Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Port of Benton

For the period January 1, 2021 through December 31, 2021

Published August 25, 2022

Report No. 1030932

Office of the Washington State Auditor
Pat McCarthy

August 25, 2022

Board of Commissioners
Port of Benton
Richland, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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Port of Benton
January 1, 2021 through December 31, 2021

SECTION I – SUMMARY OF AUDITOR'S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

CFDA No.	Program or Cluster Title
20.106	Airport Improvement Program and COVID-19 Airports Programs
20.106	COVID-19 – Airport Improvement Program and COVID-19 Airports Programs

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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, 2021 through December 31, 2021

Board of Commissioners
Port of Benton
Richland, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Port of Benton, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated August 15, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above 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 or significant deficiencies may exist that were not identified.

In addition, we noted certain matters that we have reported to the management of the Port in a separate letter dated August 15, 2022.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

August 15, 2022

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Port of Benton
January 1, 2021 through December 31, 2021

Board of Commissioners
Port of Benton
Richland, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Port of Benton, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended December 31, 2021. The Port's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States*;* and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Port and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Port's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Port's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Port's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Port's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Port's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Port's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

August 15, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Port of Benton
January 1, 2021 through December 31, 2021

Board of Commissioners
Port of Benton
Richland, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Port of Benton, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Port of Benton, as of December 31, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 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 the effectiveness of the Port's 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

August 15, 2022

FINANCIAL SECTION

Port of Benton
January 1, 2021 through December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

Port of Benton

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021

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, 2021, 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 Prosser 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, 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, 2021, total Port assets of $76,294,923 exceed total liabilities of $14,173,758 by $62,121,165, a change of 4.25% over the period ended December 31, 2020.

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

Increase in Current Assets: Current assets as of December 31, 2021 increased $7,160,930, or 176.84% over the prior period.

Capital Assets: The Port's investment in capital assets for its business type activities as of December 31, 2021 amounts to $62,809,649 (net of accumulated depreciation) which is an decrease of approximately -2.77%. This investment includes construction in process, improvements, buildings and machinery and equipment.

Liabilities: At December 31, 2021, the Port's total long-term debt outstanding was $9,454,488. Of this amount, general obligation bonds outstanding were $9,115,000. The Port's total long-term liabilities increased by $3,198,238 between 2020 and 2021. Additional information on the Port's long-term debt may be found in Note 9 of this report.

Revenues: 2021 annual operating revenues are $5,031,964. Operating revenues increased as compared to $4,819,980 for that same period in 2020.

Expenses: Operating expenses for the year ended December 31, 2021 were $8,088,130, which is a decrease when compared to 2020 operating expenses of $9,643,777.

Financial Position

The statements of net position present the financial position of the Port as of December 31, 2021. 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, 2021 and 2020 follows:

PORT OF BENTON'S Net Position

	2021	2020
Current assets	$ 11,210,400	$ 4,049,470
Net capital assets	62,809,649	64,597,349
Other noncurrent assets & deferred outflow	2,274,874	364,088
Total assets & deferred outflow	**76,294,923**	**69,010,907**
Current liabilities	1,876,395	1,324,073
Noncurrent liabilities & deferred inflow	12,297,363	8,099,096
Total liabilities	**14,173,758**	**9,423,169**
Net Position:		
Net Investment in capital assets, net of related debt	52,943,846	58,273,249
Restricted	218,060	-
Unrestricted	8,959,259	1,314,490
Total net position	**$ 62,121,165**	**$ 59,587,739**

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

	2021	2020
Operating revenues	$ 5,031,964	$ 4,819,980
Operating expenses	8,088,130	9,643,777
Operating Income (loss)	**(3,056,166)**	**(4,823,797)**
Non-operating revenue (expense)	1,132,306	657,113
Ad valorem tax revenues	2,617,259	2,519,083
Total non-operating revenues (expenses)	**3,749,565**	**3,176,196**
Change in net position, before capital contribution	693,399	(1,647,601)
Capital contributions	1,840,027	2,019,483
Increase in net position, before special items	2,533,426	371,882
Prior Period Adjustments	-	(508,832)
Change in Accounting Principle	-	-
Net position at beginning of year	59,587,739	59,724,689
Net position at end of year	**$ 62,121,165**	**$ 59,587,739**

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 was awarded a $400,000 grant that began January 2022 from the Washington state Department of Commerce Innovation Cluster Accelerator Award program (ICAP). The ICAP grant is intended to support acceleration of creation of a supply chain alliance, partnerships, communications, and education of the clean energy sector. As a result, working with industry the Clean Energy Supplier Alliance has been formed. The Port participated in Maritime Blue's statewide application to the U.S. Economic Development Administration Build Back Better Challenge Grant requesting $8M to build the Advanced Energy Innovation & Commercialization Center that will include a hydrogen company and a maker space partnered with WSU Tri-Cities and Columbia Basin College to continue justice equity diversity inclusion workforce development in STEM within its design and programing along with startup facilities needed to grow entrepreneurial and clean energy companies.

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 limited lease revenue reduction due to the reduction in office space from existing tenants and limited inquiries for commercial 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 is almost complete with a new master plan (the Plan) for the Richland Airport and the FAA has approved the master plan forecast. The Plan will guide the Port in its development of the Richland Airport over the next 20 years. The Richland Airport is very close to running out of land that can be leased. Additional work is planned to open up more land for hangar development and expansion. The Port completed a master plan for the Prosser Airport during 2019, and the FAA followed with funding for new east taxi-lane construction that took place in 2021. Upon completion of planned improvements, the Port projects revenue at the Prosser Airport to remain stable and perhaps experience a nominal increase 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. Roadway projects have been completed and additional land sales are pending across all port sites that result in further job creation. The Port has seen stable demand for commercial and industrial lease space. *An Analysis of the Effects of Covid-19 on the Economy of the Greater Tri Cities & a Near-term Outlook, Institute for Public Policy & Economic Analyst Eastern Washington University, March 1, 2022*; states that the Tri-Cities has three main industries important to its economy as "a whole: waste management, crop production and agricultural support activities…all point to the greater Tri Cities adsorbing the pandemic downturn relative better than the state."

Tax Levy: The Port of Benton continues to work towards minimizing the Port's tax levy. We strive to keep the Port levy low. Our goal is to be able to offset operating costs and capital improvements with revenue from tenants and operations while keeping tax revenue below our taxing authority. Towards this goal, the Port's levy rate has decreased approximately 18% over the last 10 years, from $.4276 in 2011 to $.3518 in 2021. A $100,000 house paid $43 in Port of Benton property taxes in 2011; and just $35 in 2021.

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, 2021

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	7,969,637
Taxes Receivable		44,763
Accounts Receivable		1,016,671
Due from Other Governments		276,611
Prepaids		314,405
Contracts with Interest Receivable		1,586,068
Total Current Assets		11,208,155
RESTRICTED ASSETS		
Cash and Cash Equivalents		2,245
Long-term Cash and Cash Equivalents		432,230
Total Restricted Assets		434,475
NONCURRENT ASSETS		
Net Port Share of State Pension Asset		1,490,157
Capital assets		
Property, Plant and Equipment		111,861,059
Construction in Process		2,473,193
Less: Accumulated Depreciation		(51,524,603)
Total Noncurrent Assets		64,299,806
TOTAL ASSETS	$	75,942,436
Deferred Outflows of Resources:		
State Pension		188,232
Other Post-employment Benefits		164,255
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	352,487

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

Port of Benton
STATEMENT OF NET POSITION
December 31, 2021

LIABILITIES		
CURRENT LIABILITIES		
Warrants Payable	$	633,561
Payroll Payable		5,026
Accrued Vacation Payable		218,351
Retainage Under Construction Contracts		52,028
Interest & Other Payables		135,919
Deferred Revenue - Prepaid Rent		269,362
Current Portion of Long-Term Obligations		562,148
Total Current Liabilities		1,876,395
NONCURRENT LIABILITIES		
Customer Deposits Payable		432,230
Other Post Employment Benefits		884,359
Net Port Share of State Pension Liability		142,237
General Obligation Bonds		9,019,326
Notes Payable		232,301
Total Noncurrent Liabilities		10,710,453
Total Liabilities		12,586,848
Deferred Inflow of Resources:		
State Pension		1,586,910
TOTAL DEFERRED INFLOWS OF RESOURCES		1,586,910
NET POSITION		
Net Investment in Capital Assets		52,943,846
Restricted Net Pension Asset		218,060
Unrestricted		8,959,259
TOTAL NET POSITION	$	62,121,165

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, 2021

OPERATING REVENUES		
Property Lease/Rental Operations	$	5,031,964
Total Operating Revenues		**5,031,964**
OPERATING EXPENSES		
General Operations		804,274
Maintenance		1,867,229
General and Administration		1,999,970
Total Before Depreciation		**4,671,473**
Depreciation		3,416,657
Total Operating Expenses		**8,088,130**
Operating Loss		**(3,056,166)**
NONOPERATING REVENUES (EXPENSES)		
Interest Income		90,189
Taxes Levied For:		
General Purposes		2,272,970
Debt Service Principal/Interest		344,289
Interest Expense		(393,655)
Gain on Disposition of Assets		830,064
Other Nonoperating Revenues		605,708
Total Nonoperating Revenues		**3,749,565**
Income Before Other Revenues, Expenses, Gains, Losses and Transfers		**693,399**
Capital Contributions		1,840,027
Increase in Net Position		**2,533,426**
Net Position - Beginning of Year		59,587,739
Net Position - End of Year	$	62,121,165

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, 2021
Business-Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	3,116,020
Payments to Employees		(2,857,821)
Payments to Suppliers		(2,274,175)
Net Cash Used by Operating Activities		**(2,015,976)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital Property Taxes Received		2,617,259
Non-operating Receipts		613,052
Net Cash Provided by Non-operating Financing Activities		**3,230,311**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets		1,546,722
Principal Payments Paid on Capital Debt		(6,291,763)
Interest Paid on Capital Debt		(393,655)
Proceeds from Capital Debt		9,490,001
Acquisition and Construction of Capital Assets		211,070
Cash Received from Other Governments		(251,611)
Net Cash Used by Capital and Related Financing Activities		**4,310,764**
CASH FLOW FROM INVESTING ACTIVITIES		
Collection of Notes Receivable		-
Interest Income		90,189
Net Cash Provided by Investing Activities		**90,189**
Net Decrease in Cash and Cash Equivalents		5,615,288
Balances - Beginning of the Year		2,788,824
Balances - End of the Year	$	8,404,112

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, 2021

Operating Loss	$	(3,056,166)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense		3,416,657
Changes in Assets and Liabilities:		
Receivables, Net		(2,036,587)
Prepaid Expenses		(54,349)
Customer Deposits		(20,765)
Payables, Net		(838,714)
Warrants Payable		486,413
Unearned Revenue		82,735
Vacation Payable		4,800
Net Cash Used by Operating Activities	$	(2,015,976)

Non-Cash Investing, Capital and Financing Activities:

The Noncash Portion of These Transactions are as Follows:

Net Pension Expense (GASB 68)	$	(528,251)
Net OPEB Expense (GASB 75)	$	(273,833)

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, 2021

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 – Economic Development Corporation. 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, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2021, the Benton County Treasurer was holding $8,114,717 in short-term residual investments of surplus cash. 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. The interest on these investments is 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 – Deposits and Investments).

3. Receivables

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

Customer accounts receivable consists of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open accounts 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 and Liabilities

These accounts contain resources for construction and debt service. The current portion of related liabilities is shown as *Retainage Under Construction Contracts* and is included in *Current Portion of Long-Term Obligations*. Specific debt service requirements are described in Note 9 – Long-Term Debt.

The restricted assets of the Port as of December 31, 2021 are composed of the following:

Cash and Investments - Debt Service	$ 2,245
Cash and Investments - Retainage	52,028
Cash and Investments - Leasehold Excise Tax	122,827
Cash and Investments - Tenant Security Deposits	432,230
Cash and Investments - Project Funds	3,963,138
	$ 4,572,468

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

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported on the Statement of Net Position. Capital assets are defined by the Port as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost of purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government is depreciated using the straight-line method with useful lives ranging from 5-50 years.

6. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. All vacation and sick pay is accrued 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. Pensions

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

For purposes of calculating the restricted net position related to the net pension asset, the Port includes the net pension asset and the related deferred outflows and deferred inflows.

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

9. Unearned Revenues

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

10. Net Position Classification

In proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net Position is comprised of three components: Net investment in capital assets, restricted, and unrestricted.

Sometimes the Port will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Port's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Port would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Port's deposits and certificates of deposit are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments in Benton County Treasurer's Investment Pool

The Port is a participant in the Benton County Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The Port reports its investment in the pool at fair value, which is the same value of the pool per share. The pool does not impose any restrictions on participant withdrawals.

Summary of Deposit and Investment Balances

Port of Benton deposits by type at December 31, 2021 are as follows:

Deposit	Total
Benton County Investment Pool	$ 8,114,717
Banner Bank	283,070
US Bank	6,325
Total	$ 8,404,112

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 tax 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 2021 was $.3518 per $1,000 on an assessed valuation of $7.46 billion for a total regular levy of $2,623,194.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance 12/31/2020	Increase	Decrease	Balance 12/31/2021
Capital assets, not depreciated:				
Land	$ 14,810,991	$ -	$ (195,440)	$ 14,615,551
Construction in progress	3,330,168	3,293,239	(4,173,793)	2,449,614
Total capital assets, not depreciated	18,141,159	3,293,239	(4,369,233)	17,065,165
Capital assets, depreciated:				
Buildings	44,669,445	308,484	(2,127,134)	42,850,795
Improvements other than buildings	46,353,548	3,402,629	-	49,756,177
Machinery and equipment	4,445,803	240,153	(23,842)	4,662,114
Total capital assets, depreciated	95,468,796	3,951,266	(2,150,976)	97,269,086
Less accumulated depreciation for:				
Buildings	17,719,244	1,334,102	(903,869)	18,149,477
Improvements other than buildings	26,610,242	1,949,636	-	28,559,878
Machinery and equipment	4,683,120	132,919	(791)	4,815,248
Total accumulated depreciation	49,012,606	3,416,657	(904,660)	51,524,603
Total capital assets, depreciated, net	$ 64,597,349	$ 3,827,848	$ (5,615,549)	$ 62,809,648

The Port recorded depreciation expense of $3,416,657 for the year ending December 31, 2021.

NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction Commitments

The Port of Benton has active construction projects as of December 31, 2021. The Port's commitment on contracts were as follows:

Project	Spent to Date	Remaining Commitment
HVAC Replacement	50,821	2,675
Interior Painting Project	-	77,975
Roof Replacement Project	73,616	3,553
Fermi Avenue Widening Project	618,879	92,566
LED Lightin Project 2345 Stevens Drive	132,058	76,842
Carpet Replacement Project 2345 Stevens Drive	65,209	3,448
Total	$ 940,583	$ 257,059

Of the committed balance of $257,059, the Port will be required to raise $0 in future financing.

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,		
2022	$	4,243,202
2023		1,572,928
2024		1,557,147
2025		673,083
2026		639,844
Thereafter		9,168,177
TOTAL	$	17,854,381

NOTE 7 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts – All Plans		
Pension liabilities	$	(142,237)
Pension assets	$	1,490,157
Deferred outflows of resources	$	188,231
Deferred inflows of resources	$	(1,586,913)
Pension expense/expenditures	$	(329,762)

State Sponsored Pension Plans

Substantially all of the Port's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS ACFR 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 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	**12.97%**	**6.00%**
July – December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**

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

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or

- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – June 2021		
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%**
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.25%**	**6.36%**

* For employees participating in JBM, the contribution rate was 15.90%.

The Port's actual PERS plan contributions were $74,530 to PERS Plan 1 and $123,957 to PERS Plan 2/3 for the year ended December 31, 2021.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, 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-2010 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 of 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 their lifetime.

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

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 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, 2021 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	$ 242,309	$ 142,237	$ 54,964
PERS 2/3	$ (424,517)	$ (1,490,157)	$ (2,367,712)

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, 2021, 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	$	142,237
PERS 2/3	$	(1,490,157)

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.010488%	0.011647%	0.001159%
PERS 2/3	0.013646%	0.014959%	0.001313%

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.

Pension Expense

For the year ended December 31, 2021, the Port recognized pension expense as follows:

	Pension Expense	
PERS 1	$	14,482
PERS 2/3	$	(344,244)
TOTAL	$	(329,762)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, 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	$ -	$ (157,836)
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 31,252	$ -
TOTAL	$ 31,252	$ (157,836)

PERS 2 & 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 72,375	$ (18,268)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (1,245,422)
Changes of assumptions	$ 2,178	$ (105,826)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 28,853	$ (59,562)
Contributions subsequent to the measurement date	$ 53,575	$ -
TOTAL	$ 156,980	$ (1,429,077)

TOTAL	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	72,375	$	(18,268)
Net difference between projected and actual investment earnings on pension plan investments	$	-	$	(1,403,257)
Changes of assumptions	$	2,178	$	(105,826)
Changes in proportion and differences between contributions and proportionate share of contributions	$	28,853	$	(59,562)
Contributions subsequent to the measurement date	$	84,826	$	-
TOTAL	$	188,231	$	(1,586,913)

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, 2022. 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	
2022	$	(41,811)
2023	$	(38,314)
2024	$	(36,227)
2025	$	(41,484)
2026	$	-
Thereafter	$	-

Year ended December 31:	PERS 2 & 3	
2022	$	(346,897)
2023	$	(324,521)
2024	$	(311,171)
2025	$	(337,014)
2026	$	(8,437)
Thereafter	$	2,367

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2021:

Aggregate OPEB Amounts - All Plans	
OPEB liabilities	$ 884,359
OPEB assets	-
Deferred outflows of resources	164,255
Deferred inflows of resources	-
OPEB expenditures	$ (273,833)

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, 2021, 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	25
Total	25

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, 2021, 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, 2021, 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 2.21% at the beginning of the measurement year, to 2.16% 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 2 to 11%. 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, 2020 Actuarial Valuation Report (AVR) issued by the OSA. Participation percentage, percentage of spouses' coverage, and Medicare coverage is determined by the Office of the State Actuary.

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 Classic. The KP pre-Medicare costs and premiums are a 50/50 blend of KP WA Classic and KP WA Value. The KP post-Medicare costs and premiums are equal to KP WA 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 2020 PEBB OPEB AVR. The following changes were made for simplicity: assumed Plan 2 decrement rates, assumed all employees are retirement eligible at age 55 and all employees retire at age 70, and based on an average expected retirement age of 65, OSA applied active mortality rates for ages less than 65 and retiree mortality rates for ages 65+.

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 Port 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	$ 724,085	$ 884,359	$ 1,094,233

The following presents the total OPEB liability of the Port calculated using the discount rate of 2.16 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16 percent) or 1-percentage point higher (3.16 percent) that the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	$ 1,058,526	$ 884,359	$ 745,933

Changes to the Total OPEB Liability

The following presents the changes to the total OPEB liability.

Total OPEB Liability at 07/01/2020	$ 1,168,166
Service cost	78,664
Interest	27,525
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(387,304)
Benefit Payments	(2,692)
Other Changes	-
Total OPEB Liability at 06/30/2021	**$ 884,359**

The Port reported a total OPEB expense of $(273,833) in 2021.

At December 31, 2021, 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	164,255	-
Total	$ 164,255	$ -

Deferred outflows of resources of $164,255 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, 2022. 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	$ 164,255
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 (currently and 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.

General obligation bonds currently outstanding are as follows:

Taxable, matures, 2021-2040	0.31%-3.06%	$7,190,000
Tax-Exempt, matures, 2021-2033	4.00%	$1,925.000

A. Annual Debt Amortization

The annual principal and interest requirements for all debt outstanding as of December 31, 2021 are as follows:

Years Ending December 31,	Principal	Interest	Total
2022	$ 562,148	$ 239,667	$ 801,815
2023	517,301	235,852	$ 753,153
2024	490,000	231,523	$ 721,523
2025	495,000	226,248	$ 721,248
2026	470,000	219,275	$ 689,275
2027-2031	2,530,000	876,300	$ 3,406,300
2032-2036	2,300,000	519,991	$ 2,819,991
2037-2040	2,090,000	162,180	$ 2,252,180
Total	$ 9,454,449	$ 2,711,036	$ 12,165,485

B. Changes in Long-Term Liabilities

During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2021	Advances	Payments	Ending Balance 12/31/2021	Due Within One Year
WSDOT Note RR00406	$ 50,000	$ -	$ (16,667)	$ 33,333	$ 16,667
WSDOT Note RRB1228	250,000	-	(25,000)	225,000	25,000
NP Banner Bank 48534	2,271,552	-	(2,271,552)	-	-
NP Banner Bank 54861	902,281	-	(902,281)	-	-
CERB Note	46,440	-	(15,326)	31,114	15,480
HAEIFC Note	77,412	-	(77,412)	-	-
Noaa Net Note	38,525	-	(38,525)	-	-
Cashmere Valley Bank Line of Credit	-	50,001	-	50,001	50,001
PERS/Pension related	544,808	-	(402,571)	142,237	-
OPEB Liability	1,168,166	-	(283,807)	884,359	-
Total Other Obligations	5,349,184	50,001	(4,033,141)	1,366,044	107,148
2011A GO Bond Taxable	1,400,000	-	(1,400,000)	-	-
2011B GO Bond Tax-Exempt	1,410,000	-	(1,410,000)	-	-
2021A GO Bond Taxable	-	7,495,000	(305,000)	7,190,000	405,000
2021B GO Bond Tax-Exempt	-	1,945,000	(20,000)	1,925,000	50,000
Total GO Debt	$ 2,810,000	$ 9,440,000	$ (3,135,000)	$ 9,115,000	$ 455,000

C. Refunded Debt

The Port issued $9,440,000 of general obligation bonds to provide resources to purchase U.S. Government and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all further debt service payments on $5,712,256 of refunded debt, including general obligation and other long-term debt. As a result, the refunded bonds and other debt are considered to be defeased and the liability has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by 21% and resulted in an economic gain of $1.2M in net present value savings.

See the previous changes in long-term liabilities for details of debt that was repaid in 2021.

D. Revolving Line of Credit

The Port obtained a not-to-exceed $1,500,5000 Limited Tax General Obligation Note (Line of Credit) in July 2021. The Port drew $50,001 at closing to finance the cost of issuance and deposit funds into a Project Fund account.

NOTE 10 – ECONOMIC DEVELOPMENT CORPORATION

The Port of Benton Economic Development Corporation (EDC) 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.

There was no financial activity between the EDC and the Port in 2021. The balance of funds available as of December 31, 2021 was $6,325. These funds are to be used for economic development.

NOTE 11 – RISK MANAGEMENT

Port of Benton is a member of the Enduris Washington (Pool). 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. For the Pool's fiscal year ending August 31, 2021, there were 539 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris' program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution coverage is provided on a "claims made" coverage form. All other coverage is provided on an "occurrence" coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays (1)
Liability:				

Comprehensive General Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Automobile Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	$1 million	$20 million $20 million	$1,000 - $100,000
Terrorism Liability[2]	Per Occurrence Pool Aggregate	$500,000 $1 million	$0 Fully funded by Pool	$1,000 - $100,000
Employment Practices Liability	Per Occurrence Member Aggregate	$1 million	$20 million $20 million	20% Copay[3]

1. Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible
1. Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.
1. Members pay a 20% co-pay of costs up to a maximum of $100,000. By meeting established guidelines, the co-pay may be waived.

Property [2]**:**				
Buildings and Contents	Per Occurrence	$250,000	$800 million	$1,000 - $250,000
Mobile Equipment	Per Occurrence	$250,000	$800 million	$1,000 - $250,000
Boiler and Machinery [3]	Per Occurrence	Varies	$100 million	Varies
Business Interruption (BI)/ Extra Expense(EE) [4]	Per Occurrence	$250,000	$100 million (BI)/ $50 million (EE)	$1,000 - $250,000
Sublimit [5]:				
Flood	Per Occurrence	$250,000	$50 million (shared by Pool members)	$1,000 - $250,000
Earthquake	Per Occurrence	5%; $500,000 maximum	$10 million (shared by Pool members)	$1,000 - $250,000
Terrorism Primary	Per Occurrence Pool Aggregate	$250,000	$100 million/ Pool member $200 million	$1,000 - $250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	$500,000	$600 million/Pool member $1.2 billion/APIP $1.4 billion/APIP	$0
Automobile Physical Damage[6]	Per Occurrence	$25,000; $100,000 for Emergency Vehicles	$800 million	$250 - $1,000
Crime Blanket [7]	Per Occurrence	$50,000	$1 million	$1,000
Named Position [8]	Per Occurrence	$50,000	$1 million	$1,000
Cyber [9]	Each Claim APIP Aggregate	$100,000	$2 million $25 million	20% Copay
Identity Fraud Expense Reimbursement [10]	Member Aggregate	$0	$25,000	$0

1. Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
1. Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over $250,000 to the limit of $800 million except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
1. Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.

1. Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to $500,000 of coverage with a $2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
1. This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
1. Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
1. Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of $2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from $5,000 to $1 million.
1. Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between $5,000 and $1 million.
1. Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between $50,000 and $100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is $2 million, with various declared sub-limits.
1. Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a $25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. 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 Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

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 overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

NOTE 12 – CONTINGINCIES AND LITIGATION

The Port has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved, but where, based on available information, management believes it is probably that the Port will have to make payment. In the opinion of management, the Port's insurance policies are adequate to pay all known or pending claims.

As discussed in Note 9, Long-Term Debt, the Port is contingency liable for repayment of refunded debt.

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

1. 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.

   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 on April 9, 2020. The Port responded and filed an unlawful detained (eviction) action against Plaintiff. Those two cases were consolidated and a case schedule was issued with a potential trial date of April 5, 2021. However, COVID-19 completely de-railed all case schedules. As of today's date, there is no scheduled trial date. However, the Port did prevail on a partial summary judgment motion, and Plaintiff's summary 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 gives 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.

On May 18, 2022, the Benton County Superior Court ruled in favor of the Port on the Port's Motion for Summary Judgment. TCRY has been found in default of their Lease, and a writ of restitution to evict them from the premises has been issued. All claims from TCRY against the Port have been dismissed. The only claims left for trial are the Port's counterclaims for damages related to lack of maintenance. It is too soon to tell as to whether TCRY will attempt to appeal any of these rulings.

All of TCRY's claims have been dismissed. The Port is in the process of evicting TCRY. Further, the Port has counterclaims for damages related to lack of maintenance in an amount to be established at trial.

2. On July 31, 2020, Burlington Northern Santa Fe (BNSF) had a major derailment on the Port track shortly before 1600 hours. By August 3rd, 2020, BNSF had removed all the damaged cars from the Port's track. Approximately 500 track feet needed repairs and approximately 325 track feet that were destroyed have 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 clean-up work of removing cars, they caused an approximate $162,000 in additional damage to cross ties and ballast.

   BNSF blames 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 derailment, citing excessive 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 data 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 all parties (TCRY is insured, and BNSF self-insures). The Port has now obtained, via subpoena, the "black box" data from BNSF and it is being examined by subject matter experts.

Worst case, the Port will be unable to prove liability and will not collect anything on this matter. It is far more likely that one or both of the entities (TCRY and BNSF) will be found liable for at least a portion of the tab paid to date by the Port on the derailment repair costs.

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 recently began clearing a site for the upcoming "White Bluffs Archival & Storage Facility." A concrete slab was found, and a lid removed. What appears to be a wastewater storage tank from the Camp Hanford days has been found. Shannon & Wilson Engineering was hired to perform a full array of tests on the wastewater, samples of which were taken on May 25, 2022. Based on historical pictures and documents, it is likely this is simply a wastewater tank from laundromat or bathroom facilities and unlikely to be an environmental hazard.

None, but, see note above.

NOTE 14 – SUBSEQUENT EVENTS

The following events and transactions occurred subsequent to December 31, 2021:

1. TCRY subsequently filed a Motion to Amend Permanent Injunction in the United States District Court Eastern District of Washington (Case No. CV-09-5062-EFS) on January 17, 2022. TCRY moved the Court to amend the permanent injunction previously entered in the matter on the December 14, 2011 to require maintenance payments by the BNSF Railway Company ("BNSF") and the Union Pacific Railroad Company ("UP"). TCRY also requested that the Court order the UP and the BNSF to reimburse TCRY for the number of railcars that they directly carried over the Richland Trackage from the time the Permanent Injunction was entered to date without paying anything toward the maintenance of the trackage. Now that TCRY have been found to be guilty of unlawful detainer, it is unlikely that this case will proceed.

   Even if TCRY prevails in this matter, which the Port finds extremely unlikely, there is no risk of financial harm to the Port of Benton.

2. In December 2021 the Port accepted an Initial Offer of Financial Aid from the Washington State Department of Transportation's Community Aviation Revitalization Board (CARB) for a general obligation loan of $750,000. As of the date of this report the loan agreement has been executed, however no funds have been expended related to the project.

3. In 2021 the Port bonded additional debt in anticipation of constructing a new building. A letter of intent has been secured and construction of the White Bluffs Archival & Storage Facility is scheduled to begin in spring 2022 with completion estimated in late summer 2022. See note above related to Environmental concerns.

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 COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

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

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the Port is unknown at this time.

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, 2021
LAST 10 FISCAL YEARS*

	2021	2020	2019	2018
Total OPEB liability - beginning	$ 1,168,166	$ 840,702	$ 918,242	$ 886,673
Service cost	78,664	54,758	45,049	53,447
Interest	27,525	31,333	37,248	33,656
Changes in benefit terms	0	0	0	0
Differences between expected and actual experience	0	0	0	0
Changes of assumptions	(387,304)	241,828	(158,178)	(55,534)
Benefit payments	(2,692)	(455)	(1,659)	0
Other changes	0	0	0	0
Total OPEB liability - ending	884,359	1,168,166	840,702	918,242
Covered-employee payroll	1,886,258	1,822,995	1,934,908	1,798,040
Total OPEB liability as a % of covered payroll	46.88%	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
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SCHEDULE OF THE PORT’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2021
PERS 1

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

	2019	2020	2021
Employer's proportion of the net pension liability (asset)	0.012148%	0.010488%	0.011647%
Employer's proportionate share of the net pension liability	$ 467,134	$ 370,283	$ 142,237
TOTAL	$ 467,134	$ 370,283	$ 142,237
Employer's covered employee payroll	$ 1,703,498	$ 1,696,822	$ 1,789,171
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	27.42%	21.82%	7.95%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	68.64%	88.74%

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, 2021
PERS 2/3

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

PERS 2/3

	2019	2020	2021
Employer's proportion of the net pension liability (asset)	0.015674%	0.013646%	0.014959%
Employer's proportionate share of the net pension liability (asset)	$ 152,248	$ 174,525	$ (1,490,157)
TOTAL	$ 152,248	$ 152,248	$ (1,490,157)
Employer's covered employee payroll	$ 1,703,498	$ 1,696,822	$ 1,789,171
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	8.94%	8.97%	-83.29%
Plan fiduciary net position as a percentage of the total pension liability	63.22%	97.22%	120.29%

PORT OF BENTON
MCAG No.1698
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SCHEDULE OF EMPLOYER CONTRIBUTIONS
AS OF DECEMBER 31, 2021
PERS 1

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

	2019	2020	2021
Statutorily or contractually required contributions	$ 85,961	$ 81,588	$ 74,530
Contributions in relation to the statutorily or contractually required contributions	(85,961)	(81,588)	(74,530)
Contribution deficiency (excess)	-	-	-
Covered employer payroll	$ 1,734,761	$ 1,701,175	$ 1,731,032
Contributions as a percentage of covered employee payroll	4.96%	4.80%	4.31%

PORT OF BENTON
MCAG No.1698
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SCHEDULE OF EMPLOYER CONTRIBUTION
AS OF DECEMBER 31, 2021
PERS 2/3

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

	2019	2020	2021
Statutorily or contractually required contributions	$ 133,738	$ 134,734	$ 123,957
Contributions in relation to the statutorily or contractually required contributions	(133,738)	(134,734)	(123,957)
Contribution deficiency (excess)	-	-	-
Covered employer payroll	$ 1,734,761	$ 1,701,175	$ 1,731,032
Contributions as a percentage of covered employee payroll	7.71%	7.92%	7.16%

Port of Benton
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass-Through Awards	From Direct Awards	Total		
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0050-19-2019	-	900	900	-	1,2,3
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0056-31-2019	-	93,957	93,957	-	1,2 3
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0050-020-2021	-	536,122	536,122	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0050-021-2021	-	13,000	13,000	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0050-022-2022	-	32,000	32,000	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0056-033-2021	-	177,664	177,664	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0056-034-2021	-	23,000	23,000	-	1,2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program and COVID-19 Airports Programs	20.106	3-53-0056-036-2022	-	59,000	59,000	-	1,2
			Total CFDA 20.106:	**-**	**935,643**	**935,643**	-	

The accompanying notes are an integral part of this schedule.

Port of Benton
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

				Expenditures				
Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total	Passed through to Subrecipients	Note
		Total Federal Awards Expended:		-	935,643	935,643	-	

The accompanying notes are an integral part of this schedule.

PORT OF BENTON
MCAG No.1698
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENEDED DECEMBER 31, 2021

NOTE 1 – BASIS OF ACCOUTING

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

NOTE 2 – BASIS OF ACCOUTING

The Port has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – PROGRAM COSTS

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

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.

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