plaintiffs filed four amended complaint (meaning five total complaints). The Operative Complain 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 protections, 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 expectation; (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 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 enrichments; (m) nuisance); (n) negligence; (o) tortious interference with business expectancies/contracts; and (p) breach of 2002 Railroad Lease.

On June 1, 2018 the Dept. of Justice and the US Attorney's office declined to intervene in the case, finding a lack of merit, and the case was unsealed to all parties. Mr. Peterson and TCRY moved forward with the case despite the lack of involvement from the US Government. The dollar figure TCRY originally attached to their claim was $7.5 Billion. Subsequent documents filed in the case lowered that figure to approximately $56 million.

The Honorable Judge Rice ruled in the Port's favor on various summary judgement and motions for dismissal of all federal claims. Two state law claims remained. Because these two claims were not federal in nature, Judge Rice, of his own accord, dismissed the lawsuit, giving Plaintiff's leave to re-file in state court.

Plaintiff's also appealed *all* orders made by Judge Rice within the Eastern District Federal Lawsuit to the Ninth Circuit Court of Appeals. The Ninth Circuit recently ruled in favor of the Port of Benton on all issues in a short but harsh opinion that really took Plaintiff to task for wasting the court's time. The Port was granted over $100,000 in sanctions and attorney's fees for frivolous motions brought by TCRY withing the Eastern District Case.

Plaintiff's did re-file the breach of contract claims in Benton County Superior Court of April 9, 2020. The Port responded and has filed an unlawful detained (eviction) action against Plaintiff. Those two cases were consolidated, and a case schedule was issues with a potential trial date of April 5, 2021. However, COVID-19 completely de-railed all case schedules. However, the Port did recently prevail on a partial summary of judgment motion, and Plaintiff's summary of judgment motion was denied. Plaintiff's filed a motion for reconsideration that was summarily dismissed by the Court, with another Judge using harsh language to describe the frivolous nature of Plaintiff's arguments. The partial summary judgment motion that the Port prevailed on once and for all give a court opinion that agrees with the Port's understanding of the Lease: that "Class 3" within the Lease is an FRA maintenance standard, not an STB Class III finance standard.

The Port does not feel that the remaining contract claims from Plaintiff have any merit. Further, the Port has counterclaimed for damages related to lack of maintenance and is seeking to evict TCRY.

3. TCRY filed a petition with the Surface Transportation Board seeking to undo the 1947 and 1948 Agreements between the federal government and the predecessor railroad companies to Union Pacific (UP) and Burlington Northern Sante Fe (BNSF). Note that TCRY is not a party to those contracts, and was not on the scene until 2002, wherein they

entered a Lease with the Port of Benton that specifically required they take no action that would violate of effect the Agreements between the federal government, the railroads, and the Port of Benton.

The Port, UP, and BNSF all filed motions to dismiss the Petition, or in the alternative, to hold the matter in abeyance pending the outcome of the Benton County Superior Case. **The STB dismissed the petition by TCRY.**

4. The Port filed a petition with the STB to seek a declaratory judgement relating to tariffs that TCRY has attempted to collect from various entities, none of whom have a contractual relationship with TCRY for service, deliveries, or operations. TCRY also attempted to invoice the Port for tariffs, despite the Port not being a shipper or railroad operator. Tariffs are usually applied to the rail carriers themselves, not to customers on the line. TCRY cannot charge a tariff to BNSF or Union Pacific, due to the terms of the Indenture and previous court rulings, so they are attempting to side-step and charge other entities that the Port does not believe are allowed to be charged without any privity of contract. Various entities joined in submitting declarations in favor of the Port's position. TCRY replied with a motion to dismiss, and the Port entered a reply to TCRY's motion to dismiss. The petition has now been sitting in front of the STB since October 2020 with no movement. The Port does not believe that there is a like ly risk of any detrimental outcome to the Port of Benton.

NOTE 13 – 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 is reasonably estimable.

The Port is currently involved in the following potential environmental liabilities:

1. The Port is the owner of the Prosser Airport. The Port discovered contamination of a portion of the property resulting from the improper removal of an underground fuel storage tank by a former tenant of the property. The Port took steps to clean up the contamination and has entered into an Agreed Order with the Washington State Department of Ecology (WSDOE) concerning the cleanup. The cleanup of the property has been completed and the property is subject to on-going monitoring. In the event the Port does not comply with the provisions of the Agreed Order, the Port would be subject to enforcement action by WSDOE and would be liable for payment of costs incurred by WSDOE in completing the cleanup of this property.

   A number of insurance carriers agreed to pay costs for ongoing monitoring and any additional clean-up costs that are discovered. The Port recently received word from the WSDOE that ongoing monitoring would no longer be required. **Cleanup is now deemed complete.**

2. Test America cleanup – Eurofins TestAmerica was on site at 2800 George Washington Way, Richland, WA under a Lease from the Port of Benton. The Lease specified that at the termination of the Lease, TestAmerica was responsible for demolishing the building and performing any environmental remediation necessary.

   The Site was primarily operated as a low- and ultra-low-level radio analytical laboratory (Radioactive Materials License Number WN-L0146-1) that provided environmental and bioassay radiochemical analysis se rvices to government and industry clients. The Facility was originally constructed in 1964 with analytical operations commencing in 1965 under a prior operator. Two additions were made to the Main Building, and two additional buildings were added (the Annex Building and Warehouse) in later years. Analytical operations at the Richland Facility ceased in April 2019 in preparation for decommissioning and demolition of the laboratory.

The Port of Benton requested that the aboveground structures, building slabs, and concrete pads and walkways be removed as part of the decommissioning. Shannon & Wilson, Inc. provided oversight during the demolition on behalf of the Port. Geosyntec Consultants, on behalf of and paid for by TestAmerica, performed the Demolition and provided a final Report on Feb 4, 2020.

Shannon & Wilson was concerned about some small MTCA-A exceedances. After reviewing the information TestAmerica sent regarding soil upgrading it appears some excavated soil was returned to where it came from and was not spread around the site. Given this, it is likely the MTCA-A exceedances are in the same relative locations identified in the Geosyntec's Demolition Report.

Shannon & Wilson has concluded that the best course of action is to conduct sampling in/around the MTCA-A exceedances sites to refine contaminated soil boundaries and then use the results to develop and executive a cleanup plan. Additional excavation and sampling was completed with no exceedances present.

TestAmerica paid for the majority of the cleanup and worked with the Port's consultants. The final cleanup took place with Geosyntec Consultants leading, as they were able to do the work at a lower cost and with a quicker turnaround. The Port and TestAmerica have finalized cleanup, and all costs from both parties have been paid. **There is no longer any litigation or environmental risk.**

3. The Port owns a property known as 2019 Butler Loop. The same lessee has been on the property since the inception of the Port's original ownership of the property: Blue Star Enterprises (hereafter "Blue Star"). Blue Star claims another entity briefly leased the property for a period of a year or so, but no records have been found to verify that information. Regardless, Blue Star, an industrial user, was on the property for decades. In that time, they performed some drilling on the property, as well as storage of some contaminants, including oil. Blue Star provided notice they wanted to terminate their lease and move to another property. The Port began to work with them to verify that there were no environmental remediation efforts to take place.

   The Port hired Shannon & Wilson engineers. Samples were taken around the property. Unfortunately, some contamination of oil was found in the ground, but not in groundwater. The Port notified Blue Star they needed to remediate all environmental concerns, per the Lease.

   Blue Star hired an attorney as well as Freestone Engineers. After negotiations involving which entity was responsible for various costs, the Port and Blue Star reached an agreement. The remediation focused on the area where diesel-range petroleum hydrocarbon contamination in soils was measure in exceedance of the Model Toxics Control Act (MTCA) Method A threshold of 2000 milligrams per kilogram (mg/kg).

   S&W may incorporated use of field-testing equipment to guide excavation activities. Test kits were sent off for analysis. Analytical results confirmed samples collected from the limits of the excavation are below the 2,000 mg/kg MTCA Method A threshold. Blue Star Proceeded with backfilling the excavation with soil from a "clean" stockpile and imported clean fill material.

   At the completion of the project, S&W reached out to the Department of Ecology. **A "No Further Action Required" letter was obtained from the Department of Ecology, so there is no risk of litigation or of further environmental cleanup.**

NOTE 14 – SUBSEQUENT EVENTS

The following events and transactions occurred subsequent to December 31, 2020:

1. The Port entered into a contract with the company Prodigiq on December 17, 2018 for a license to their Airport Self-Inspection Module, Lease Management System, and Maintenance Management System. The contract was for an initial term of five years with the option for two additional twenty-four month periods. Each year, the total fee charged is $29,000.

   The Port attempted to terminate the contract using a negotiated for built in provision that allows the Port to terminate at the end of any fiscal year should the Port not have sufficient funding allocated for the payment under the Agreement. When the contract was negotiated, there were emails back and forth between former Port employee Kevin Howard and Director of Business Development for Prodgiq, Rene Lope z. They specifically talked about the Port's inability to enter into a five-year contract without having the availability of an early termination clause, and subsequently settled on Section 3.04 of the contract, which states:

   "3.04 NON-APPROPRIATION OF FUNDS. If sufficient funds are not appropriated or allocated for payment under this Agreement, and for any similar services, for any future fiscal period, the Port shall no t be obligated to make payments for Work or amounts incurred after the end of the current fiscal period, and this Agreement will terminate upon the completion of all remaining Work for which funds are allocated."

   The Port notified Prodigiq that the 2020 period will be the last that the Port pays for, as funds have not been allocated for 2021's budget, Budget shortfalls due to COVID-19 are partially to blame.

   Prodigiq had initially responded in writing on May 26, 2020, that, "If this is not resolved, unfortunately, I would be left with no choice but to follow all options available to my company as we will not incur a financial loss due to wrongful business practices."

   Communications continued, as the Port did not wish to end up in litigation. **The Port and Prodigiq eventually entered into a mutual termination agreement at no cost to the Port. There is no risk of litigation or further costs.**

2. On July 31, 2020 Burlington Northern Santa Fe (BNSF) had a major derailment on the Port track near the Yakima River Bridge shortly before 1600 hours. By August 3rd, 2020 BNSF had removed all the damaged cars from the Port's track. Approximately 500 track feet were in need of repairs and approximately 325 track feet are totally destroyed and have not been cleared from the track alignment.

   While BNSF was the operator of the train that did the damage, BNSF could not make the repairs to the Port's rail since they cannot perform work on track not owned by the BNSF. The Port took on an emergency repair of the track system at a cost of around $169,000. BNSF representative initially gave verbal confirmations that BNSF would be responsible for the costs of fixing the rail. BNSF counsel then retracted those statements and said they were still "investigating." Further, when BNSF completed their cleanup work of removing cars, they caused and approximate $162,000 in additional damage to cross ties and ballast.

   BNSF blame the Port's Lessee and Short Line Operator, TCRY (see above for many litigation issues between the Port and TCRY) for the derailment, citing lack of track maintenance. TCRY blames BNSF for the derailme nt, citing expressive speeds. What is clear is that the Port is not at fault but has borne all costs to date. The Port's insurance was timely notified. The Port entered a notice of litigation hold with BNSF for all materials related to the incident including the so-called "black box." The Port has now issued a subpoena to BNSF within the current TCRY/POB litigation to receive all documents and date as BNSF was not forthcoming from our requests.

It is unclear at this time whether the Port will need to litigate to settle this matter, or whether insurance will be pulled in to negotiate between parties (TCRY is insured, and BNSF self-insures).

3. In October 2020, the Port stated its intention to begin evaluating its indebtedness and potential refinancing to secure lower rates and overall debt service obligations. In late 2020 the Port began the process of refinancing both its taxable and tax-exempt long-term debt, including general obligation bonds and bank held notes payable. In addition to the refinancing the Port looked to acquire additional financing for a new STEM Tourism Welcome Center. The Port's financing team was comprised of Northwest Municipal Advisors along with Foster Garvey PC as Bond Counsel and Piper Sandler & Co. as Underwriter. On May 19th, 2021, the Port issued $7,495,000 in taxable, of which $4,000,000 was new debt, and $1,945,000 in tax-exempt general obligation bonds. The refinancing is estimated to result in $1.2M net present value savings, or 21%, over the remaining 13-years. Ongoing debt payments will remain consistent with the prior schedule. The bonds were sold in the public bond market and secured an aggregate all-in true cost of 2.57%.

<u>NOTE 15 – COVID-19 Pandemic</u>

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus (COVID-19). In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The Port has not experienced a material impact operationally or financially and does not anticipate it will.

The length of time these measures will be in place, and the full extent of the financial impact on the Port cannot be reasonably estimated at this time.

<u>NOTE 16 – Prior Period Adjustment</u>

During fiscal year 2020, certain accounting changes and adjustments were made that required the restatement of fund balances or net position. The restatements are presented below.

Fund Balance and Net Position for 2019

	Enterprise Fund
Fund Balance/Net Position, December 31, 2019	$ 59,724,689
Current Year's Restatements	(508,832)
Fund Balance/Net Position, January 1, 2020	$ 59,215,857
Net Position, December 31, 2019, as restated	$ 59,215,857

Changes in Net Position for 2019

	Enterprise Fund
Change in Net Position, December 31, 2019	$ 59,724,689
Current Year's Restatements	(508,832)
Change in Net Position, December 31, 2019	$ 59,215,857

The restatement of $508,832 in the Enterprise Fund is to correct accounting errors in prior period capitalized assets.

Port of Benton
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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 entity, which provides industrial park and non-commercial airport facilities to the general public. Primary sources of revenue are user charges, property taxes and federal and state grants.

The Port is governed by an elected three-member Board of Commissioners. As required by generally accepted accounting principles, the Port has one blended component unit, which is a separate Economic Development corporation, as discussed in the notes to the financial statements. Refer to Note #10. These financial statements present the Port's primary government.

B. Basis of Accounting and Reporting

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Port are charges to customers for lease rents of the airports and the Port's commercial, retail and industrial development buildings. Operating expenses for the Port include but are not limited to the cost of sales and services, administrative expenses and depreciation on capital assets. 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 surplus. For the period ended December 31, 2019, the Benton County Treasurer holds $2,857,533 in short-term residual investments of surplus cash, as discussed in Note #2. This amount is classified on the statement of net position as cash and cash equivalents. The County of Benton holds Port deposits and investments in a Washington State approved depository. 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. Investments (See Note 2)

3. Receivables

Taxes receivable consists of property taxes, related interest and penalties. (See Note 3). Accrued interest receivable consists of amounts earned on investments, notes, and contracts as of December 31st of each 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 consist of grants, entitlements, temporary loans, taxes and charges for services.

4. 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.

Restricted assets of $1,157 represent the Debt Service Redemption Fund, as of December 31, 2019.

As of December 31, 2019, the Port has approved, by resolution, the sale of real property with a book value of 359,461. It is the Port's intention to complete the sale of this asset within the twelve months following the end of the year. For additional information related to the sale of this asset, refer to Note 14 of these financial statements.

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

6. 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, is paid to the employee. Furthermore, employees 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 is allowed if the remaining accrued PTO of the employee is less than (80) hours, after the cash out is complete.

7. <u>Long-Term Debt</u> (See Note 9).

8. <u>Other Assets, Debts or Liabilities</u>

   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 which are not recognized as revenue until revenue recognition criteria has been met.

   Retainage Payable under construction contracts represents amounts held for payment upon full legal performance by the contractor. The Port reports amounts retained 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 Construction in Progress (CIP) 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 the operating or non-operating nature of the of the project.

9. <u>Deferred Outflows/Inflows of Resources</u>

   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, which represents an increase or decrease in net position that applies to future periods. GASB 68 created $175,887 of deferred outflow and $379,239 of deferred inflow of resources for the Port's portion of the State's pension, as of December 31, 2019. GASB 75 created $164,723 of deferred outflow of resources for the Port's portion of the State's other post-employment benefits (OPEB) as of December 31, 2019.

10. <u>Pensions</u>

    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.

11. Recent Accounting Pronouncements

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 8.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Due to COVID-19's effect on local governments, GASB has delayed required implementation of this standard eighteen months. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

In April 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. Due to COVID-19's effect on local governments, GASB has delayed required implementation of this standard one year. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the end of a Construction Period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Due to COVID-19's effect on local governments, GASB has delayed required implementation of this standard one year. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

On May 8, 2020, the GASB issued GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance, which is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. The effects of adopting this standard are included in the discussion of each of the applicable recent accounting pronouncements.

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, 2019 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, 2019 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	$ -	$ 2,857,533	$ 2,857,533
Banner Bank	Daily	-	23,652	23,652
US Bank	Daily	-	12,837	12,837
Total		$ -	$ 2,894,022	$ 2,894,022

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.

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

Property 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 2019 was $.3736 per $1,000 on an assessed valuation of $6.57 billion for a total regular levy of $2,454,773. In 2018, the regular tax levy was $.4008 per $1,000 on an assessed valuation of $5.89 billion for a total regular levy of $2,359,753. 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, when historical cost is not known and an estimate of market value is required for donated assets. All donations by developers and customers are recorded at the contract price, 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, 2019 was as follows:

	Balance 12/31/2018, Restated	Increase	Decrease	Balance 12/31/2019
Capital assets, not depreciated:				
Land	12,003,892	3,060,000	(368,337)	$ 14,695,555
Construction in progress	4,149,816	4,806,042	(3,368,129)	5,587,729
Total capital assets, not depreciated	16,153,708	7,866,042	(3,736,466)	20,283,284
Capital assets, depreciated:				
Buildings	45,049,521	-	(380,076)	44,669,445
Improvements other than buildings	42,168,617	308,131	(7,776)	42,468,972
Machinery and equipment	3,795,538	-	-	3,795,538
Total capital assets, depreciated	91,013,676	308,131	(387,852)	90,933,955
Less accumulated depreciation for:				
Buildings	14,389,698	1,826,037	(106,483)	16,109,252
Improvements other than buildings	25,032,041	84,877	(7,776)	25,109,142
Machinery and equipment	3,273,268	1,287,722	-	4,560,990
Total accumulated depreciation	42,695,007	3,198,636	(114,259)	45,779,384
Total capital assets, depreciated, net	$ 64,472,377	$ 4,975,537	$ (4,010,059)	$ 65,437,855

C. The Port of Benton has active construction projects as of December 31, 2019. The Port's commitment on contracts were as follows:

Project	Spent to Date	Remaining Commitment
Prosser Airport SE Hanger Taxilane and Gates	$ 69,592	$ 308
Prosser Airport East End Hangar Taxiline Design	5,412	57,618
Richland Airport Master Plan Update	83,775	389,342
Railroad Rehabilitation Project	55,820	274,669
Chukar Cherries Office Space & Warehouse	160,105	10,705
Crow Butte RV Campsite	189,025	80,975
Crow Butter Master Plan	-	31,855
Total	$ 563,729	$ 845,472

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,		
2020	$	4,693,148
2021		1,502,472
2022		1,004,966
2023		881,532
2024		865,751
Thereafter		15,714,904
TOTAL	$	24,662,773

NOTE 7 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2019:

Aggregate Pension Amounts – All Plans		
Pension liabilities	$	(619,382)
Pension assets	$	-
Deferred outflows of resources	$	175,887
Deferred inflows of resources	$	(379,239)
Pension expense/expenditures	$	27,913

State Sponsored Pension Plans

Substantially all Port of Benton'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 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January – June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	**12.83%**	**6.00%**
July – December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	**12.86%**	**6.00%**

* For employees participating in the Judicial Benefits Multiplier (JBM) the contribution rate is12.26%.

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.

<u>Contributions</u>

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 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – June 2019		
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%**
July – December 2019		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.86%**	**7.90%**

* For employees participating in JBM, the contribution rate is 18.53% to 19.75%.

The Port's actual PERS plan contributions were $85,961 to PERS Plan 1 and $133,738 to PERS Plan 2/3 for the year ended December 31, 2019.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans is determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. 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 2018 actuarial valuation report. The TPL is calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, 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.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.

- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of $62.50 per month.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans is 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 is 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 is 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 is 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 is 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, 2019, 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%	2.20%
Tangible Assets	7%	5.10%
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 (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 585,000	$ 467,134	$ 364,869
PERS 2/3	$ 1,167,680	$ 152,248	$ (680,982)

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, 2019, the Port reported a total pension liability of $619,382 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)	
PERS 1	$	467,134
PERS 2/3	$	152,248

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

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.012964%	0.012148%	-0.000816%
PERS 2/3	0.016722%	0.015674%	-0.001048%

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) is measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the Port recognized pension expense as follows:

	Pension Expense	
PERS 1	$	(16,538)
PERS 2/3	$	44,451
TOTAL	$	27,913

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the Port of Benton 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	$ -	$ (31,208)
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 42,935	$ -
TOTAL	$ 42,935	$ (31,208)

PERS 2 & 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 43,619	$ (32,732)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (221,611)
Changes of assumptions	$ 3,899	$ (63,878)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 14,759	$ (29,810)
Contributions subsequent to the measurement date	$ 70,675	$ -
TOTAL	$ 132,952	$ (348,031)

TOTAL	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	43,619	$	(32,732)
Net difference between projected and actual investment earnings on pension plan investments	$	-	$	(252,819)
Changes of assumptions	$	3,899	$	(63,878)
Changes in proportion and differences between contributions and proportionate share of contributions	$	14,759	$	(29,810)
Contributions subsequent to the measurement date	$	113,609	$	-
TOTAL	$	175,886	$	(379,239)

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, 2020. 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	
2020	$	(6,889)
2021	$	(16,319)
2022	$	(5,824)
2023	$	(2,176)
2024	$	-
Thereafter	$	-

Year ended December 31:	PERS 2 & 3	
2020	$	(68,208)
2021	$	(116,092)
2022	$	(52,795)
2023	$	(29,349)
2024	$	(15,340)
Thereafter	$	(3,971)

NOTE 8 – 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.

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 2019:

Aggregate OPEB Amounts - All Plans	
OPEB liabilities	$ 840,702
OPEB assets	-
Deferred outflows of resources	164,723
Deferred inflows of resources	-
OPEB expenditures	$ (75,881)

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. 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 simple, 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, 2019, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	23
Total	23

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 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, 2019, the Port does not pre-fund post-retirement medical insurance subsidies. Since the PEBB plan is paid on a "pay-as-you-go" basis and is 0% funded, there are no assets to invest. However, currently the Port has sufficient cash and cash equivalents to cover the entire liability (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, 2019, and looking forward, the schedule will eventually provide multi-year trend information about the actuarial values of OPEB liability.

The actuarial assumptions in use to measure the total OPEB liability includes the entry-age cost method. The assumptions also include a discount rate that ranged from 3.87% at the beginning of the measurement year, to 3.50% at the end of the measurement year (Source Used: *Bond Buyer General Obligation 20-Bond Municipal Index*). Projected salary changes are 3.5% with the addition of service-based increases. Healthcare trend rates range from 5 to 7%. The inflation rate is set at 2.75%. The Post-Retirement participation percentage is 65%, with 45% assumed for spouse coverage.

The Port uses 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 uses a “pay-as-you-go” funding policy when selecting the assumed rate of investment return. General and salary inflation are the same as those used in the June 30, 2018 Actuarial Valuation Report (AVR) issued by the OSA. Cost inflation begins at approximately 7% and decreases to an ultimate rate of about 5% in 2020. Participation percentage, percentage of spouses’ coverage, and Medicare coverage is determined by the Office of the State Actuary. Covered payroll is assumed to grow at 3.5% per year.

OSA assumes 2/3 of members select a UMP plan and 1/3 select a Kaiser Permanente (KP) plan. UMP pre- and post-Medicare costs and premiums are equal to the Uniform Medical Plan. The KP pre-Medicare costs and premiums are a 50/50 blend of KP Classic and KP Value. The KP post-Medicare costs and premiums are equal to KP Medicare.

OSA estimates 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 are based on the 2018 PEBB OPEB AVR. The following changes were made for simplicity: all employees are assumed to be retirement eligible at age 55. Reliance is placed on PEBB retirement rates for members with <30 years of service. A 100% rate of retirement has been assumed, at age 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. Age-based cohorts are 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, which varies by plan, as well as what the OPEB liability would be, if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher that the current rate.

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	$ 684,823	$ 840,702	$ 1,044,200

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	$ 1,011,074	$ 840,702	$ 705,669

Changes to the Total OPEB Liability

The following presents the changes to the total OPEB liability.

Service cost		45,049
Interest		37,248
Changes of benefit terms		-
Differences between expected and actual experienc		-
Changes of assumptions		(158,178)
Benefit Payments		(1,659)
Other Changes		-
Total OPEB Liability at 06/30/2019	**$**	**840,702**

The Port reported a total OPEB expense of $258,199 in 2019.

At December 31, 2019, 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 experien	$ -	$ -
Changes of assumptions	-	-
Payments subsequent to the measurement date	164,723	-
Total	$ 164,723	$ -

Deferred outflows of resources of $164,723 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, 2020. 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	$ 164,723
2020	-
2021	-
2022	-
2023	-
Thereafter	$ -

NOTE 9 – 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%	$1,400,000
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, 2019 are as follows:

Years Ending December 31,	Principal	Interest	Total
2020	$ 555,136	$ 342,795	$ 897,931
2021	566,896	315,046	881,942
2022	425,862	289,552	715,414
2023	451,039	266,354	717,393
2024	443,913	242,072	685,985
2025-2033	4,167,475	976,370	5,143,845
Total	$ 6,610,321	$ 2,432,189	$ 9,042,510

B. Changes in Long-Term Liabilities

During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2019	Advances	Payments	Ending Balance 12/31/2019	Due Within One Year
CERB Loan	$ 76,639	$ -	$ (15,024)	$ 61,615	$ 15,175
WSDOT Loan	83,333	-	(16,667)	66,666	16,667
WSDOT Loan	-	10,539	-	10,539	-
HAEIFC	428,276	-	(136,676)	291,600	141,450
OPEB Liability	918,242	-	(77,540)	840,702	-
Port Share of State PERS	864,490	-	(245,108)	619,382	-
NoaNet Liability	60,000	-	(30,000)	30,000	30,000
Banner Bank Notes Tax Exempt	1,000,000	-	(47,862)	952,138	48,821
Banner Bank Notes Taxable	2,974,777	-	(587,015)	2,387,762	113,023
Total Other Obligations	6,405,757	10,539	(1,155,892)	5,260,404	365,136
2012 GO Bonds Taxable	1,580,000	-	(180,000)	1,400,000	190,000
2012 GO Bonds Nontaxable	1,410,000	-	-	1,410,000	-
Total GO Debt	$ 2,990,000	$ -	$ (180,000)	$ 2,810,000	$ 190,000

NOTE 10 – 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, 2019 was $6,348. These funds are to be used for economic development.

NOTE 11 – 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. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two 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, 2019, there are 547 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 the Pool and share in the self-insured retention. 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 $1,000 of the amount of each claim, while Enduris is responsible for the remaining $249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first $4,000 of the claim.

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 joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one 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 the Pool and are administered in house.

The Pool is governed by a Board of Directors which is comprised of seven board members. 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.

NOTE 12 – CONTINGINCIES AND LITIGATION

The Port records accruals for loss contingencies when it is probable that a liability will be incurred, and the amount of the loss can be reasonably estimated. As of December 31, 2019, the Port has determined that the existence of liabilities associated with certain litigation matters are less than likely and therefore cannot be reasonably estimated.

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

Due to the ongoing impacts of the COVID-19 pandemic, certain trials have been rescheduled or delayed. The Port continues to monitor its legal proceedings as situations develop.

The Port is currently involved in the following litigation:

1. In 2019, the Port was involved in a taxpayer lawsuit whereby the plaintiffs contend that the Port is violating the Washington State Constitution's ban on making gifts of public property to private entities because it allows the Burlington Northern Santa Fe Railroad (BNSF) to operate across the Port's railroad without current charges. The Federal Government conveyed this railroad to the Port without cost subject to the existing contract with BNSF and Union Pacific Railroad (UP). The Port has continued to honor these contracts because this infrastructure provides access to both major carriers for businesses served by the railroad. The plaintiffs contend the Port had the ability to cancel these contracts and must cancel the contracts. The Port was granted summary judgement which prevailed upon appeal. Costs of litigation were partially mitigated by insurance. Associated legal fees payable of $244,000 were accrued, as of December 31st, 2019 (see Note 14, #4).

   In 2019 the Cities of Kennewick and Richland instituted a proceeding before the Washington Transportation and Utilities Commission to acquire a street easement across a railroad track owned by the Port. This track is leased by the Port to a private operator. The Port granted an easement to the Cities which results in the Port's Tenant filing an action. There is no potential loss for the Port in this proceeding. Should the Cities prevail, they may be required to pay the Port's lessee for the fair market value of the crossing (see Note 14, #5).

   The same lessee filed a Qui Tam and False Claims Act lawsuit filed against the Port. The Dept. of Justice and the US Attorney's office declined to intervene in the case, finding a lack of merit. Further judgment resulted in dismissal of all Federal claims. Breach of contract claims were subsequently re-filed by the lessee in Benton County Superior Court, where the Port has responded and counterclaimed for damages. The Port was granted monetary relief resulting from sanctions and attorney's fees for frivolous motions by the lessee. This order is under appeal.

   The same lessee has filed a petition with the Surface Transportation Board seeking to undo the 1947 and 1948 Agreements between the federal government and the predecessor railroad companies to Union Pacific (UP) and Burlington Northern Santa Fe (BNSF), to which the lessee was not a party. While it is more likely than not that the petition will not prevail, the result would require that UP and BNSF would no longer be allowed to run "for free" over the Port's tracks. Most likely, UP and BNSF would then pay the Port directly for access. As of December 31, 2019, no contingent liability is likely or estimable (see Note 14, #6).

2. The Port is the owner of the Prosser Airport. The Port discovered contamination of a portion of the property resulting from the improper removal of an underground fuel storage tank by a former tenant of Airport property. From 2007 to 2012, the Port took steps to clean up the contamination and entered an Agreed Order with the Washington State Department of Ecology (WSDOE), concerning the cleanup. The cleanup of the property has been completed and the property is no longer subject to on-going monitoring. As of December 31, 2019, the Port does not believe any further action will be required to remediate this site.

NOTE 13 – 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 is reasonably estimable.

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" whereby, should any one of five obligating events occur, 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 a site constitute pollution remediation obligations.

The Port is currently involved in the following potential environmental liabilities:

1. The cleanup of contamination resulting from the improper removal of an underground fuel storage tank by a former tenant at the Prosser Airport has been completed and the property is no longer subject to on-going monitoring by the WSDOE. As of December 31, 2019, the Port believes no further action will be required to remediate this site and that no contingent liability is likely or estimable.

2. In 2015 the Port received industrial land 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 near ongoing and planned waste cleanup activities. Due diligence was performed to mitigate the possibility that the land may require pollution remediation. No contingent liability is likely or estimable as of December 31, 2019.

3. In 2019 the Port received notice of lease termination for property on Butler Loop. Due diligence to determine a requirement for environmental remediation resulted in identifying qualifying soil contamination. As of December 31, 2019, the Port has completed negotiations with the lessee regarding remediation and believes no contingent liability is likely or estimable. Cleanup activities have now concluded.

4. In 2019 the Port received notice of cessation of analytical operations at the Eurofins TestAmerica Richland Facility, in preparation for decommissioning and demolition of the laboratory as specified in lease termination requirements. The lessee has proceeded with necessary remediation, which was ongoing as of December 31, 2019. The Port believes that no contingent liability is likely or estimable, as of that date. Cleanup activities have now concluded.

NOTE 14 – SUBSEQUENT EVENTS

The following events and transactions occurred subsequent to December 31, 2019:

1. During the second quarter of 2020, the Port sold real property in the Richland Innovation Center for $800,000.

2. During the second quarter of 2020. the Port received notification from the WSDOE that no further monitoring would be required regarding cleanup of contamination resulting from the improper removal of an underground fuel storage tank by a former tenant at the Prosser Airport. The Port believes that no contingent liability is likely or estimable.

3. The Port is attempting to terminate an agreement for an Airport Lease and Maintenance management system as of December 31, 2020. No accruals have been considered likely or estimable as of June 15th, 2020.

4. During the first quarter of 2020, the Supreme Court of the State of Washington ruled 9-0 in the Port's favor in regard to the above-mentioned taxpayer lawsuit. The time period to appeal to the US Supreme Court has since passed (see Note 12, #1)

5. The Cities of Richland negotiated a payout amount with the Plaintiff, Tri-City Railroad Company, LLC ("TCRY"), and all litigation related to Center Parkway has been dismissed (see Note 12, #1).

6. The Complainant, TCRY, voluntarily dismissed their filing with the Surface Transportation Board (see Note 12, #1).

7. As of June 15, 2020, the former Tenant and the Port have finalized remediation efforts at the Port's Richland Airport property and believe no contingent liability is likely or estimable (see Note 13, #3).

8. As of October 15, 2020, the former Tenant and the Port have finalized remediation efforts at the former Eurfins TestAmerica Richland facility property and believe no contingent liability is likely or estimable (see Note 13, #4).

NOTE 15 – COVID-19 Pandemic

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus (COVID-19). In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The Port has a 4-tiered plan that has been implemented and continues operations based on current State, Local government, and Centers for Disease Control (CDC) guidance. Costs related to compliance with COVID-19 operations are tracked for potential recovery. The current regional economic forecast does not provide sufficient information to draw a conclusion regarding potential financial impact. A CARES Federal Aviation Administration (FAA) Grant for $99,000 was received as a result of the Federal COVID-19 economic stimulus package.

The length of time these measures will be in place, and the full extent of the financial impact on the Port cannot be reasonably estimated at this time.

NOTE 16 – Adjustments to Fund Balances and Net Position

During fiscal 2019, certain accounting changes and adjustments were made that required the restatement of fund balances or net position. The restatements are presented below.

Fund Balance and Net Position for 2019

	Enterprise Fund
Fund Balance/Net Position, December 31, 2018	$59,241,328
Current Year's Restatements	1,390,570
Fund Balance/Net Position, January 1, 2019	$57,850,758
Net Position, December 31, 2018, as restated	$57,850,758

Changes in Net Position for 2018

	Enterprise Fund
Change in Net Position, December 31, 2018	$59,241,328
Current Year's Restatements	1,390,570
Change in Net Position, December 31, 2018	$57,850,758

The restatement of $1,390,570 in the Enterprise Fund is to correct accounting errors in prior period capitalized assets.

PORT OF BENTON
MCAG No. 1698
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
PUBLIC EMPLOYEES BENEFITS BOARD
FOR THE YEAR ENDED JUNE 30, 2020
LAST 10 FISCAL YEARS*

	2020	2019	2018
Total OPEB liability - beginning	$ 840,702	$ 918,242	$ 886,673
Service cost	54,758	45,049	53,447
Interest	31,333	37,248	33,656
Changes in benefit terms	0	0	0
Differences between expected and actual experience	0	0	0
Changes of assumptions	241,828	(158,178)	(55,534)
Benefit payments	(455)	(1,659)	0
Other changes	0	0	0
Total OPEB liability - ending	1,168,166	840,702	918,242
Covered-employee payroll	1,822,995	1,934,908	1,798,040
Total OPEB liability as a % of covered payroll	64.08%	43.45%	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
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
PUBLIC EMPLOYEES BENEFITS BOARD
FOR THE YEAR ENDED JUNE 30, 2019
LAST 10 FISCAL YEARS*

	2019	2018
Total OPEB liability - beginning	$ 918,242	$ 886,673
Service cost	45,049	53,447
Interest	37,248	33,656
Changes in benefit terms	0	0
Differences between expected and actual experience	0	0
Changes of assumptions	(158,178)	(55,534)
Benefit payments	(1,659)	0
Other changes	0	0
Total OPEB liability - ending	840,702	918,242
Covered-employee payroll	1,934,908	1,798,040
Total OPEB liability as a % of covered payroll	43.45%	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, 2020
PERS 1

	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	0.011772%	0.012689%	0.012744%	0.012964%	0.012148%	0.010488%
Employer's proportionate share of the net pension liability	$ 615,785	$ 684,459	$ 604,713	$ 578,977	$ 467,134	$ 370,283
TOTAL	$ 615,785	$ 684,459	$ 604,713	$ 578,977	$ 467,134	$ 370,283
Employer's covered employee payroll	$ 1,349,356	$ 1,508,580	$ 1,607,109	$ 1,722,732	$ 1,703,498	$ 1,696,822
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	45.64%	45.37%	37.63%	33.61%	27.42%	21.82%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%

PERS 2/3

	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	0.011772%	0.012689%	0.012744%	0.012964%	0.015674%	0.013646%
Employer's proportionate share of the net pension liability	$ 615,785	$ 684,459	$ 604,713	$ 578,977	$ 152,248	$ 174,525
TOTAL	$ 615,785	$ 684,459	$ 604,713	$ 578,977	$ 152,248	$ 152,248
Employer's covered employee payroll	$ 1,349,356	$ 1,508,580	$ 1,607,109	$ 1,722,732	$ 1,703,498	$ 1,696,822
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	45.64%	45.37%	37.63%	33.61%	8.94%	8.97%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	63.22%	97.22%

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, 2019

PERS 1

	2015	2016	2017	2018	2019
Employer's proportion of the net pension liability (asset)	0.011772%	0.012689%	0.012744%	0.012964%	0.012148%
Employer's proportionate share of the net pension liability	$ 615,785	$ 684,459	$ 604,713	$ 578,977	$ 467,134
TOTAL	$ 615,785	$ 684,459	$ 604,713	$ 578,977	$ 467,134
Employer's covered employee payroll	$ 1,349,356	$ 1,508,580	$ 1,607,109	$ 1,722,732	$ 1,703,498
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	45.64%	45.37%	37.63%	33.61%	27.42%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%

PERS 2/3

	2015	2016	2017	2018	2019
Employer's proportion of the net pension liability (asset)	0.011772%	0.012689%	0.012744%	0.012964%	0.015674%
Employer's proportionate share of the net pension liability	$ 615,785	$ 684,459	$ 604,713	$ 578,977	$ 152,248
TOTAL	$ 615,785	$ 684,459	$ 604,713	$ 578,977	$ 152,248
Employer's covered employee payroll	$ 1,349,356	$ 1,508,580	$ 1,607,109	$ 1,722,732	$ 1,703,498
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	45.64%	45.37%	37.63%	33.61%	8.94%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	63.22%

PORT OF BENTON
MCAG No.1698
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SCHEDULE OF EMPLOYER CONTRIBUTIONS
AS OF DECEMBER 31, 2020
PERS 1

	2015	2016	2017	2018	2019	2020
Statutorily or contractually required contributions	$ 62,888	$ 74,139	$ 82,791	$ 87,257	$ 85,961	$ 81,588
Contributions in relation to the statutorily or contractually required contributions	(62,888)	(74,139)	(82,791)	(87,257)	(85,961)	(81,588)
Contribution deficiency (excess)	-	-	-	-	-	-
Covered employer payroll	$ 1,469,916	$ 1,554,286	$ 1,687,551	$ 1,723,322	$ 1,734,761	$ 1,701,175
Contributions as a percentage of covered employee payroll	4.28%	4.77%	4.91%	5.06%	4.96%	4.80%

PERS 2/3

	2015	2016	2017	2018	2019	2020
Statutorily or contractually required contributions	$ 62,888	$ 74,139	$ 82,791	$ 87,257	$ 85,961	$ 81,588
Contributions in relation to the statutorily or contractually required contributions	(62,888)	(74,139)	(82,791)	(87,257)	(85,961)	(81,588)
Contribution deficiency (excess)	-	-	-	-	-	-
Covered employer payroll	$ 1,469,916	$ 1,554,286	$ 1,687,551	$ 1,723,322	$ 1,734,761	$ 1,701,175
Contributions as a percentage of covered employee payroll	4.28%	4.77%	4.91%	5.06%	4.96%	4.80%

PERS 2/3

	2015	2016	2017	2018	2019	2020
Statutorily or contractually required contributions	$ 80,790	$ 96,832	$ 116,086	$ 129,249	$ 133,738	$ 134,734
Contributions in relation to the statutorily or contractually required contributions	(80,790)	(96,832)	(116,086)	(129,249)	(133,738)	(134,734)
Contribution deficiency (excess)	-	-	-	-	-	-
Covered employer payroll	$ 1,469,916	$ 1,554,286	$ 1,687,551	$ 1,723,322	$ 1,734,761	$ 1,701,175
Contributions as a percentage of covered employee payroll	5.50%	6.23%	6.88%	7.50%	7.71%	7.92%

PORT OF BENTON
MCAG No.1698
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SCHEDULE OF EMPLOYER CONTRIBUTIONS
AS OF DECEMBER 31, 2019
PERS 1

	2015	2016	2017	2018	2019
Statutorily or contractually required contributions	$ 62,888	$ 74,139	$ 82,791	$ 87,257	$ 85,961
Contributions in relation to the statutorily or contractually required contributions	(62,888)	(74,139)	(82,791)	(87,257)	(87,257)
Contribution deficiency (excess)	-	-	-	-	-
Covered employer payroll	$ 1,469,916	$ 1,554,286	$ 1,687,551	$ 1,723,322	$ 1,734,761
Contributions as a percentage of covered employee payroll	4.28%	4.77%	4.91%	5.06%	4.96%

PERS 2/3

	2015	2016	2017	2018	2019
Statutorily or contractually required contributions	$ 80,790	$ 96,832	$ 116,086	$ 129,249	$ 133,738
Contributions in relation to the statutorily or contractually required contributions	(80,790)	(96,832)	(116,086)	(129,249)	(133,738)
Contribution deficiency (excess)	-	-	-	-	-
Covered employer payroll	$ 1,469,916	$ 1,554,286	$ 1,687,551	$ 1,723,322	$ 1,734,761
Contributions as a percentage of covered employee payroll	5.50%	6.23%	6.88%	7.50%	7.71%

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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