



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report

Port of Benton

Benton County

For the period January 1, 2014 through December 31, 2014

Published February 8, 2016

Report No. 1016083





Washington State Auditor's Office

February 8, 2016

Board of Commissioners
Port of Benton
Richland, Washington

Report on Financial Statements

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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**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, 2014 through December 31, 2014**

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, 2014, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated February 3, 2016.

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 KELLEY
STATE AUDITOR
OLYMPIA, WA

February 3, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Benton Benton County January 1, 2014 through December 31, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the Port's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Benton, as of December 31, 2014, 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 10 through 14 and information on postemployment benefits other than pensions on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2016 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 KELLEY
STATE AUDITOR
OLYMPIA, WA

February 3, 2016

FINANCIAL SECTION

**Port of Benton
Benton County
January 1, 2014 through December 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Revenues, Expenses and Changes in Net Position – 2014

Statement of Cash Flows – 2014

Notes to Financial Statements – 2014

REQUIRED SUPPLEMENTARY INFORMATION

Information on Postemployment Benefits Other Than Pensions – 2014

Port of Benton

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2014

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, 2014 and 2013. 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 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 Highlights

- The assets of the Port exceeded its liabilities at close of calendar year 2014 by \$49,435,391. Total Net Position totaled \$48,658,507 at the end of calendar year 2013.
- The Port increased net **capital assets** between 2014 and 2013 by \$1,880,427, or approximately 3%.

Financial Position

The statements of net position present the financial position of the Port as of December 31, 2014. 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, 2014 and 2013 follows:

PORT OF BENTON'S Net Position

	<u>2014</u>	<u>2013</u>
Current assets	\$ 1,599,893	\$ 2,770,162
Net capital assets	58,543,939	56,663,512
Other assets	125,588	169,603
Total assets	60,269,420	59,603,277
Current liabilities	1,814,046	2,238,074
Long-term liabilities	9,019,983	8,706,696
Total liabilities	10,834,029	10,944,770
Net Position:		
Net Investment in capital assets	48,802,642	47,285,321
Unrestricted	632,749	1,373,186
Total net position	\$ 49,435,391	\$ 48,658,507

Financial Operation Highlights

Increase in Net Investment in capital assets: The Port increased its Invested in capital assets, net of related debt between 2014 and 2013 by \$1,517,321 or approximately 3%.

Capital Assets: The Port's investment in capital assets for its business type activities as of December 31, 2014 amounts to \$58,543,939 (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 September of 2014, the Port completed the renovation of the Port Offices at 3250 Port of Benton Blvd. for \$2,147,373. In December of 2014 the Port completed the following capital projects: Walter Clore Wine and Culinary Center for \$4,114,138, Crow Butte Marina Expansion for \$1,103,921 and purchased 3190 George Washington Way building for \$1,000,000.

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.

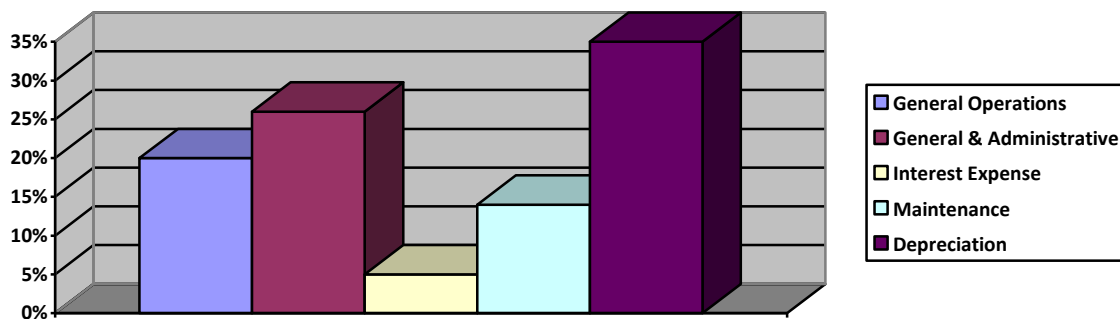
Liabilities: At December 31, 2014 the Port's total long-term debt outstanding was \$9,019,983. Of this amount, general obligation bonds outstanding were \$3,475,000. At December 31, 2013 the total long-term debt was \$8,706,696. Of this amount, general obligations outstanding were \$3,625,000. The Port's total long-term liabilities increased by \$313,287 between 2014 and 2013. Additional information on the Port's long-term debt may be found in Notes 8 and 9 of this report.

Financial Operations

Revenues: 2014 operating revenues are \$4,190,020, which is approximately \$205,589 more than the 2013 operating revenues, or a 5% increase from 2013. The Port's overall operating revenues have increased by \$1,902,207, or approximately 83%, in the past 9 years from the 2006 operating revenue total of \$2,287,813.

Expenses: 2014 operating expenses are \$7,084,465, which is approximately \$88,662 more than the 2013 operating expenses, or a 1% increase from 2013. 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 Expense Sources - 2014



PORT OF BENTON'S

Statements of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 4,190,020	\$ 3,984,431
Operating expenses	7,084,465	6,995,803
Operating Income (loss)	(2,894,445)	(3,011,372)
Non-operating revenue (expense)	26,975	(466,716)
Ad valorem tax revenues	2,074,063	2,044,292
Total non-operating revenues (expenses)	2,101,038	1,577,576
Change in net position, before capital contribution	(793,407)	(1,433,796)
Capital contribution	1,235,051	3,901,319
Increase (decrease) in net position	441,644	2,467,523
Prior Period Adjustment	335,240	-
Net position at beginning of year	48,658,507	46,190,984
Net position at end of year	\$ 49,435,391	\$ 48,658,507

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

Tax Levy: Over the years, the Port of Benton has worked to minimize the Port's tax levy. The Port opted not to increase the levy rate for the 2014 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, 2014

ASSETS

2014

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,257,018
Taxes Receivable	48,041
Accounts Receivable	67,349
Interest Receivable	1,507
Due from other governments	153,789
Prepays	63,935
Contracts Receivable	8,254
Total current assets	<u>1,599,893</u>

RESTRICTED ASSETS

Cash and Cash Equivalents	\$ 763
Investments	-
Total Restricted Assets	<u>763</u>

NONCURRENT ASSETS

Capital assets

Property, Plant and Equipment	92,561,337
Construction in Process	1,269,155
Less: Accumulated depreciation	<u>(35,286,553)</u>
Total Net Capital Assets	<u>58,543,939</u>

Other Noncurrent Assets

Contracts Receivable	<u>124,825</u>
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TOTAL ASSETS

\$ 60,269,420

The notes to financial statements are integral part of this statement

Port of Benton
STATEMENT OF NET POSITION
December 31, 2014

LIABILITIES AND NET POSITION

2014

CURRENT LIABILITIES

Warrants Payable	\$ 274,182
Accrued Vacation Payable	90,369
Retainage Under Construction Contracts	226,845
Interest & Other Payables	150,131
Prepaid Surety Deposits	237,366
Current Portion of Long-Term Obligations	835,153
Total current liabilities	<u>1,814,046</u>

NONCURRENT LIABILITIES

Customer Deposits Payable	\$ 54,669
Other Post Employment Benefits	286,005
General Obligation Bonds	3,475,000
Notes Payable	5,204,309
Total noncurrent liabilities	<u>9,019,983</u>
Total liabilities	<u>\$ 10,834,029</u>

NET POSITION

Net Investment in Capital Assets	48,802,642
Unrestricted	632,749
TOTAL NET POSITION	<u>\$ 49,435,391</u>

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, 2014

	<u>2014</u>
OPERATING REVENUES	
Crow Butte Park Operations	\$ 135,754
Property Lease/Rental Operations	3,616,790
Airport Operations	437,476
Total operating revenues	<u>4,190,020</u>
OPERATING EXPENSES	
General Operations	1,401,518
Maintenance	1,850,157
General and Administration	1,167,846
Total before depreciation	<u>4,419,521</u>
Depreciation	2,664,944
Total operating expenses	<u>7,084,465</u>
Operating income (loss)	(2,894,445)
NONOPERATING REVENUES (EXPENSES)	
Interest income	18,065
Taxes levied for:	
General purposes	1,736,305
Debt service principal/interest	337,758
Interest expense	(370,858)
Gain on disposition of assets	14,578
Other nonoperating expenses	(2,224)
Other nonoperating revenues	367,414
Total nonoperating revenues	<u>2,101,038</u>
Income before other revenues, expenses, gains, losses and transfers	(793,407)
Capital contributions	1,235,051
Increase in net position	<u>441,644</u>
Net Position - January 1, as previously stated	48,658,507
Prior Period Adjustment (Note 16)	335,240
Net Position - January 1, as restated	<u>48,993,747</u>
Net Position - end of year	<u>\$ 49,435,391</u>

The notes to financial statements are integral part of this statement

Port of Benton
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2014</u>
Receipts from customers	\$ 4,278,586
Payments to employees	(1,955,605)
Payments to suppliers	<u>(2,995,114)</u>
Net cash provided (used) by operating activities	(672,133)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Noncapital property taxes received	2,076,406
Non-operating receipts	<u>367,414</u>
Net cash provided (used) by non-operating financing activities	<u>2,443,820</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	14,578
Principal payments paid on capital debt	(774,301)
Interest paid on capital debt	(378,840)
Proceeds from capital debt	140,000
Acquisition and construction of capital assets	(3,547,958)
Cash received from other governments	<u>1,683,008</u>
Net cash provided (used) by capital and related financing activities	<u>(2,863,513)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Collection of Notes Receivable	177,343
Interest income	<u>18,880</u>
Net cash provided (used) by investing activities	<u>196,223</u>
Net increase (decrease) in cash and cash equivalents	(895,603)
Balances - beginning of the year	<u>2,153,384</u>
Balances - end of the year	<u><u>\$ 1,257,781</u></u>

The notes to financial statements are integral part of this statement

Port of Benton
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

(concluded)

2014

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (2,894,445)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	2,664,944
Changes in assets and liabilities:	
Receivables, net	30,302
Prepaid expenses	(4,838)
Unearned revenue	(2,144)
Customer deposits	60,408
Payroll taxes payable	(215)
Warrants payable	(573,823)
OPEB	40,071
Vacation payable	<u>7,607</u>
Net cash used by operating activities	<u><u>\$ (672,133)</u></u>

The notes to financial statements are integral part of this statement

Port of Benton
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

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 (expenses and losses) in net position. The Port discloses changes in cash flows by a separate statement that presents their operating, noncapital financing, capital and related financing and investing activities.

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

The 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, 2014 the treasurer was holding \$1,257,018 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	\$ 763
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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 Pronouncements

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 evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

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.

In February 2015, GASB issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this statement is to establish general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. This statement is effective for periods beginning after June 15, 2015. 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 \$1.3 million and \$2.1 million as of December 31, 2014 and 2013, 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, 2014, 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 is levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value
October 31	Second installment is due

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

The district may levy up to \$0.45 per \$1,000 assessed valuation for general governmental services. The district's regular levy for 2014 was \$.3988 per \$1,000 on an assessed valuation of \$5.27 billion for a total regular levy of \$2,105,874. In 2013, the regular tax levy was \$.4055 per thousand on an assessed valuation of \$5.01 billion for a total regular tax levy of \$2,050,323. 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, 2014 was as follows:

	Balance 12/31/2013	Increase	Decrease	Balance 12/31/2014
Capital assets, not depreciated:				
Land	9,969,909	44,394	-	\$ 10,014,303
Construction in progress	6,450,712	3,532,879	(8,714,436)	1,269,155
Total capital assets, not depreciated	16,420,621	3,577,273	(8,714,436)	11,283,458
Capital assets, depreciated:				
Buildings	30,883,740	8,749,328	-	39,633,068
Improvements other than buildings	38,630,649	900,169	-	39,530,818
Machinery and equipment	3,350,111	33,037	-	3,383,148
Total capital assets, depreciated	72,864,500	9,682,534	-	82,547,034
Less accumulated depreciation for:				
Buildings	12,026,904	531,188	-	12,558,092
Improvements other than buildings	17,181,878	2,043,926	-	19,225,804
Machinery and equipment	3,412,827	89,830	-	3,502,657
Total accumulated depreciation	32,621,609	2,664,944	-	35,286,553
Total capital assets, depreciated, net	\$ 56,663,512	\$ 10,594,863	\$ (8,714,436)	\$ 58,543,939

C. The Port of Benton has active construction projects as of December 31, 2014. These projects include construction at the Columbia Park Trail Bridge and Richland Airport.

<u>Project:</u>	<u>Spent to Date:</u>	<u>Remaining Commitment</u>
Columbia Park Trail Bridge	\$ -0-	\$1,242,324
Richland Airport Construction	\$ -0-	99,160

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. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 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 2014, PERS Plan 3 employee contributions were \$105.2 million, and plan refunds paid out were \$83.4 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, 2013:

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

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, 2014, are as follows:

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

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both the Port 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
2014	\$0	\$102,990	\$14,364
2013	\$0	\$ 83,170	\$12,2809
2012	\$0	\$ 65,732	\$10,429

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 with no deductible.

The Port has blanket coverage for commercial property with a loss limit of \$78,813,447 with a deductible of \$10,000. 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 2014:

<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
\$ -0-	\$140,000	\$29,977	\$110,023

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%	\$2,215,000
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, 2014 are as follows:

Years Ending December 31,	Principal	Interest	Total
2015	835,153	381,075	1,216,228
2016	747,057	356,225	1,103,282
2017	771,117	333,833	1,104,950
2018	802,068	308,694	1,110,762
2019	820,616	275,744	1,096,360
2020 - 2030	5,538,450	1,189,022	6,727,472
Total	\$ 9,514,461	\$ 2,844,593	\$ 12,359,054

B. Changes in Long-Term Liabilities

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

	Beginning Balance 1/1/2014	Advances	Re payments	Ending Balance 12/31/2014	Due Within One Year
CERB Loan	\$ 149,558		\$ (14,295)	\$ 135,263	\$ 14,439
WSDOT Loan	\$ 166,667		\$ (16,668)	\$ 149,999	\$ 16,667
HAEIFC	\$ 1,057,228		\$ (117,777)	\$ 939,451	\$ 121,933
Thomas	\$ 158,046		\$ (158,046)	\$ -	\$ -
Hoch	\$ -	\$ 1,000,000		\$ 1,000,000	\$ 108,100
OPEB Liability	\$ 245,934	\$ 40,071		\$ 286,005	
Taxable Line of Credit	\$ -	\$ 140,000	\$ (29,977)	\$ 110,023	\$ 110,023
Banner Bank Note	\$ 3,847,262		\$ (292,539)	\$ 3,554,723	\$ 313,991
Total Other Obligations	\$ 5,624,695	\$ 1,180,071	\$ (629,302)	\$ 6,175,464	\$ 685,153
2012 GO Bonds Taxable	\$ 2,360,000		\$ (145,000)	\$ 2,215,000	\$ 150,000
2012 GO Bonds Nontaxable	1,410,000			1,410,000	
	-				
Total GO Debt	\$ 3,770,000	\$ -	\$ (145,000)	\$ 3,625,000	\$ 150,000

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 2014:

Economic Development Authority	\$106,097
Federal Aviation Administration	155,467
Department of Energy	122,076
Benton County	100,000
Washington State, Dept. of Commerce	146,432
Washington State, RCO	455,620
Other	149,359

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, 2014 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 \$286,005 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	6	5	4
Active Age	28.7	44.3	51.8	61.5
Percent Male	67.0%	50%	80%	100%
Active Service	6.0	9.6	8.1	21.8
	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 Expenses	\$5,000,000
Annual Budget Growth	5%
BOY NOO	\$208,593

Key results are as follows:

<u>Actuarial Accrued Liability (AAL)</u>	\$301,999
<u>Annual Required Contribution (ARC)</u>	\$44,456
<u>Annual OPEB Cost</u>	\$40,071
<u>Net OPEB Obligation (NOO)*</u>	\$286,005

*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, 2014 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.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

During the year ending December 31, 2014, an immaterial error in the amount of \$335,240 was found in the recognition of capital contributions. The error was made in fiscal years 2012 and 2013 resulting in the 2012 and 2013 capital contributions and the net position ending balance being understated. This error has been corrected in the 2014 accounting year and the impact has been shown as an adjustment to beginning net position on the statement of revenues, expenses and changes in fund net position.

NOTE 17 – SUBSEQUENT EVENTS

On July 13, 2015 the Port sold approximately 128 acres of land to 3D Development, LLC. The land was sold for \$4,167,114. On July 23, 2015 the Port used the proceeds from the sale to pay off the total short term and long term debt payable to Banner Bank. The short term debt paid off was \$107,477 and the long term debt paid was \$3,422,068.

PORT OF BENTON
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
OTHER POST BENEFITS (OPEB) PLAN SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2014

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Ratio of UAAL to Annual Covered Payroll
December 31, 2012	5/13/2013	418,431	418,431	-	1,138,037	37%
December 31, 2013	4/8/2014	281,623	281,623	-	1,266,039	22%
December 31, 2014	4/27/2015	301,999	301,999	-	1,381,308	22%

Schedule of Employer Contributions

Fiscal Year Ended	Port Contributions	Net OPEB Obligation (NOO)	Change in Net OPEB Obligation (NOO)	Annual Required Contribution (ARC)	NOO Percentage of (ARC)
December 31, 2012	0	208,593	57,858	60,329	29%
December 31, 2013	0	245,934	37,341	41,060	17%
December 31, 2014	0	286,005	40,071	44,456	16%

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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