Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Port of Benton

Benton County

For the period January 1, 2015 through December 31, 2016

Published November 13, 2017

Report No. 1020188

Office of the Washington State Auditor
Pat McCarthy

November 13, 2017

Board of Commissioners
Port of Benton
Richland, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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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, 2015 through December 31, 2016

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 years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated November 7, 2017. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the Port implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

November 7, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Port of Benton
Benton County
January 1, 2015 through December 31, 2016

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 years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2015, the Port adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 10 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 November 7, 2017 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

November 7, 2017

FINANCIAL SECTION

Port of Benton
Benton County
January 1, 2015 through December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Port of Benton

MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016

INTRODUCTION

The following is the Port of Benton’s (the Port) Management Discussion and Analysis (MD&A) of financial activities and the performance for the calendar year ended December 31, 2016, with selected comparative information for the year ended 2015. The discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Port and to identify any significant changes in financial position. Information contained in the MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and the notes. The notes to financial statements are essential to a full understanding of the data contained in the financial statements.

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

BACKGROUND

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

FINANCIAL REPORT

Financial Highlights

- The assets of the Port exceeded its liabilities at close of calendar year 2016 by $56,813,034. Total Net Position totaled $54,014,592 at the end of calendar year 2015
- The Port decreased total liabilities from 2016 to 2015 by $766,341, or approximately 10%.
- There are no known significant liabilities or contingencies that will negatively impact the Port's future financial position.

Financial Position

The statements of net position present the financial position of the Port as of December 31, 2016. 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, 2016 and 2015 follows:

PORT OF BENTON'S Net Position

	2016	2015
Current assets	$ 4,010,749	$ 2,981,492
Net capital assets	59,304,384	58,569,794
Other noncurrent assets & deferred outflow	621,451	504,887
Total assets & deferred outflow	**63,936,584**	**62,056,173**
Current liabilities	1,188,548	1,286,953
Noncurrent liabilities & deferred inflow	5,935,002	6,754,628
Total liabilities	**7,123,550**	**8,041,581**
Net Position:		
Net Investment in capital assets, net of related debt	55,049,687	53,065,843
Unrestricted	1,763,347	948,749
Total net position	**$ 56,813,034**	**$ 54,014,592**

Financial Operation Highlights

Increase in Net Investment in capital assets: The Port increased its Invested in capital assets, net of related debt between 2016 and 2015 by $1,983,844 or approximately 4%.

Capital Assets: The Port's investment in capital assets for its business type activities as of December 31, 2016 amounts to $59,304,384 (net of accumulated depreciation) which is an increase of approximately 1%. 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 June of 2016, the Port finished construction of the runway rehabilitation at the Richland Airport for $514,310. In September of 2016, the Port finished construction of the playground equipment and pathways at Crow Butte Park in the amount of $373,773. In December of 2016, the Port was given title to 795 acres of land north of Horn Rapids Road with a value of $1,965,918.

In September of 2015, the Port finished the construction of security fencing at the Richland Airport for $164,577. In December of 2015, the Port completed the reconstruction of the Columbia Park Trail Bridge for $1,770,266.

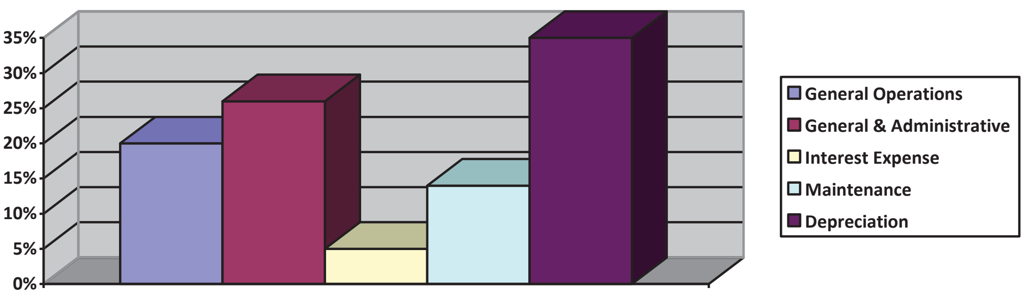
Liabilities: At December 31, 2016, the Port's total long-term debt outstanding was $5,907,942. Of this amount, general obligation bonds outstanding were $3,160,000. At December 31, 2015 the Port's total long-term debt outstanding was $6,575,878. Of this amount, general obligation bonds outstanding were $3,320,000. The Port's total long-term liabilities decreased by $667,936 between 2016 and 2015. Additional information on the Port's long-term debt may be found in Note 10 of this report.

Financial Operations

Revenues: 2016 operating revenues are $4,199,377, which is comparable to the 2015 operating revenues. The Port's overall operating revenues have increased by $1,911,564, or approximately 83%, in the past 10 years from the 2006 operating revenue total of $2,287,813. In July of 2015, the Port sold one piece of property resulting in a Gain on disposition of assets in the amount of $1,219,175.

Expenses: 2016 operating expenses are $8,430,485, which is approximately $716,459 more than the 2015 operating expenses, or approximately 9% increase from 2015. 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 - 2016



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

	2016	2015
Operating revenues	$ 4,199,377	$ 4,210,561
Operating expenses	8,430,485	7,714,026
Operating Income (loss)	**(4,231,108)**	**(3,503,465)**
Non-operating revenue (expense)	2,383,244	4,463,626
Ad valorem tax revenues	2,225,181	2,180,754
Total non-operating revenues (expenses)	**4,608,425**	**6,644,380**
Change in net position, before capital contribution	377,317	3,140,915
Capital contributions	2,421,125	2,587,097
Increase in net position, before special items	2,798,442	5,728,012
Prior Period Adjustments	-	(1,148,811)
Net position at beginning of year	54,014,592	49,435,391
Net position at end of year	**$ 56,813,034**	**$ 54,014,592**

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 2016 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 our taxing authority. Using this goal, the Port's levy rate has decreased from $.4878 in 2005 to $.3983 in 2016 which is approximately a 22% decrease. A $100,000 house paid $48 in Port of Benton property taxes in 2005; and just $39 in 2016.

REQUEST FOR INFORMATION

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

Port of Benton

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015

INTRODUCTION

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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.

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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 2015 by $54,014,592. Total Net Position totaled $49,435,391 at the end of calendar year 2014.
- The Port decreased total liabilities from 2015 to 2014 by $2,971,198, or approximately 37%.

Financial Position

The statements of net position present the financial position of the Port as of December 31, 2015. 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, 2015 and 2014 follows:

PORT OF BENTON'S Net Position

		2015		2014
Current assets	$	2,981,492	$	1,599,893
Net capital assets		58,569,794		58,543,939
Other noncurrent assets & deferred outflow		504,887		125,588
Total assets & deferred outflow		**62,056,173**		**60,269,420**
Current liabilities		1,286,953		1,814,046
Noncurrent liabilities & deferred inflow		6,754,628		9,019,983
Total liabilities		**8,041,581**		**10,834,029**
Net Position:				
Net Investment in capital assets, net of related debt		53,065,843		48,802,642
Unrestricted		948,749		632,749
Total net position	**$**	**54,014,592**	**$**	**49,435,391**

Financial Operation Highlights

Increase in Net Investment in capital assets: The Port increased its Invested in capital assets, net of related debt between 2015 and 2014 by $4,263,201 or approximately 9%.

Capital Assets: The Port's investment in capital assets for its business type activities as of December 31, 2015 amounts to $58,569,794 (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 2015, the Port finished the construction of security fencing at the Richland Airport for $164,577. In December of 2015, the Port completed the reconstruction of the Columbia Park Trail Bridge for $1,770,266.

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.

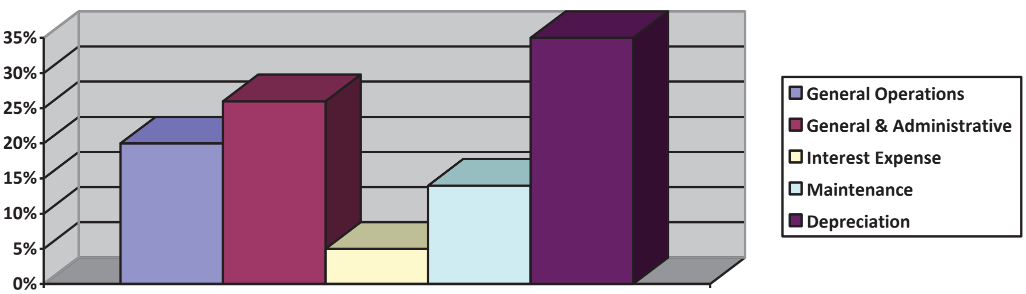
Liabilities: At December 31, 2015 the Port's total long-term debt outstanding was $6,575,878. Of this amount, general obligation bonds outstanding were $3,320,000. At December 31, 2014 the total long-term debt was $9,019,983. Of this amount, general obligations outstanding were $3,475,000. The Port's total long-term liabilities decreased by $2,444,105 between 2015 and 2014. Additional information on the Port's long-term debt may be found in Notes 8 and 9 of this report.

Financial Operations

Revenues: 2015 operating revenues are $4,210,561, which is approximately 1% more than the 2014 operating revenues. The Port's overall operating revenues have increased by $1,922,748, or approximately 83%, in the past 9 years from the 2006 operating revenue total of $2,287,813. In July of 2015, the Port sold one piece of property resulting in a Gain on disposition of assets in the amount of $4,101,407.

Expenses: 2015 operating expenses are $7,714,026, which is approximately $629,561 more than the 2014 operating expenses, or approximately 9% increase from 2014. 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 - 2015



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

	2015	2014
Operating revenues	$ 4,210,561	$ 4,190,020
Operating expenses	7,714,026	7,084,465
Operating Income (loss)	**(3,503,465)**	**(2,894,445)**
Non-operating revenue (expense)	4,463,626	26,975
Ad valorem tax revenues	2,180,754	2,074,063
Total non-operating revenues (expenses)	**6,644,380**	**2,101,038**
Change in net position, before capital contribution	3,140,915	(793,407)
Capital contributions	2,587,097	1,235,051
Increase in net position, before special items	5,728,012	441,644
Prior Period Adjustments	(1,148,811)	335,240
Net position at beginning of year	49,435,391	48,658,507
Net position at end of year	**$ 54,014,592**	**$ 49,435,391**

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 2015 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 our taxing authority. Using this goal, the Port's levy rate has decreased from $.4878 in 2005 to $.4011 in 2015 which is approximately a 22% decrease. A $100,000 house paid $48 in Port of Benton property taxes in 2005; and just $40 in 2015.

REQUEST FOR INFORMATION

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

Port of Benton
STATEMENT OF NET POSITION*
December 31, 2016

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 2,772,332
Taxes Receivable	57,368
Accounts Receivable	100,589
Due from other governments	358,633
Prepaids	154,429
Contracts with Interest Receivable	567,397
Total current assets	4,010,748
RESTRICTED ASSETS	
Cash and Cash Equivalents	$ 40
Investments	-
Total Restricted Assets	40
NONCURRENT ASSETS	
Capital assets	
Property, Plant and Equipment	99,277,104
Construction in Process	880,015
Less: Accumulated depreciation	(40,852,735)
Total Net Capital Assets	59,304,384
Other Noncurrent Assets	
Contracts Receivable	306,791
TOTAL ASSETS	$ 63,621,963
Deferred Outflows of Resources:	
State Pension	314,620
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 314,620

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

Port of Benton

STATEMENT OF NET POSITION*
December 31, 2016

LIABILITIES		
CURRENT LIABILITIES		
Warrants Payable	$	337,833
Accrued Vacation Payable		110,700
Retainage Under Construction Contracts		19,619
Interest & Other Payables		137,305
Prepaid Surety Deposits		262,305
Current Portion of Long-Term Obligations		320,787
Total current liabilities		1,188,548
NONCURRENT LIABILITIES		
Customer Deposits Payable		78,135
Other Post Employment Benefits		414,371
Net port share of state pension liability		1,501,145
General Obligation Bonds		3,160,000
Notes Payable		754,291
Total noncurrent liabilities		5,907,942
Total liabilities	$	7,096,490
Deferred Inflow of Resources:		
State Pension	$	27,060
TOTAL DEFERRED INFLOWS OF RESOURCES	$	27,060
NET POSITION		
Net Investment in Capital Assets	$	55,049,687
Unrestricted		1,763,347
TOTAL NET POSITION	$	56,813,034

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

Port of Benton
STATEMENT OF NET POSITION
December 31, 2015

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	2,466,729
Taxes Receivable		43,864
Accounts Receivable		84,822
Due from other governments		291,981
Prepaids		69,653
Contracts with Interest Receivable		24,444
Total current assets		2,981,492
RESTRICTED ASSETS		
Cash and Cash Equivalents	$	1,873
Investments		-
Total Restricted Assets		1,873
NONCURRENT ASSETS		
Capital assets		
Property, Plant and Equipment		95,778,324
Construction in Process		883,096
Less: Accumulated depreciation		(38,091,626)
Total Net Capital Assets		58,569,794
Other Noncurrent Assets		
Contracts Receivable		327,735
TOTAL ASSETS	$	61,880,894
Deferred Outflows of Resources:		
State Pension		175,279
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	175,279

The notes to financial statements are an integral part of this statement

Port of Benton

STATEMENT OF NET POSITION
December 31, 2015

LIABILITIES		
CURRENT LIABILITIES		
Warrants Payable	$	287,195
Accrued Vacation Payable		102,074
Retainage Under Construction Contracts		75,393
Interest & Other Payables		150,312
Prepaid Surety Deposits		256,832
Current Portion of Long-Term Obligations		415,147
Total current liabilities		1,286,953
NONCURRENT LIABILITIES		
Customer Deposits Payable		55,968
Other Post Employment Benefits		347,323
Net port share of state pension liability		1,159,176
General Obligation Bonds		3,320,000
Notes Payable		1,693,411
Total noncurrent liabilities		6,575,878
Total liabilities	$	7,862,831
Deferred Inflow of Resources:		
State Pension	$	178,750
TOTAL DEFERRED INFLOWS OF RESOURCES	$	178,750
NET POSITION		
Net Investment in Capital Assets	$	53,065,843
Unrestricted		948,749
TOTAL NET POSITION	$	54,014,592

The notes to financial statements are an integral part of this statement

Port of Benton

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION*
For the Year Ended December 31, 2016

OPERATING REVENUES		
Crow Butte Park Operations	$	162,789
Property Lease/Rental Operations		3,551,645
Airport Operations		484,943
Total operating revenues		**4,199,377**
OPERATING EXPENSES		
General Operations		1,723,672
Maintenance		1,467,382
General and Administration		2,234,629
Total before depreciation		**5,425,683**
Depreciation		3,004,802
Total operating expenses		**8,430,485**
Operating income (loss)		**(4,231,108)**
NONOPERATING REVENUES (EXPENSES)		
Interest income		38,272
Taxes levied for:		
General purposes		1,887,397
Debt service principal/interest		337,784
Interest expense		(243,260)
Gain on disposition of assets		2,185,728
Other nonoperating expenses		(1,608)
Other nonoperating revenues		404,112
Total nonoperating revenues		**4,608,425**
Income before other revenues, expenses, gains, losses and transfers		**377,317**
Capital contributions		2,421,125
Increase in net position		**2,798,442**
Net Position - beginning of year	$	54,014,592
Net Position - end of year	$	56,813,034

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

Port of Benton

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2015

OPERATING REVENUES	
Crow Butte Park Operations	$ 123,377
Property Lease/Rental Operations	3,634,217
Airport Operations	452,967
Total operating revenues	**4,210,561**
OPERATING EXPENSES	
General Operations	1,477,764
Maintenance	1,359,084
General and Administration	1,947,900
Total before depreciation	**4,784,748**
Depreciation	2,929,278
Total operating expenses	**7,714,026**
Operating income (loss)	**(3,503,465)**
NONOPERATING REVENUES (EXPENSES)	
Interest income	12,109
Taxes levied for:	
General purposes	1,839,188
Debt service principal/interest	341,566
Interest expense	(345,351)
Gain on disposition of assets	4,493,607
Other nonoperating expenses	(7,795)
Other nonoperating revenues	311,056
Total nonoperating revenues	**6,644,380**
Income before other revenues, expenses, gains, losses and transfers	**3,140,915**
Capital contributions	2,587,097
Increase in net position	**5,728,012**
Net Position - beginning of year	49,435,391
Changes in accounting treatment (Pension)	(1,148,811)
Net Position - end of year	$ 54,014,592

The notes to financial statements are an integral part of this statement

Port of Benton

STATEMENT OF CASH FLOWS*
For the Year Ended December 31, 2016

Business-Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 4,211,250
Payments to employees	(2,221,713)
Payments to suppliers	(3,134,675)
Net cash provided (used) by operating activities	**(1,145,138)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Noncapital property taxes received	$ 2,078,240
Non-operating receipts	404,112
Net cash provided (used) by non-operating financing activities	**2,482,352**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	$ 1,806,316
Principal payments paid on capital debt	(1,093,481)
Interest paid on capital debt	(245,827)
Proceeds from capital debt	-
Acquisition and construction of capital assets	(2,095,992)
Cash received from other governments	555,205
Net cash provided (used) by capital and related financing activities	**(1,073,779)**
CASH FLOW FROM INVESTING ACTIVITIES	
Collection of Notes Receivable	$ 12,254
Interest income	28,081
Net cash provided (used) by investing activities	**40,335**
Net increase (decrease) in cash and cash equivalents	303,770
Balances - beginning of the year	$ 2,468,602
Balances - end of the year	$ 2,772,372

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

Port of Benton

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES
Proprietary Fund*
For the Year Ended December 31, 2016

Operating loss	$ (4,231,108)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	3,004,802
Changes in assets and liabilities:	
Receivables, net	(15,767)
Prepaid expenses	(84,776)
Unearned revenue	22,167
Customer deposits	5,473
Payroll taxes payable	(5,400)
Warrants payable	83,797
OPEB	67,048
Vacation payable	8,626
Net cash used by operating activities	$ (1,145,138)

Non-Cash Investing, Capital and Financing Activities:

The noncash portion of these transactinos are as follows:

Other post-employment benefits (GASB 45)	$ 67,048
Net pension expense (GASB 68)	$ 50,936

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

Port of Benton

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 4,213,853
Payments to employees	(2,163,541)
Payments to suppliers	(2,498,391)
Net cash provided (used) by operating activities	**(448,079)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Noncapital property taxes received	2,078,240
Non-operating receipts	311,056
Net cash provided (used) by non-operating financing activities	**2,389,296**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	4,526,205
Principal payments paid on capital debt	(4,085,902)
Interest paid on capital debt	(354,330)
Proceeds from capital debt	-
Acquisition and construction of capital assets	(3,348,989)
Cash received from other governments	2,516,138
Net cash provided (used) by capital and related financing activities	**(746,878)**
CASH FLOW FROM INVESTING ACTIVITIES	
Collection of Notes Receivable	8,366
Interest income	8,116
Net cash provided (used) by investing activities	**16,482**
Net increase (decrease) in cash and cash equivalents	1,210,821
Balances - beginning of the year	1,257,781
Balances - end of the year	$ 2,468,602

The notes to financial statements are an integral part of this statement

Port of Benton

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

(concluded)

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

Operating loss	$ (3,503,465)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	2,929,278
Changes in assets and liabilities:	
Receivables, net	(17,473)
Prepaid expenses	(5,718)
Unearned revenue	1,299
Customer deposits	19,466
Payroll taxes payable	5,278
Warrants payable	50,233
OPEB	61,318
Vacation payable	11,705
Net cash used by operating activities	$ (448,079)

The notes to financial statements are an integral part of this statement

Port of Benton

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Accounting And Reporting

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

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

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

The 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, 2016 the Benton County Treasurer was holding $2,772,372 in short-term residual investments of surplus cash ad discussed in Note #2, Deposits and Investments held in Washington State approved depository. This amount is classified on the statement of net position as cash and cash equivalents. Interest on deposits and investments are accounted for on the Statement of Revenues, Expenses, and Changes in Net Position as non-operating revenues.

For purposes of the statement of cash flows, the 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	$ 40

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

5. Compensated Absences

   In accordance with GASB Statement No. 16, *Accounting for Compensated Absences,* the Port accrues a liability for compensated absences (e.g. paid time off). The Port records unpaid leave for compensated absences as an expense when paid and a liability when incurred. 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. Furthermore, employees are allowed to cash out up to 80 hours of vacation per calendar year, provided the employee maintains 100 hours of vacation after the cash out. There is no compensation for accrued sick leave.

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

7. Other Assets, Debts or Liabilities

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

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

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

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

8. Deferred Outflows/Inflows of Resources

   In accordance with GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The Port reports a separate section for deferred inflows and outflows of resource. This represents an increase or decrease in net position that applies to future periods. GASB 68 for the Port's portion of the State's pension created $314,620 of deferred outflow and $27,060 of deferred inflow of resources as of December 31, 2016.

9. Recent Accounting Pronouncements

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

10. Pensions

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

   The Benton County Treasurer has adopted a formal deposit and investment policy pursuant to RCW 36.29.020. The Benton County Finance Committee consists of the Benton County Treasurer as Chair, the Benton County Auditor as Secretary, and the Chair of the Board of Benton County Commissioners. All deposits and investments are subject to written policies and procedures adopted by the Benton County Finance Committee. The committee meets not less than quarterly to review the deposit and investment portfolio and performance. In July 2010, the Deposit and Investment Policy received a Certification of Excellence from the Association of Public Treasurers of the United States and Canada.

   Due to the current economic environment, banks are not taking public funds for investing in certificates of deposit. Monies that normally would have been invested as certificates of deposit are currently being sent to the State Pool or invested through the Benton County Treasurer's Investment Pool (TIP). The philosophy in developing a TIP was to create a locally managed diversified investment option that would take advantage of the economies of scale, simplify administration, and achieve a potentially higher yield than other available programs. The Benton County TIP, administered by the Benton County Treasurer's Office, is an external investment pool.

Deposits are classified on the Statement of Net Position as cash and cash equivalents. Investments with maturities of more than three months are classified on the Statement of Net Positions as investments. The Port of Benton had no investments and no insured or collateralized investments with maturities of more than three months as of December 31, 2016 since all of the Port's deposits are within the Benton County TIP and can be cashed out in their entirety daily or with a ten (10) day notice if over $10 million as per the Investment Service Agreement.

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

Port of Benton deposits by type at December 31, 2016 are as follows:

Deposit	**Maturity**	**Fair Value of Port of Benton's Own Investments**	**Fair Value of the Port of Benton Deposits**	**Total**
Benton County Investment Pool	Daily	$0.00	$2,677,280	$2,677,280
Banner Bank US Bank	Daily Daily	$0.00 $0.00	$82,263 $12,829	$82,263 $12,829
Total		$0.00	$2,772,372	$2,772,372

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

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

B. Investments

Investments with maturities of more than three months are classified on the Statement of Net Position as investments. The Port had no investments and no insured or collateralized investments with maturities of more than three months as of December 31, 2016 since all of the Port's deposits are within the Benton County TIP and can be cashed out in their entirety daily or with a ten (10) day notice if over $10 million as per the Investment Service Agreement.

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 2016 was $.3983 per $1,000 on an assessed valuation of $5.68 billion for a total regular levy of $2,264,168. In 2015, the regular tax levy was $.4011 per thousand on an assessed valuation of $5.44 billion for a total regular tax levy of $2,189,665. 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 3 to 50 years.

B. Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance 12/31/2015	Increase	Decrease	Balance 12/31/2016
Capital assets, not depreciated:				
Land	9,776,520	1,987,140	(9,909)	$ 11,753,751
Construction in progress	883,096	2,111,331	(2,114,412)	880,015
Total capital assets, not depreciated	10,659,616	4,098,471	(2,124,321)	12,633,766
Capital assets, depreciated:				
Buildings	42,602,924	1,070,314	(420,829)	43,252,409
Improvements other than buildings	40,030,142	880,015	(168,071)	40,742,086
Machinery and equipment	3,368,738	160,120		3,528,858
Total capital assets, depreciated	86,001,804	2,110,449	(588,900)	87,523,353
Less accumulated depreciation for:				
Buildings	13,556,386	2,128,228	(202,707)	15,481,907
Improvements other than buildings	20,781,026	1,493,284		22,274,310
Machinery and equipment	3,754,214	(657,696)		3,096,518
Total accumulated depreciation	38,091,626	2,963,816	(202,707)	40,852,735
Total capital assets, depreciated, net	$ 58,569,794	$ 3,245,104	$ (2,510,514)	$ 59,304,384

C. The Port of Benton has active construction projects as of December 31, 2016. The Port's commitment on contracts were as follows:

Project:	Spent to Date:	Remaining Commitment
Columbia Park Trail Bridge	$51,972	$453,451
Prosser Airport Master Plan	$229,221	$60,932
1341 Acre Master Plan	$71,362	$62,857

Of the committed balances for the remaining construction commitments, the Port of Benton has sufficient funding available to cover all costs as disclosed in Note #2, Deposits and Investments.

NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 6 – LEASES

As of December 31, 2016, the Port had no material non-cancellable contracts where the Port leases property as a lessee. The Port has one major customer, Mission Support Alliance (MSA). MSA's rent on an annual basis is $778,046, no other tenants have leases with more than 10 percent of total operating revenues.

The Port, as a lessor, enters into operating leases with tenants for the use of properties at various locations, including land, facilities, and equipment rentals with minimum annual guarantees, securities, or deposits under lease terms of 1 to 50 years. In addition, some properties are rented on a month-to-month basis. Port procedure is to negotiate all leases at fair market value at the best of our abilities considering market conditions, economic factors, property condition and location, as well as other factors that may impact negotiating lease prices.

The Port has calculated the minimum future lease rental income on non-cancellable operating leases through their lease terms and with the optional extensions. On leases with optional extensions the Port included the extension periods if it is a land lease with significant improvements (e.g. building) or the Port has reason to believe the tenant will renew (e.g. long history with the Port).

The Port's minimum future lease rental income on non-cancellable operating lease terms remaining in excess of one year are as follows:

Years Ending December 31,		
2017	$ 3,008,401	
2018	2,511,757	
2019	2,157,795	
2020	1,373,040	
2021	1,225,474	
Thereafter	16,007,844	
TOTAL	$ 26,284,312	

The Port's leased properties involved are in part used by internal Port operations, or in part of a building with land, and/or for land held for sale. It is not reasonably determinable to segregate the value of assets associated with producing minimum rental income from the value of the assets associated with an entire facility.

NOTE 7 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ 1,159,176
Pension assets	$ -
Deferred outflows of resources	$ 314,620
Deferred inflows of resources	$ 27,060
Pension expense/expenditures	$ 221,909

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
PERS Plan 1	6.21%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**
Port of Benton's actual contributions to the plan	$0	

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

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

1. With a benefit that is reduced by three percent for each year before age 65. 2. Or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administration Fee	0.18%	
Employee PERS Plan 3		varies
Total	**11.18%**	**6.12%**
Port of Benton's actual contributions to the plan	$170,972	

* For employees participating in JBM, the contribution rate was 15.30%

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

Inflation: 3% total economic inflation; 3.75% salary inflation
Salary increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return: 7.5%

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

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

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	**Target Allocation**	**% Long-Term Expected Real Rate of Return Arithmetic**
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of Net Pension Liability/(Asset)

The table below presents the Port's proportionate share* of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
PERS 1	$ 821,771	$ 681,459	$ 560,712
PERS 2/3	1,509,188	$ 819,685	$ (426,693)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2016, Port reported a total pension liability of $1,501,145 for its proportionate share of the net pension liabilities as follows:

	Liability or (Asset)
PERS 1	$681,459
PERS 2/3	$819,685

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

	Proportionate Share 6/30/2015	Proportionate Share 6/30/2016	Change in Proportion
PERS 1	0.011772%	0.012689%	0.000917%
PERS 2/3	0.015208%	0.016280%	0.001072%

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

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the Port recognized pension expense as follows:

	Pension Expense	
PERS 1	$	86,785
PERS 2/3	$	135,124
TOTAL	$	221,909

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	$ - 17,158	$ -
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 37,342	
TOTAL	$ 54,500	$ -

PERS 2 & 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 43,648	$ (27,059)
Net difference between projected and actual investment earnings on pension plan investments	$ 100,306	$ -
Changes of assumptions	$ 8,472	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 58,922	$ -
Contributions subsequent to the measurement date	$ 48,772	$ -
TOTAL	$ 260,119	$ (27,059)

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense if the net amount is under $1,000. In the year ending December 31, 2016 plans for PERS 1, PERS 2 and PERS 3 other amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year	PERS 1		PERS 2/3	
	Inflows	Outflows	Inflows	Outflows
2017	-	(4,225)	(8,456)	30,049
2018	-	(4,225)	(8,456)	30,049
2019	-	15,758	(8,456)	99,904
2020	-	9,850	(1,691)	51,344
2021	-	-	-	-
2022	-	-	-	-
Total Deferred (Inflows)/Outflows	**-**	**17,158**	**(27,059)**	**211,347**

NOTE 8 – RISK MANAGEMENT

Port of Benton is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2016, there are 524 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

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

- $1,000,000 deductible on liability loss - the member is responsible for the first $1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining $999,000 on a liability loss.
- $250,000 deductible on property loss - the member is responsible for the first $10,000 of the deductible amount of each claim, while Enduris is responsible for the remaining $240,000 on a property loss.

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is $20 million per occurrence and property coverage limit is $1 billion per occurrence. Enduris offers crime coverage up to a limit of

$1 million per occurrence. Since Enduris is a cooperative program, there is a joint liability among the participating members.

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

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house. A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

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 9 – SHORT-TERM DEBT

As of December 31, 2016 the Port of Benton has no Short-Term Debt.

NOTE 10 – LONG-TERM DEBT

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

The general obligation bonds currently outstanding are as follows:

Taxable, matures, 2012-2026	2.35% to 6.20%	$1,910,000
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, 2016 are as follows:

Years Ending December 31,	Principal	Interest	Total
2017	320,787	199,333	520,120
2018	334,845	187,677	522,522
2019	349,022	174,999	524,021
2020	363,324	161,246	524,570
2021	382,654	145,894	528,548
2022 - 2030	2,484,446	656,904	3,141,350
Total	$ 4,235,078	$ 1,526,053	$ 5,761,131

B. Changes in Long-Term Liabilities

During the year ended December 31, 2016, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2016	Advances	Re payments	Ending Balance 12/31/2016	Due Within One Year
CERB Loan	$ 120,825		$ (14,582)	$ 106,243	$ 14,728
WSDOT Loan	$ 133,332		$ (16,666)	$ 116,666	$ 16,667
HAEIFC	$ 817,117		$ (124,949)	$ 692,168	$ 129,392
Hoch	$ 1,000,000		$ (1,000,000)	$ -	$ -
OPEB Liability	$ 347,323	$ 67,048		$ 414,371	
Port Share of State PERS	$ 1,159,176	$ 341,969		$ 1,501,145	
Taxable Line of Credit	$ -		$ -	$ -	$ -
Banner Bank Note	$ -		$ -	$ -	$ -
Total Other Obligations	$ 3,577,773	$ 409,017	$ (1,156,197)	$ 2,830,593	$ 160,787
2012 GO Bonds Taxable	$ 2,065,000		$ (155,000)	$ 1,910,000	$ 160,000
2012 GO Bonds Nontaxable	1,410,000			$ 1,410,000	
	-				
Total GO Debt	$ 3,475,000	$ -	$ (155,000)	$ 3,320,000	$ 160,000

NOTE 11 – CONTINGENCIES AND LITIGATION

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

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, 2016 was $6,346. These funds are to be used for economic development.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

In June 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The requirements of this statement are effective in three phases. The Port of Benton is a phase 3 government, and was required to adopt this statement for fiscal periods beginning after December 15, 2008. Legally, the Port does not have a contractual obligation or a policy to maintain and provide its employees with continued medical insurance coverage after termination or retirement. The Public Employees Benefits Board (PEBB) plan document offers a subsidized retirement coverage to its plan participants and the Port can terminate medical insurance with no future obligation or liability to PEBB or its retirees. In order to be in compliance with GASB Statement No. 45 that requires governments to book a liability, an expense, and provide specific note disclosures based on an estimated and potential future cost to cover future retired employees medical expenses.

As per the GASB Statement No. 45 summary, "In addition to pensions, many state and local governmental employers provide Other Post-Employment Benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes post-employment healthcare, as well as other forms of post-employment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers."

Plan Description

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

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

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

Subsidies

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

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

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

Before 2007, these subsidies were not projected and accounted for under the accrual basis accounting. Accrual accounting is meant to match the timing between when something occurs and when it is accounted for. In this case, it is meant to match the expense to the year in which the benefits are earned by the member.

Funding Policy

Pay-as-you-go funding occurs when an employer chooses to contribute (pay) for benefits only when they occur or become due (after retirement). Before 2007, this cost was expensed as the Port paid the current year's subsidies. However, the unfunded liability, which is the difference between what the Port accrues (assuming on-going future payments) and what the Port currently pays, was not accounted for under the pay-as-you-go method.

GASB Statements No. 43 and No. 45 were created in an attempt to:

- Create financial transparency;
- Create better alignment between public and private sector accounting;
- Provide clarity among bargaining groups to show the true cost of benefits over time;
- Provide employers knowledge of the true cost of benefits over time;
- Provide investors knowledge of the true long-term liabilities; and
- Show the decision makers a cost that they need to recognize.

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

Annual OPEB Cost and Net OPEB Obligation

The Port’s annual OPEB cost is calculated based upon the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years as of January 1, 2009. The following table shows the components of the Port's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Port's net OPEB. The net OPEB obligation of $414,371 is included as a noncurrent liability in the Statement of Net Position.

Determination of Annual Required Contribution:	**Ending 12/31/16**	**Ending 12/31/15**
Normal Cost at Year End	$45,901	$40,723
Amortization of Unfunded Actuarial Accrued Liability	27,340	25,695
Annual Required Contribution	$73,241	$66,418
Determination of Annual OPEB Cost:		
Annual Required Contribution	$73,241	$66,418
Net OPEB Obligation Interest	13,893	11,440
Net OPEB Obligation Amortization	(20,086)	(16,540)
Annual OPEB COST	$67,048	$61,318
Determination of Net OPEB Obligation:		
Starting Net OPEB Obligation	$347,323	$286,005
Annual OPEB Cost	67,048	61,318
Contributions	-0-	- 0 -
Net OPEB Obligation	$414,371	$347,323

Funded Status, Funding Progress and Reserves

In order to fund the OPEB plan, the Port would have to establish an irrevocable trust, which means that the Port would no longer have control of the money from the trust. If the Port left the PEBB program, the Port would not be able to retrieve the money out of the trust. As of December 31, 2016, the Port does not pre-fund post-retirement medical insurance subsidies. Since the PEBB plan is paid for on a pay-as-you-go basis and was 0% funded, there are no assets to invest. However, currently the Port has sufficient cash and cash equivalents to cover the entire liabilities (if any costs are incurred in the future). If the Port no longer uses PEBB for their medical insurance coverage, under the current Port policy, the Port is not liable for any future cost to retired employees.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that will show whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial liability for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment rate of return, payroll growth rate, and health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

The Port used the alternative measurement method permitted under GASB Statement No. 45. Data (e.g., age range, years of service, active age average, etc.) is compiled into the Office of State Actuary GASB No. 45 reporting tool for all active and inactive members to determine the Actuarial Accrued Liability (AAL) and normal cost. The Office of the State Actuary report involves calculations that require assumptions about future economic and demographic events. Consistent with GASB reporting requirements, the Office of the State Actuary assumed a pay-as-you-go funding policy when selecting the assumed rate of investment return of 4%. General and salary inflation are the same as those used in the June 30, 2016 Actuarial Valuation Report (AVR) issued by the Office of the State Actuary. Cost inflation begins at approximately 8% in 2014 and decreases to an ultimate rate of about 5% in 2093. Participation percentage, percentage of spouses' coverage, and Medicare coverage was determined by the Office of the State Actuary. The average cost of medical plans providing coverage before Medicare eligibility decreased by 7.2%; the average cost for Medicare medical plans increased by 4.3%. Actual medical cost inflation since the last valuation date was lower than the assumed rate of approximately 14.6%. Covered payroll is assumed to grow at 3.75% per year.

Demographic assumptions are the same as those used in the June 30, 2016 AVR, which were developed from the 2007-2012 Experience Study performed by the Office of the State Actuary. The Office of Financial Management is responsible for the selection of the actuarial cost method, asset valuation method and funding policy for amortizing the Unfunded Actuarial Accrued Liability (UAAL).

The medical trend, claim cost, aging factors, and analysis of "Cadillac" plans under the Patient Protection and Affordable Care Act were determined by Milliman and used by the Office of the State Actuary for the OPEB actuarial valuation report dated June 30, 2016. The results were based on grouped data with four active groupings and four inactive groupings. The Office of the State Actuary prepared a sensitivity analysis assuming a 0.5% higher and lower investment rate of return for the impact of the Patient Protection and Affordable Care Act (PPACA) excise tax. The excise tax, which does not go into effect until the year 2018, represents approximately 1.1% of all liabilities.

The Health Care Authority and the Department of Retirement Systems provided the member data used in the Office of the State Actuary report. The census date is reported as of June 30, 2015, and was projected forward to match the open enrollment medical plan choices as of January 1, 2015. A single retirement age of 62.4 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, 2016 actuarial valuation report issued by the Office of the State Actuary (OSA).

The Projected Unit Credit (PUC) is the actuarial funding method chosen for the Office of the State Actuary report to determine the AAL. The UAAL is amortized over a closed 30-year period as a level percent of payroll. There are no asset valuation methods since there are no assets invested in an irrevocable, dedicated, and projected trust. The AAL and the Net OPEB Obligations (NOO) are amortized as a percentage of payroll over an open 30-year period. These methods, assumptions, and calculations are individually and collectively reasonable for the purposes of this valuation.

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.

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, 2016 the Port does not believe any further action will be needed to remediate this site.

In 2015 the Port received 759 acres of industrial land north of Horn Rapids Road in Richland from the Department of Energy. At the time of the transfer the Port was not aware of any hazardous materials or contamination on the property. However, the land is in the proximity of ongoing and planned Hanford waste cleanup projects. In addition, there is future cleanup of contaminated buildings that will occur in proximity to the Port's land. Although the Port may not bear ultimate liability for any environmental liabilities, the Port is presumptively liable as the property owner.

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 – ACCOUNTING AND REPORTING CHANGES

In 2015, the port implemented GASB Statement 68 - Accounting and Financial Reporting for Pensions. The GASB also issued Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (amends GASB Statement 68). An Amendment of GASB Statement No. 27 (Issued 06/12) - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The implementation required the restatement of net position. The total adjustment is $1,148,811, which restated the December 31, 2014 Statement of Net Position from $49,435,391 to $48,286,580.

Port of Benton

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Accounting And Reporting

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

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

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

The 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, 2015 the treasurer was holding $2,468,602 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	$ 1,873

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

5. Compensated Absences

   In accordance with GASB Statement No. 16, *Accounting for Compensated Absences,* the Port accrues a liability for compensated absences (e.g. paid time off). The Port records unpaid leave for compensated absences as an expense when paid and a liability when incurred. 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. Furthermore, employees are allowed to cash out up to 80 hours of vacation per calendar year, provided the employee maintains 100 hours of vacation after the cash out. There is no compensation for accrued sick leave.

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

7. Other Assets, Debts or Liabilities

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

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

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

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

8. Deferred Outflows/Inflows of Resources

   In accordance with GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The Port reports a separate section for deferred inflows and outflows of resource. This represents an increase or decrease in net position that applies to future periods. Implementing GASB68 for the Port's portion of the State's pension created $175,279 deferred outflow and $178,750 deferred inflow of resources as of December 31, 2015.

9. Recent Accounting Pronouncements

   In 2015, the Port implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* GASB also issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (amending GASB Statement No. 68). An Amendment of GASB Statement No. 27 (Issued 06/12). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The implementation required restatement of net position of approximately $1,148,811.

NOTE 2 – DEPOSITS AND INVESTMENTS

DEPOSITS

The Port's cash and cash equivalents of aproximately $2.4 million and $1.3 million as of December 31, 2015 and 2014, 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, 2015, 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 2015 was $.4011 per $1,000 on an assessed valuation of $5.44 billion for a total regular levy of $2,189,665. In 2014, the regular tax levy was $.3988 per thousand on an assessed valuation of $5.27 billion for a total regular tax levy of $2,105,874. 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, 2015 was as follows:

	Balance 12/31/2014	Increase	Decrease	Balance 12/31/2015
Capital assets, not depreciated:				
Land	10,014,303	-	(237,783)	$ 9,776,520
Construction in progress	1,269,155	3,020,893	(3,406,952)	883,096
Total capital assets, not depreciated	11,283,458	3,020,893	(3,644,735)	10,659,616
Capital assets, depreciated:				
Buildings	39,633,068	2,996,675	(26,819)	42,602,924
Improvements other than buildings	39,530,818	499,324	-	40,030,142
Machinery and equipment	3,383,148	88,117	(102,527)	3,368,738
Total capital assets, depreciated	82,547,034	3,584,116	(129,346)	86,001,804
Less accumulated depreciation for:				
Buildings	12,558,092	1,042,497	(44,203)	13,556,386
Improvements other than buildings	19,225,804	1,596,011	(40,789)	20,781,026
Machinery and equipment	3,502,657	290,770	(39,213)	3,754,214
Total accumulated depreciation	35,286,553	2,929,278	(124,205)	38,091,626
Total capital assets, depreciated, net	$ 58,543,939	$ 3,675,731	$ (3,649,876)	$ 58,569,794

C. The Port of Benton has active construction projects as of December 31, 2015. These projects include construction at the Columbia Park Trail Bridge and Richland Airport.

Project:	Spent to Date:	Remaining Commitment
Columbia Park Trail Bridge	$1,181,873	$60,451

NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 6 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ 1,159,176
Pension assets	$ -
Deferred outflows of resources	$ 175,279
Deferred inflows of resources	$ 178,750
Pension expense/expenditures	$ 157,513

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

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

The Port's actual contributions to the plan were $0 for the year ended December 31, 2015.

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

1. With a benefit that is reduced by three percent for each year before age 65. 2. Or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

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

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options.

Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee***
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		Varies

* For employees participating in JBM, the contribution rate was 15.30%

The Port's actual contributions to the plan were $146,252 for the year ended December 31, 2015.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

Inflation: 3% total economic inflation; 3.75% salary inflation
Salary increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return: 7.5%

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

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

1. The OSA updated demographic assumptions, consistent with the changes from the 2007-2012 Experience Study Report, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.

2. The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.

3. For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.

4. The OSA changed the way it applies salary limits, as described in the 2007-2012 Experience Study Report.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the Port's proportionate share* of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
PERS 1	$ 749,720	$ 615,785	$ 500,613
PERS 2/3	1,588,902	543,391	(257,118)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2015, Port reported a total pension liability of $1,159,176 for its proportionate share of the net pension liabilities as follows:

	Liability or (Asset)
PERS 1	$615,785
PERS 2/3	$543,391

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

	Proportionate Share 6/30/2014	Proportionate Share 6/30/2015	Change in Proportion
PERS 1	0.010954%	0.011772%	0.000818%
PERS 2/3	0.014103%	0.015208%	0.001105%

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

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the Port recognized pension expense as follows:

	Pension Expense	
PERS 1	$	82,766
PERS 2/3	$	74,747
TOTAL	$	157,513

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 33,690
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 35,162	
TOTAL	$ 35,162	$ 33,690

PERS 2 & 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 57,763	$ -
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 145,060
Changes of assumptions	$ 876	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 35,555	$ -
Contributions subsequent to the measurement date	$ 45,925	$ -
TOTAL	$ 140,118	$ 145,060

Deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense if the net amount is under $1,000. In the year ending December 31, 2015 plans for PERS 1, PERS 2 and PERS 3 other amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2016	$ 10,536
2017	$ 10,536
2018	$ 10,536
2019	$ 4,215
2020	$ -
Thereafter	$ -

Year ended December 31:	PERS 2 & 3
2016	$ 10,457
2017	$ 10,457
2018	$ 10,457
2019	$ 4,183
2020	$ -
Thereafter	$ -

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 $79,138,447 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 2015:

Beginning Balance	Issued	Redeemed	Ending Balance
$ 110,023	$-0-	$110,023	$-0-

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%	\$2,065,000
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, 2015 are as follows:

Years Ending December 31,	Principal	Interest	Total
2016	415,147	244,986	660,133
2017	440,417	230,542	670,959
208	460,597	212,763	673,360
2019	483,283	193,653	676,936
2020	502,253	173,156	675,409
2021 - 2030	2,951,295	773,016	3,724,311
Total	$ 5,252,992	$ 1,828,116	$ 7,081,108

B. Changes in Long-Term Liabilities

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2015	Advances	Re payments	Ending Balance 12/31/2015	Due Within One Year
CERB Loan	$ 135,263		$ (14,438)	$ 120,825	$ 14,582
WSDOT Loan	$ 149,999		$ (16,667)	$ 133,332	$ 16,667
HAEIFC	$ 939,451		$ (122,334)	$ 817,117	$ 125,557
Hoch	$ 1,000,000		$ (117,717)	$ 882,283	$ 103,341
OPEB Liability	$ 286,005	$ 61,318		$ 347,323	
Port Share of State PERS	$ -	$ 1,159,176		$ 1,159,176	
Taxable Line of Credit	$ 110,023		$ (110,023)	$ -	$ -
Banner Bank Note	$ 3,554,723		$ (3,554,723)	$ -	$ -
Total Other Obligations	$ 6,175,464	$ 1,220,494	$ (3,935,902)	$ 3,460,056	$ 260,147
2012 GO Bonds Taxable	$ 2,215,000		$ (150,000)	$ 2,065,000	$ 155,000
2012 GO Bonds Nontaxable	1,410,000			$ 1,410,000	
	-				
Total GO Debt	$ 3,625,000	$ -	$ (150,000)	$ 3,475,000	$ 155,000

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 2015:

Federal Aviation Administration	$726,000
Department of Energy	11,025
Washington State, Dept. of Trasnport.	5,883
Washington State, Dept. of Commerce	1,770,084
Washington State, RCO	70,911
Other	3,194

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, 2015 was $6,346. These funds are to be used for economic development.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

In June 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The requirements of this statement are effective in three phases. The Port of Benton is a phase 3 government, and was required to adopt this statement for fiscal periods beginning after December 15, 2008. Legally, the Port does not have a contractual obligation or a policy to maintain and provide its employees with continued medical insurance coverage after termination or retirement. The Public Employees Benefits Board (PEBB) plan document offers a subsidized retirement coverage to its plan participants and the Port can terminate medical insurance with no future obligation or liability to PEBB or its retirees. In order to be in compliance with GASB Statement No. 45 that requires governments to book a liability, an expense, and provide specific note disclosures based on an estimated and potential future cost to cover future retired employees medical expenses.

As per the GASB Statement No. 45 summary, "In addition to pensions, many state and local governmental employers provide Other Post-Employment Benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes post-employment healthcare, as well as other forms of post-employment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers."

Plan Description

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

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

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

Subsidies

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

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

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

Before 2007, these subsidies were not projected and accounted for under the accrual basis accounting. Accrual accounting is meant to match the timing between when something occurs and when it is accounted for. In this case, it is meant to match the expense to the year in which the benefits are earned by the member.

Funding Policy

Pay-as-you-go funding occurs when an employer chooses to contribute (pay) for benefits only when they occur or become due (after retirement). Before 2007, this cost was expensed as the Port paid the current year's subsidies. However, the unfunded liability, which is the difference between what the Port accrues (assuming on-going future payments) and what the Port currently pays, was not accounted for under the pay-as-you-go method.

GASB Statements No. 43 and No. 45 were created in an attempt to:

- Create financial transparency;
- Create better alignment between public and private sector accounting;
- Provide clarity among bargaining groups to show the true cost of benefits over time;
- Provide employers knowledge of the true cost of benefits over time;
- Provide investors knowledge of the true long-term liabilities; and
- Show the decision makers a cost that they need to recognize.

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

Annual OPEB Cost and Net OPEB Obligation

The Port's annual OPEB cost is calculated based upon the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years as of January 1, 2009. The following table shows the components of the Port's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Port's net OPEB. The net OPEB obligation of $347,323 is included as a noncurrent liability in the Statement of Net Position.

Determination of Annual Required Contribution:	**Ending 12/31/15**	**Ending 12/31/14**
Normal Cost at Year End	$40,723	$26,991
Amortization of Unfunded Actuarial Accrued Liability	25,695	17,465
Annual Required Contribution	$66,418	$44,456
Determination of Annual OPEB Cost:		
Annual Required Contribution	$66,418	$44,456
Net OPEB Obligation Interest	11,440	9,837
Net OPEB Obligation Amortization	(16,540)	(14,222)
Annual OPEB COST	$61,318	$40,071
Determination of Net OPEB Obligation:		
Starting Net OPEB Obligation	$286,005	$245,934
Annual OPEB Cost	61,318	40,071
Contributions	-0-	- 0 -
Net OPEB Obligation	$347,323	$286,005

Funded Status, Funding Progress and Reserves

In order to fund the OPEB plan, the Port would have to establish an irrevocable trust, which means that the Port would no longer have control of the money from the trust. If the Port left the PEBB program, the Port would not be able to retrieve the money out of the trust. As of December 31, 2015, the Port does not pre-fund post-retirement medical insurance subsidies. Since the PEBB plan is paid for on a pay-as-you-go basis and was 0% funded, there are no assets to invest. However, currently the Port has sufficient cash and cash equivalents to cover the entire liabilities (if any costs are incurred in the future). If the Port no longer uses PEBB for their medical insurance coverage, under the current Port policy, the Port is not liable for any future cost to retired employees.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that will show whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial liability for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment rate of return, payroll growth rate, and health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

The Port used the alternative measurement method permitted under GASB Statement No. 45. Data (e.g., age range, years of service, active age average, etc.) is compiled into the Office of State Actuary GASB No. 45 reporting tool for all active and inactive members to determine the Actuarial Accrued Liability (AAL) and normal cost. The Office of the State Actuary report involves calculations that require assumptions about future economic and demographic events. Consistent with GASB reporting requirements, the Office of the State Actuary assumed a pay-as-you-go funding policy when selecting the assumed rate of investment return of 4%. General and salary inflation are the same as those used in the June 30, 2015 Actuarial Valuation Report (AVR) issued by the Office of the State Actuary. Cost inflation begins at approximately 8% in 2014 and decreases to an ultimate rate of about 5% in 2093. Participation percentage, percentage of spouses' coverage, and Medicare coverage was determined by the Office of the State Actuary. The average cost of medical plans providing coverage before Medicare eligibility decreased by 7.2%; the average cost for Medicare medical plans increased by 4.3%. Actual medical cost inflation since the last valuation date was lower than the assumed rate of approximately 14.6%. Covered payroll is assumed to grow at 3.75% per year.

Demographic assumptions are the same as those used in the June 30, 2014 AVR, which were developed from the 2007-2012 Experience Study performed by the Office of the State Actuary. The Office of Financial Management is responsible for the selection of the actuarial cost method, asset valuation method and funding policy for amortizing the Unfunded Actuarial Accrued Liability (UAAL).

The medical trend, claim cost, aging factors, and analysis of “Cadillac” plans under the Patient Protection and Affordable Care Act were determined by Milliman and used by the Office of the State Actuary for the OPEB actuarial valuation report dated June 30, 2014. The results were based on grouped data with four active groupings and four inactive groupings. The Office of the State Actuary prepared a sensitivity analysis assuming a 0.5% higher and lower investment rate of return for the impact of the Patient Protection and Affordable Care Act (PPACA) excise tax. The excise tax, which does not go into effect until the year 2018, represents approximately 1.1% of all liabilities.

The Health Care Authority and the Department of Retirement Systems provided the member data used in the Office of the State Actuary report. The census date is reported as of June 30, 2014, and was projected forward to match the open enrollment medical plan choices as of January 1, 2015. A single retirement age of 62.4 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, 2015 actuarial valuation report issued by the Office of the State Actuary (OSA).

The Projected Unit Credit (PUC) is the actuarial funding method chosen for the Office of the State Actuary report to determine the AAL. The UAAL is amortized over a closed 30-year period as a level percent of payroll. There are no asset valuation methods since there are no assets invested in an irrevocable, dedicated, and projected trust. The AAL and the Net OPEB Obligations (NOO) are amortized as a percentage of payroll over an open 30-year period. These methods, assumptions, and calculations are individually and collectively reasonable for the purposes of this valuation.

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.

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, 2015 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 – ACCOUNTING AND REPORTING CHANGES

In 2015, the port implemented GASB Statement 68 - Accounting and Financial Reporting for Pensions. The GASB also issued Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (amends GASB Statement 68). An Amendment of GASB Statement No. 27 (Issued 06/12) - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The implementation required the restatement of net position. The total adjustment is $1,148,811, which restated the December 31, 2014 Statement of Net Position from $49,435,391 to $48,286,580.

PORT OF BENTON

MCAG No. 1698

REQUIRED SUPPLEMENTARY INFORMATION (RSI)
OTHER POST BENEFITS (OPEB) PLAN SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2016

Actuarial Valuation Date	Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funding Ratio	Annual Covered Payroll	UAAL As Percent of Covered Payroll
6/30/2016	12/31/2016	$0	$472,762	$472,762	0.00%	$1,605,389	30%
6/30/2015	12/31/2015	$0	$444,313	$444,313	0.00%	$1,469,916	30%
6/30/2014	12/31/2014	$0	$301,999	$301,999	0.00%	$1,381,308	22%
6/30/2013	12/31/2013	$0	$281,623	$281,623	0.00%	$1,266,039	22%

PORT OF BENTON

REQUIRED SUPPLEMENTARY INFORMATION (RSI)
OTHER POST BENEFITS (OPEB) PLAN SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2015

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%
December 31, 2015	5/3/2016	444,313	444,313	-	1,469,916	30%

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%
December 31, 2015	0	347,323	61,318	66417	19%

PORT OF BENTON

MCAG No. 1698

REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SCHEDULE OF THE PORT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2016

PERS 1

	2015	2016
Employer's proportion of the net pension liability (asset)	0.011772%	0.012689%
Employer's proportionate share of the net pension liability	$615,785	$681,459
TOTAL	$615,785	$681,459
Employer's covered employee payroll	$1,469,916	$1,554,286
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	42%	44%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%

PERS 2/3

	2015	2016
Employer's proportion of the net pension liability (asset)	0.01177%	0.012689%
Employer's proportionate share of the net pension liability	$543,391	$819,685
TOTAL	$543,391	$819,685
Employer's covered employee payroll	$1,469,916	$1,554,286
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	36.97%	52.74%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%

PORT OF BENTON

REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SCHEDULE OF THE PORT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2015

PERS 1

		2015
Employer's proportion of the net pension liability (asset)	%	0.011772%
Employer's proportionate share of the net pension liability	$	615,785
TOTAL	$	615,785
Employer's covered employee payroll	$	1,469,916
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	41.89%
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%

PERS 2/3

		2015
Employer's proportion of the net pension liability (asset)	%	0.011772%
Employer's proportionate share of the net pension liability	$	543,391
TOTAL	$	543,391
Employer's covered employee payroll	$	1,469,916
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	36.97%
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%

PORT OF BENTON

MCAG No.1698

REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SCHEDULE OF EMPLOYER CONTRIBUTIONS

AS OF DECEMBER 31, 2016

PERS 1

	2015	2016
Statutorily or contractually required contributions	62,888	74,139
Contributions in relation to the statutorily or contractually required contributions	(62,888)	(74,139)
Contribution deficiency (excess)	0	0
Covered employer payroll	1,469,916	1,554,286
Contributions as a percentage of covered employee payroll	4.28%	4.77%

PERS 2/3

	2015	2016
Statutorily or contractually required contributions	$146,252	$173,769
Contributions in relation to the statutorily or contractually required contributions	$(146,252)	$(173,769)
Contribution deficiency (excess)	0	0
Covered employer payroll	1,469,916	1,554,286
Contributions as a percentage of covered employee payroll	9.95%	11.18%

PORT OF BENTON

REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SCHEDULE OF EMPLOYER CONTRIBUTIONS

AS OF DECEMBER 31, 2015

PERS 1

		2015
Statutorily or contractually required contributions		$ -
Contributions in relation to the statutorily or contractually required contributions		$ -
Contribution deficiency (excess)		$ -
Covered employer payroll		$ -
Contributions as a percentage of covered employee		0.00%

PERS 2/3

		2015
Statutorily or contractually required contributions		$ 146,252
Contributions in relation to the statutorily or contractually required contributions		$ (146,252)
Contribution deficiency (excess)		$ -
Covered employer payroll		$ 1,469,916
Contributions as a percentage of covered employee		9.95%

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.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov