Washington State Auditor's Office

Troy Kelley

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Financial Statements and Federal Single Audit Report

Port of Benton

Benton County

For the period January 1, 2013 through December 31, 2013

Published September 18, 2014

Report No. 1012579

Washington State Auditor
Troy Kelley

September 18, 2014

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,

TROY KELLEY

STATE AUDITOR

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Federal Summary

Port of Benton
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The results of our audit of the Port of Benton are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the basic financial statements.

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 identified 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 findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

CFDA No.	Program Title
11.300	Investments for Public Works and Economic Development Facilities

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $300,000.

The Port did not qualify as a low-risk auditee under OMB Circular A-133.

Schedule of Federal Audit Findings and Questioned Costs

Port of Benton
Benton County
January 1, 2013 through December 31, 2013

1. The Port lacked adequate internal controls to ensure compliance with federal Davis-Bacon Act (prevailing wage) requirements.

CFDA Number and Title:	11.300 Investments for Public Works and Economic Development Facilities
Federal Grantor Name:	U.S. Department of Commerce, Economic Development Administration
Federal Award/Contract Number:	07-01-06597
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	$0

Description of Condition

The Port spent approximately $1.7 million in Public Works and Economic Development Facilities grant funds. The funds were used to build a wine and culinary center.

The Davis-Bacon Act applies to federally funded construction projects that exceed $2,000. The Act requires contractors to pay federally prescribed prevailing wages to laborers. To document compliance, recipients of federal funds must obtain certified payrolls for all contractors and subcontractors on a weekly basis.

During the course of our audit, we identified internal control weaknesses which are considered significant deficiencies. The Port hired an engineering firm to manage the project, which included the collection and review of weekly certified payrolls for compliance with prevailing wage requirements. The firm did not have a process to ensure it obtained weekly certified payrolls from all of the subcontractors and did not ensure that they were submitted and reviewed timely. The Port did not adequately monitor the firm to ensure compliance with the Davis-Bacon Act.

Cause of Condition

The firm used an outdated list of subcontractors obtained at the beginning of the project to determine which subcontractors it needed to obtain certified payrolls from. Because the list was from the beginning of the project, it did not include all of the subcontractors actually used.

The Port obtained weekly certified payroll reports from the firm after the end of the project. The Port's process did not ensure the reports were collected in a timely manner and all required reports were obtained. The Port did not obtain all of the certified payrolls that the firm had on hand and so was unable to view all of the documents for compliance.

Effect of Condition and Questioned Costs

Weekly certified payrolls were not obtained for four out of 28 contractors and subcontractors used. Furthermore, 13 weekly certified payrolls were not obtained for two contractors. Without adequate internal controls in place to ensure all weekly certified payrolls are received, the Port cannot demonstrate the contractors or subcontractors paid workers the prevailing wage. The Port could be liable for paying additional wages if prevailing wage was not paid.

Recommendation

We recommend the Port ensure all the weekly certified payrolls have been collected and reviewed and ensure compliance with prevailing wage requirements.

Port's Response

The Port of Benton appreciates the efforts of the State Auditor's Office in auditing the projects that are funded by the federal government. The Port of Benton has never received a finding. The Port strives for financial reports that are both transparent and correct. Our Bond Rating and our financial strength are very important to our Commissioners and Staff as we are responsible stewards of the taxpayers' assets.

The Port does agree that there were deficiencies in the monitoring of the certified payroll reports. The architectural firm that was retained to be the project manager did not perform their obligation to ensure that weekly certified payrolls were being obtained. The Contractor also had a contractual obligation to provide the Port with weekly certified payrolls.

The Port of Benton disagrees with the reporting level of a finding. The fact that the Port did not monitor 100 percent of the certified payroll reports does not constitute this level of reporting. The Port believes this should be a management representation letter. There were zero questioned cost amounts. As of today no contractors or subcontractors have made any claims for incorrect prevailing wages.

The Port has implemented procedures to ensure compliance with the Davis-Bacon Act for any future federal construction grants.

Auditor's Remarks

We appreciate the Port's response and recognize that the Port is committed to ongoing quality improvement and working to improve its procedures on projects that are federally funded. Without the necessary internal controls to ensure the proper spending of federal money there exists a higher risk that errors and irregularities may occur and go undetected. These kinds of non-compliance with federal requirements are typically reported by us at a higher level.

We wish to thank the Port's staff and management for their cooperation and assistance during our audit. We look forward to working with the Port on this issue and will follow up on it during the next audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, states in part:

> Subpart C, *Auditees*; Section 300 *Auditee responsibilities*.
>
> The auditee shall: (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
>
> (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs

Title 29, Code of Federal Regulations, Section 5.5, *Contract provisions and related matters*, states in part:

> (a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of $2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in §5.1, the following clauses (or any modifications thereof to meet the particular needs of the agency, *Provided*, That such modifications are first approved by the Department of Labor):…
>
> (8) *Compliance with Davis-Bacon and Related Act requirements.* All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR parts 1, 3, and 5 are herein incorporated by reference in this contract.

Title 29, Code of Federal Regulations, Section 3.3, *Weekly statement with respect to payment of wages*, states in part:

> (b) Each contractor or subcontractor engaged in the construction, prosecution, completion, or repair of any public building or public work,

> or building or work financed in whole or in part by loans or grants from the United States, shall furnish each week a statement with respect to the wages paid each of its employees engaged on work covered by this part 3 and part 5 of this title during the preceding weekly payroll period. This statement shall be executed by the contractor or subcontractor or by an authorized officer or employee of the contractor or subcontractor who supervises the payment of wages, and shall be on the back of Form WH 347, "Payroll (For Contractors Optional Use)" or on any form with identical wording. Copies of Form WH 347 may be obtained from the Government contracting or sponsoring agency or from the Wage and Hour Division Web site at *http://www.dol.gov/esa/whd/forms/wh347instr.htm* or its successor site.

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* Section 500, states in part:

> (a) The audit shall be conducted in accordance with GAGAS.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

> **4.23** When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, as follows:

> **.07** For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:
>
> Material weakness. A deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.
>
> Significant deficiency. 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.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Port of Benton
Benton County
January 1, 2013 through December 31, 2013

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, Benton County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated September 9, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 9, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Port of Benton
Benton County
January 1, 2013 through December 31, 2013

Board of Commissioners
Port of Benton
Richland, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Port of Benton, Benton County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The Port's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1 that we consider to be significant deficiencies.

Port's Response to Findings

The Port's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The Port's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. 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.

TROY KELLEY
STATE AUDITOR

September 9, 2014

Independent Auditor's Report on Financial Statements

Port of Benton
Benton County
January 1, 2013 through December 31, 2013

Board of Commissioners
Port of Benton
Richland, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Port of Benton, Benton County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 18.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Benton, as of December 31, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2014 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 9, 2014

Financial Section

Port of Benton
Benton County
January 1, 2013 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

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Statement of Revenues, Expenses and Changes in Net Position – 2013
Statement of Cash Flows – 2013
Notes to Financial Statements – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013
Notes to the Schedule of Expenditures of Federal Awards – 2013

Port of Benton
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013

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 years ended December 31, 2013 and 2012. The discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Port and to identify any significant changes in financial position. Information contained in the MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and the notes. The notes to financial statements are essential to a full understanding of the data contained in the financial statements.

The Port adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* for the year ended December 31, 2004. The goal is to provide readers an objective and easily understood overview of the Port's financial performance.

BACKGROUND

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statements of net position and the statements of revenues, expenses and changes in net position provides the Port with an overall financial position and the results of operations assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities. Over time, increases or decreases in net assets 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 assets 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 Highlights

- The assets of the Port exceeded its liabilities at close of calendar year 2013 by $48,658,507. Total Net Position totaled $46,190,984 at the end of calendar year 2012.
- The Port increased net capital assets between 2013 and 2012 by $3,161,424, or approximately 6%.

Financial Position

The statements of net position present the financial position of the Port as of December 31, 2013. 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, 2013 and 2012 follows:

PORT OF BENTON'S Net Position

		2013		2012
Current assets	$	2,770,162	$	1,905,902
Net capital assets		56,663,512		53,502,088
Other assets		169,603		193,241
Total assets		**59,603,277**		**55,601,231**
Current liabilities		2,238,074		3,988,578
Long-term liabilities		8,706,696		5,421,669
Total liabilities		**10,944,770**		**9,410,247**
Net Position:				
Invested in capital assets, net of related debt		47,285,321		45,127,798
Unrestricted		1,373,186		1,063,186
Total net position	**$**	**48,658,507**	**$**	**46,190,984**

Financial Operation Highlights

Increase in Current Assets: The Port increased its current assets between 2013 and 2012 by $864,260, or approximately 45%.

Capital Assets: The Port's investment in capital assets for its business type activities as of December 31, 2013 amounts to $56,663,512 (net of accumulated depreciation). This investment includes construction in process, improvements, buildings and machinery and equipment. Major capital asset events during the last two years include the following:

In July of 2013, The Port completed the relocation of the residents at the Prosser Airport for 105,405. In August of 2013, the Port completed the construction of a taxiway at the Richland Airport for $1,097,412. In September of 2013, the Port finished the installation of an Automated Weather Observation system at the Prosser Airport costing $184,113. In November of 2013, the Port renovated tenant space in 3250 Port of Benton Blvd. for $105,405.

In September of 2012, the Port completed the purchase of an office building at 3250 Port of Benton Blvd. The purchase price was $950,639. In October of 2012, the Port completed the remodel of the FBO hangar at the Richland Airport for $110,017. Also in October of 2012 the Port repurchased 9 acres of land in the Technology and Business Campus for $1,654,139. In November of 2012, the Port completed the reconstruction of the parking lot at 2000 Logston Blvd for $86,970.

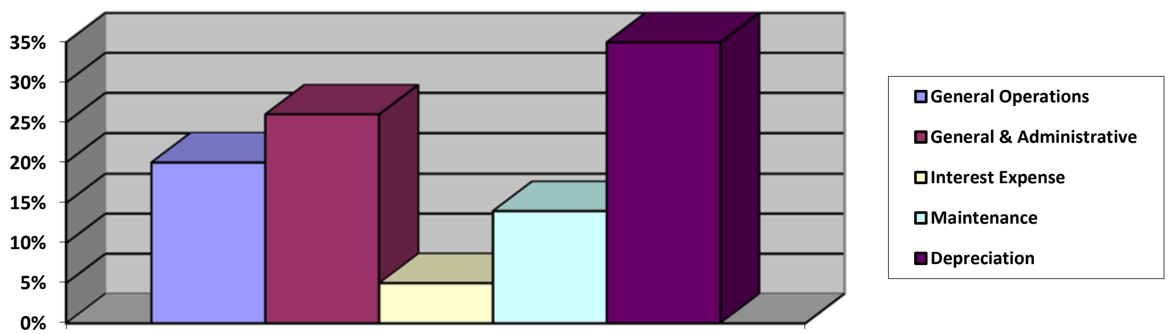
Liabilities: At December 31, 2013 the Port's total long-term debt outstanding was $8,706,696. Of this amount, general obligation bonds outstanding were $3,625,000. At December 31, 2012 the total long-term debt was $5,421,669. Of this amount, general obligations outstanding were $3,655,849. The Port's total long-term liabilities increased by $3,285,027betweeen 2013 and 2012. Additional information on the Port's long-term debt may be found in Notes 8 and 9 of this report.

Financial Operations

Revenues: 2013 operating revenues were $3,984,431. The Port's overall operating revenues have increased by $1,696,618, or approximately 74%, in the past 8 years from the 2006 operating revenue total of $2,287,813.

Expenditures: 2013 operating expenditures are $6,995,803, which is approximately $196,378 more than the 2012 operating expenditures, or a 3% increase from 2012. This increase is primarily due to the increased depreciation and maintenance expenses related to the increasing amounts of new buildings and land that the Port has purchased in the last several years.

Major Expenditure Sources - 2013



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

	2013	2012
Operating revenues	$ 3,984,431	$ 3,877,356
Operating expenditures	6,995,803	6,799,425
Operating Income (loss)	**(3,011,372)**	**(2,922,069)**
Non-operating	(466,716)	124,236
Ad valorem tax revenues	2,044,292	2,036,617
Total non-operating revenues (expenses)	**1,577,576**	**2,160,853**
Change in net assets, before capital contribution	(1,433,796)	(761,216)
Capital contribution	3,901,319	1,807,740
Increase (decrease) in net assets	2,467,523	1,046,524
Net position at beginning of year	46,190,984	45,144,460
Net position at end of year	**$ 48,658,507**	**$ 46,190,984**

ECONOMIC FACTORS

U.S. Economic Outlook:

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

Richland Innovation Center: The Port is in the process of cleaning and removing decades old concrete slabs and building shells that DOE gave to the Port when it transferred this property to the Port. These projects are estimated to cost approximately $250,000. Once the debris is removed the Port will continue landscaping, this will greatly increase the appeal of the site. After improvements to the site have been made the Port projects an increase in revenue from this site of approximately 10% compared to prior years.

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

Tax Levy: Over the years, the Port of Benton has worked to minimize the Port's tax levy. The Port opted not to increase the levy rate for the 2013 year. We strive to keep the Port levy low. Our goal is to be able to offset operation cost and future economic development opportunities with revenue from tenants while keeping tax revenue below the legal limit.

Port of Benton
STATEMENT OF NET POSITION
December 31, 2013

ASSETS

		2013
CURRENT ASSETS		
Cash and Cash Equivalents	$	2,151,780
Taxes Receivable		50,384
Accounts Receivable		97,651
Interest Receivable		2,322
Due from other governments		266,506
Prepaids		59,097
Contracts Receivable		142,422
Total current assets		2,770,162
RESTRICTED ASSETS		
Cash and Cash Equivalents	$	1,604
Investments		-
Total Restricted Assets		1,604
NONCURRENT ASSETS		
Capital assets		
Property, Plant and Equipment		82,834,409
Construction in Process		6,450,712
Less: Accumulated depreciation		(32,621,609)
Total Net Capital Assets		56,663,512
Other Noncurrent Assets		
Contracts Receivable		168,000
TOTAL ASSETS	$	59,603,277

The notes to financial statements are integral part of this statement

Port of Benton

STATEMENT OF NET POSITION
December 31, 2013

LIABILITIES AND NET POSITION

		2013
CURRENT LIABILITIES		
Warrants Payable	$	847,135
Accrued Vacation Payable		82,762
Retainage Under Construction Contracts		229,430
Interest & Other Payables		156,977
Prepaid Surety Deposits		176,958
Current Portion of Long-Term Obligations		744,812
Total current liabilities		2,238,074
NONCURRENT LIABILITIES		
Customer Deposits Payable	$	56,813
Other Post Employment Benefits		245,934
General Obligation Bonds		3,625,000
Notes Payable		4,778,949
Total noncurrent liabilities		8,706,696
Total liabilities	$	10,944,770
NET POSITION		
Net Investment in Capital Assets		47,285,321
Unrestricted		1,373,186
TOTAL NET POSITION	$	48,658,507

The notes to financial statements are integral part of this statement

Port of Benton
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2013

	2013
OPERATING REVENUES	
Crow Butte Park Operations	$ 120,998
Property Lease/Rental Operations	3,450,522
Airport Operations	412,911
Total operating revenues	**3,984,431**
OPERATING EXPENSES	
General Operations	1,470,177
Maintenance	1,189,720
General and Administration	1,718,532
Total before depreciation	**4,378,429**
Depreciation	2,617,374
Total operating expenses	**6,995,803**
Operating income (loss)	**(3,011,372)**
NONOPERATING REVENUES (EXPENSES)	
Interest income	28,839
Taxes levied for:	
General purposes	1,707,045
Debt service principal/interest	337,247
Interest expense	(487,763)
Loss on disposition of assets	(251,423)
Other nonoperating expenses	(7,170)
Other nonoperating revenues	250,801
Total nonoperating revenues	**1,577,576**
Income before other revenues, expenses, gains, losses and transfers	**(1,433,796)**
Capital contributions	3,901,319
Increase in net position	**2,467,523**
Net Position - beginning of year	46,190,984
Net Position - end of year	$ 48,658,507

The notes to financial statements are integral part of this statement

Port of Benton
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

	2013
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 4,016,414
Payments to employees	(1,787,821)
Payments to suppliers	(2,228,828)
Net cash provided (used) by operating activities	**(235)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Noncapital property taxes received	2,040,958
Non-operating receipts	250,801
Net cash provided (used) by non-operating financing activities	**2,291,759**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	53,709
Principal payments paid on capital debt	(3,115,407)
Interest paid on capital debt	(379,711)
Proceeds from capital debt	4,000,000
Acquisition and construction of capital assets	(4,364,782)
Cash received from other governments	2,277,615
Net cash provided (used) by capital and related financing activities	**(1,528,576)**
CASH FLOW FROM INVESTING ACTIVITIES	
Collection of Notes Receivable	21,200
Interest income	39,485
Net cash provided (used) by investing activities	**60,685**
Net increase (decrease) in cash and cash equivalents	823,633
Balances - beginning of the year	1,329,751
Balances - end of the year	$ 2,153,384

The notes to financial statements are integral part of this statement

Port of Benton
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

		2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$	(3,011,372)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		2,617,374
Changes in assets and liabilities:		
Receivables, net		(11,761)
Prepaid expenses		(8,688)
Unearned revenue		12,975
Customer deposits		30,769
Payroll taxes payable		(38,501)
Warrants payable		367,057
OPEB		37,341
Vacation payable		4,571
Net cash used by operating activities	$	(235)

The notes to financial statements are integral part of this statement

Port of Benton
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Port of Benton, Benton County, Washington, was created by a general election on November 4, 1958 and operates under the laws of the State of Washington applicable to public port districts. The financial statements of the Port have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments.

A. Reporting Entity

The Port is a special purpose government and provides industrial park and non-commercial airport facilities to the general public and is supported primarily through user charges, property taxes and federal and state grants.

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

B. Basis of Accounting And Reporting

The accounting records of the Port are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The Port uses the *Budgeting, Accounting and Reporting System for GAAP Port Districts* in the State of Washington.

Funds are accounted for on a cost of services or an economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on the Statement of Net Positions (or balance sheets). Their reported fund position is segregated into net investment in capital assets, restricted and unrestricted components of net position. Operating statements present increases (revenues and gains) and decreases (expenditures and losses) in net position. The Port discloses changes in cash flows by a separate statement that presents their operating, noncapital financing, capital and related financing and investing activities.

The Port uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund.

The district distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a district's principal ongoing operations. The principal operating revenues of the district are charges to customers for lease rents of the airport and the Port's commercial, retail and industrial development buildings. Operating expenses for the district include (e.g., the cost of sales and services, administrative expenses, depreciation on capital assets, etc.). All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses

C. Assets, Liabilities and Equities

1. Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2013 the treasurer was holding $2,151,780 in short-term residual investments of surplus cash. This amount is classified on the statement of net position as cash and cash equivalents.

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

2. Receivables

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

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

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

3. Restricted Assets

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

Debt Service Redemption Fund	$ 1,604

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

5. Compensated Absences

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

   Vacation pay, which may be accumulated up to (max days 30), is payable upon resignation, retirement, or death. There is no compensation for accrued sick leave.

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

Recent Accounting Pronouncement

In June 2012, GASB issued Statement No. 67, Financial Reporting for Pension Plans, an amendment of GASB Statement No. 27. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement is effective for periods beginning after June 15, 2013. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 25. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement is effective for periods beginning after June 15, 2014. The Port is currently valuating the effect of the adoption of this standard on its financial statements and related disclosures.

In March 2012, GASB issued Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The guidance is effective for years beginning after December 15, 2012.
In November 2013, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to Measurement Date, an amendment of GASB Statement No. 68. The primary objective of this statement is to improve accounting and financial reporting concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation. This statement is effective for periods beginning after June 15, 2014. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

NOTE 2 – DEPOSITS AND INVESTMENTS

DEPOSITS

The Port's cash and cash equivalents of $2.1 million and $1.3 million as of December 31, 2013 and 2012, respectively, were deposited in qualified depositories as required by state statute. Deposits in excess of federal depository insurance coverage are covered by the Public Deposit Protection Commission of the State of Washington (PDPC). The PDPC is a statutory authority under chapter 39.58 RCW. Currently, all public depositories with the state fully collateralize uninsured public deposits at 100%.

INVESTMENTS

As of December 31, 2013, the Port did not have any investments.

Investments are obligations of the U.S. Government and its agencies. Certificates of deposits with Washington State banks and savings and are placed with or through qualified depositories of the State of Washington. The investments in Certificates of deposits and multiple financial institutions are protected under the Washington Public Protection Act and are backed by the full faith and credit of the U.S. Government.

The Port has not adopted a formal investment policy; however, the Port is required to use the Benton County Treasurer, who acts as the Ports fiscal treasurer, has adopted a formal investment policy. Investments are reported at fair value and are either insured, registered, or held by the Port or its agent in the Port's name. It is management's intent to hold securities until maturity.

Custodial risk is the risk that in the event of a failure of the counterparty to an investment transaction the Port would not be able to recover the value of the investment or collateral securities. Of the Port's total deposits and investments, $0 is exposed to custodial risk and the Port has no derivatives.

NOTE 3 – PROPERTY TAXES

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

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

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The district may levy up to $0.45 per $1,000 assessed valuation for general governmental services.
The district's regular levy for 2013 was $.4055 per $1,000 on an assessed valuation of $5.01 billion for a total regular levy of $2,050,323. In 2012, the regular tax levy was $.4194 per thousand on an assessed valuation of $4.80 billion for a total regular tax levy of $2,014,916. Washington State Constitution and State law, RCW 84.55.010, limit the rate.

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

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

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

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

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

B. Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 12/31/2012	Increase	Decrease	Balance 12/31/2013
Capital assets, not depreciated:				
Land	9,866,067	105,405	(1,563)	$ 9,969,909
Construction in progress	2,575,524	7,267,421	(3,392,233)	6,450,712
Total capital assets, not depreciated	12,441,591			16,420,621
Capital assets, depreciated:				
Buildings	30,919,912	431,611	(467,783)	30,883,740
Improvements other than buildings	37,073,956	1,634,891	(78,198)	38,630,649
Machinery and equipment	3,743,994	35,645	(429,528)	3,350,111
Total capital assets, depreciated	71,737,862			72,864,500
Less accumulated depreciation for:				
Buildings	11,214,254	971,483	(158,833)	12,026,904
Improvements other than buildings	15,846,555	1,555,813	(220,490)	17,181,878
Machinery and equipment	3,616,556	90,078	(293,807)	3,412,827
Total accumulated depreciation	30,677,365	2,617,374	(673,130)	32,621,609
Total capital assets, depreciated, net	$ 53,502,088	$ 6,857,599	$ (3,696,175)	$ 56,663,512

The Port of Benton has active construction projects as of December 31, 2013. These projects include the construction of the Walter Clore Center and the renovation of 3250 Port of Benton Blvd.

Project:	Spent to Date:	Remaining Commitment
Walter Clore Center	$2,976,949	$,165,161
3250 POB Renovation	$844,066	885,923

NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 6 – PENSION PLANS

Substantially all Port of Benton full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans.[1] The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Eloyers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

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

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

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

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

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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.

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

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

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

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.
PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of

service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

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

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012[2]:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
Total	**263,347**

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

Members Not Participating in JBM:

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

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** Plan 3 defined benefit portion only.
***Minimum rate.

Both the Port of Benton and the employees made the required contributions. The Port of Benton required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	$0	$83,170	$12,280
2012	$0	$65,732	$10,429
2011	$0	$53,332	$8,562

NOTE 7 – RISK MANAGEMENT

The Port is exposed to various risks of loss related to torts, damage to, theft of and destruction of assets. To limit its exposure the Port purchases a variety of insurance policies.

General liability coverage is in effect to a limit of $2,000,000 per general aggregate or $1,000,000 per each occurrence with no deductible. Umbrella liability coverage is in effect with a limit of $10,000,000 over the first $1,000,000 of loss. Umbrella coverage has a $10,000 deductible.

The Port has blanket coverage for commercial property with a loss limit of $66,692,938 with a deductible of $10,000 is in effect. In addition, the Port maintains standard business automobile, public employee and elected official dishonesty, construction, aviation, tank operations pollution, railroad, crime and boiler and machinery coverage.

The Port provides medical, vision, dental, life, and short-term disability insurance coverage for Port employees through Washington State Health Care Authority. The Port does not administer any of these plans.

NOTE 8 – SHORT-TERM DEBT

Banner Bank Line of Credit, activity for 2013:

Beginning Balance	Issued	Redeemed	Ending Balance
$2,250,000	$-0-	$2,250,000	$-0-

On June 28, 2013 the Port refinanced the line of credit into Long Term Debt. See Note 9

NOTE 9 – LONG-TERM DEBT

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

The general obligation bonds currently outstanding are as follows:

Taxable, matures, 2012-2026	2.35% to 6.20%	$2,360,000
Tax-Exempt, matures, 2026-2030	4.75%	$1,410,000

A. Annual Debt Amortization

The annual principal and interest requirements for all debt outstanding as of December 31, 2013 are as follows:

Years Ending December 31,	Principal	Interest	Total
2014	744,812	362,558	1,107,370
2015	617,029	336,326	953,355
2016	637,661	314,695	952,356
207	656,203	297,821	954,024
2018	681,358	278,478	959,836
2019 - 2030	5,811,698	1,402,284	7,213,982
Total	$ 9,148,761	$ 2,992,162	$ 12,140,923

B. Changes in Long-Term Liabilities

During the year ended December 31, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2013	Advances	Re payments	Ending Balance 12/31/2013	Due Within One Year
CERB Loan	$ 163,712		$ (14,154)	$ 149,558	$ 14,295
WSDOT Loan	$ 183,334		$ (16,667)	$ 166,667	$ 16,667
HAEIFC	$ 1,172,525		$ (115,297)	$ 1,057,228	$ 118,356
Western Sintering	$ 341,607		$ (341,607)	$ -	
Thomas	$ 243,440		$ (85,394)	$ 158,046	$ 158,046
OPEB Liability	$ 208,593	$ 37,341		$ 245,934	
Taxable Line of Credit	$ 2,250,000		$ (2,250,000)	$ -	
Banner Bank Note		$ 4,000,000	$ (152,738)	$ 3,847,262	$ 292,448
Total Other Obligations	$ 4,563,211	$ 4,037,341	$ (2,975,857)	$ 5,624,695	$ 599,812
2012 GO Bonds Taxable	$ 2,500,000		$ (140,000)	$ 2,360,000	$ 145,000
2012 GO Bonds Nontaxable	1,410,000			$ 1,410,000	
Less deferred amounts	(120,720)		120,720	$ -	
for issuance discounts	-				
Total GO Debt	$ 3,789,280	$ -	$ (19,280)	$ 3,770,000	$ 145,000

NOTE 10 – CONTINGENCIES AND LITIGATION

The Port's financial statements included all material liabilities. There are no material contingent liabilities to record. The Port participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Port management believes that such disallowances, if any, will be immaterial.

NOTE 11 – CAPITAL CONTRIBUTIONS

The Port received the following capital contributions in 2013:

Economic Development Authority	$1,579,027
Federal Aviation Administration	364,738
Department of Energy	278,595
Benton County	55,000
Washington State	25,309
Other	1,598,650

NOTE 12 – ECONOMIC DEVELOPMENT CORPORATION

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

The balance of funds available as of December 31, 2013 was $6,345. These funds are to be used for economic development.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

Plan Description: The Port used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 62.20 was assumed for all active members to determine the AAL and normal cost. Retirement, disablement, termination and mortality rates were assumed to follow the PERS 2 rates used in the June 30, 2013 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide Public Employees Benefits Board (PEBB) study performed in 2013. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 30 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

Funding Policy: The contribution requirements of plan members and the state are established and maybe amended by the Public Employees Benefits Board. The required contribution is based on projected pay-as-you-go financing requirement.

Annual OPEB Cost and Net OPEB Obligation: The Port pays monthly in extra premiums to the Washington State Health Care Authority with each employee enrolled in the Public Employees Benefits Board insurance. The Annual Required Contribution represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess). Funding status can be found at the state-wide Public Employees Benefits Board (PEBB) study performed in 2008. The following tables show the components of the PEBB annual OPEB cost for the year as well as the assumptions and results of the assumptions. The net OPEB obligation of $245,934 is reported on the Statement of Net Position.

Significant methods and assumptions were as follow:

Inputs:	20-34	35-44	45-54	55+
Number Active	3	7	3	4
Active Age	27.7	44.1	52.0	60.5
Percent Male	67.0%	57%	67%	100%
Active Service	5.0	7.6	11.6	20.8
	20-65	**66-71**	**72-79**	**80+**
Number Inactive	0	0	0	0
Inactive Age	0	0	0	0
Percent Male	0%	0%	0%	0%

Sensitivities:	
Medical Inflation	+or- 1.0%
Amortization Period	10 Years
Active Member Growth	1.25%
Employer:	
Annual Budgeted Expenditures	$5,000,000
Annual Budget Growth	5%
BOY NOO	$208,593

Key results are as follows:

Actuarial Accrued Liability (AAL)	$281,623
Annual Required Contribution (ARC)	$41,060
Annual OPEB Cost	$37,341
Net OPEB Obligation (NOO)*	$245,934

**Estimated*

NOTE 14 – ENVIRONMENTAL LIABILITIES

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

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

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

From 2007 to 2012 the Port was involved in cleaning up a property at the Prosser Airport. The Port has completed the cleanup and is now working with the Department of Ecology to monitor the site. At December 31, 2013 the Port does not believe any further action will be needed to remediate this site.

NOTE 15 – RECLASSIFICATIONS

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

Port of Benton

MCAG No. 1698
SCHEDULE 16 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Identification Number	From Direct Awards	Total	Foot-note Ref.
US Department of Transportation	Airport Improvement Program	20.106	3-53-0050-11	$ 32,965	$ 32,965	1
US Department of Transportation	Airport Improvement Program	20.106	3-53-0050-14	$ 129,946	$ 129,946	1
US Department of Transportation	Airport Improvement Program	20.106	3-53-0056-24	$ 94	$ 94	1
US Department of Transportation	Airport Improvement Program	20.106	3-53-0056-25	$ 225,673	$ 225,673	1
	TOTAL CFDA 20.106			$ 388,678	$ 388,678	
Economic Development Administration	Investments for Public Works & Economic Development Facilities	11.300	07-01-06597	$ 1,734,154	$ 1,734,154	1
Department of Energy	Renewable Energy Research and Development	81.087	DE-EE000039	$ 317,255	$ 317,255	1
Total Federal Expenditures				$ 2,440,087	$ 2,440,087	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Port of Benton
MCAG No. 1698

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

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 where revenues are recognized when earned and expenses are recognized when incurred. Capital assets purchases are capitalized and long-term liabilities are accounted for in the appropriate fund.

NOTE 2 – PROGRAM COSTS

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

Corrective Action Plan for Findings Reported Under OMB Circular A-133

Port of Benton
Benton County
January 1, 2013 through December 31, 2013

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Port of Benton The State Auditor's Office has reviewed the information as presented by the Port.

Finding ref number: 1	**Finding caption:** The Port lacked adequate internal controls to ensure compliance with federal Davis-Bacon Act (prevailing wage) requirements.
Name, address, and telephone of auditee contact person: Stuart Dezember, Finance Manager 3250 Port of Benton Blvd. Richland, WA 99352 (509) 375-3060	
Corrective action the auditee plans to take in response to the finding: *The Port of Benton on a weekly basis will send correspondence to the Contractor, Architect and/or Engineer asking for verification that the certified payroll reports are being submitted. Certified payroll reports will be submitted to the Port. The Port will maintain a database of all contractors and subcontractors that perform work on the federally funded project. This database will be used as a tool to monitor weekly compliance with the Davis-Bacon Act.*	
Anticipated date to complete the corrective action: Implement immediately as applicable.	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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