



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Port of Benton

For the period January 1, 2023 through December 31, 2023

Published July 10, 2025

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**Office of the Washington State Auditor
Pat McCarthy**

July 10, 2025

Board of Commissioners
Port of Benton
Richland, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Port of Benton January 1, 2023 through December 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
20.106	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2023-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Port of Benton January 1, 2023 through December 31, 2023

2023-001 The Port did not have adequate internal controls for ensuring accurate reporting of its financial statements.

Background

State and federal agencies, the Board of Commissioners, and the public rely on information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance its financial reporting is reliable and the financial statements and notes to financial statements are accurate. The Port prepares its financial statements in accordance with generally accepted accounting principles (GAAP).

Our audit found deficiencies in the Port's internal controls over accounting and financial reporting that affected its ability to produce reliable financial statements, schedules and notes. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses as a finding.

Description of Condition

We found deficiencies in the Port's internal controls over financial reporting that represent a material weakness. Specifically, the Port did not:

- Establish a process to periodically evaluate and review its capital assets to ensure accurate reporting, including whether assets are still in use and that the useful lives of the assets are reassessed periodically
- Implement GASB Statement No. 96 Subscription-Based Information Technology Arrangement (SBITA) based on accounting standards.
- Review calculations the Port's lease management software completed to ensure leases were calculated and reported correctly
- Verify that amounts it reported in the financial statements, notes to the financial statements and required schedules were consistent with the underlying accounting records and adequately supported

Cause of Condition

Port staff did not dedicate the necessary resources to reviewing capital asset records and researching the implementation of new accounting standards. For capital assets, staff were unaware that there were fully depreciated assets and assets no longer in use included in the capital asset records.

Additionally, the Port had significant turnover in the finance department and hired a new CPA (certified public accountant) firm to prepare its financial statements. Although the Port had procedures to review the financial statements, it did not dedicate adequate resources to performing a detailed review to ensure the CPA-prepared financial statements, notes and schedules were accurate and complete.

Effect of Condition

Inaccurate financial reports limit access to financial information that state and federal agencies, the public, and Port officials use. The Port's financial statements contained errors that management did not detect.

As a result of these weaknesses, our audit found the Port:

- Overstated both capital assets and accumulated depreciation by \$20,095,382. Of this amount, 312 assets totaling \$17,325,821 were fully depreciated and still in use, indicating the Port intends to use these assets longer than their original estimated useful lives. An additional 221 assets totaling \$2,769,561 were found to be no longer in use but still reported within the financial statements.
- Understated SBITA liabilities by \$33,515, SBITA assets by \$155,008 and accumulated depreciation by \$64,421 by not adopting its own threshold for reporting SBITA arrangements.
- Overstated lease receivables by \$251,313 and deferred inflows by \$109,197.
- Overstated operations expenditures by \$1,313,934, overstated general and administration expenditures by \$1,143,928 and understated maintenance expenditures by \$2,190,309 by not confirming expenditures were correctly classified on the financial statements.

We also identified several additional account balance misstatements in the financial statements and presentation errors in the Schedule of Expenditures of Federal Awards, Management Discussion and Analysis, and Notes to the Financial Statements.

The Port corrected the classification of the expenditure balances and less significant errors we found during the audit.

Recommendation

We recommend the Port:

- Strengthen its internal controls over capital asset reporting to evaluate and reassess the accuracy of the useful lives of its assets periodically, as required by GASB
- Evaluate its method for implementing GASB Statement No. 96, Subscription-Based Information Technology Arrangement (SBITA) and reporting amounts on its financial statements
- Dedicate sufficient resources to preparing and reviewing accurate financial statements. In particular, the Port should strengthen its review process to ensure lease calculations, expense classifications and the prepared financial statements and schedules are accurate and complete.

Port's Response

We thank the Washington State Auditor's Office (SAO) for your thorough financial statement audit of the Port of Benton and for identifying areas where our financial reporting processes can be strengthened. The Port respects the findings of the SAO and has already begun implementing the recommendations to bolster and improve Port policies and practices. Actions taken on the recommendations provided include the following:

A. Internal Controls Over Capital Assets

We acknowledge the importance of maintaining accurate and up-to-date capital asset records to ensure proper financial reporting and stewardship of public resources. We are committed to continuous improvement and are taking the following measures to ensure compliance with GASB standards and enhance the accuracy of our financial reporting.

1. Review and Update Capital Asset Procedures

The Port will review and update the Port's Capital Asset Policy to explicitly include a periodic review and assessment of the estimated useful lives of all capital assets.

2. Periodic Assessment of Useful Lives

Beginning with the 2025 fiscal year, we will implement a structured periodic assessment of asset useful lives. This review will involve collaboration between Finance and relevant operational departments to identify any changes in asset conditions, usage, or technological obsolescence that may warrant adjustment. This assessment has also been incorporated as a specific step in the Port's annual financial statement closing checklist.

3. Ongoing Monitoring

In addition to periodically assessing the estimated useful lives, we will also conduct a review of all assets in the capital asset report to verify assets are still in use. Any proposed changes to asset lives will be supported by documentation and approved by appropriate supervisory personnel.

4. Annual Reporting

The Port has developed a comprehensive year-end closing checklist. A review of fixed assets and accumulated depreciation has been incorporated into this checklist as a specific step.

B. Implementation of SBITA

The Port will develop and implement a policy specifically addressing the identification, calculation and reporting of SBITAs.

C. Increase Resources and Improve Processes in Preparing and Reviewing Accurate Financial Statements

The Port acknowledges the SAO's recommendation and appreciates the emphasis on the importance of proper staffing and effective processes. To address this recommendation, the Port has implemented the following actions.

1. Increased Resources for Financial Reporting

The Port has evaluated current staffing levels and workload allocations and found that staffing levels in 2024 and prior were not sufficient to implement and operate the Port's new lease management system that is needed to ensure compliance with GASB 87. In response, the Port increased its labor budget for 2025 and created a new full time administrative support position, with a significant part of their job dedicated to lease administration support, including data entry and validation within the new lease management software. This position was filled with a new employee starting in March 2025. This position will perform initial data entry and validation for all new leases and all lease modifications as well as assist with other administrative duties associated with lease management.

2. Enhanced Financial Statement Review Procedures

We have strengthened our internal review processes by implementing a structured, multi-level review of the financial statements and all supporting schedules. These checklists includes a closing schedule, specific assignments by person as well as signoffs to ensure accuracy and completeness of the financial statements. These checklists include Port-specific checklists as well as incorporating the SAO's Financial Statement Checklist and Financial Reporting Risk Assessment Tool.

3. Early Planning and Timeline Management

With new finance and accounting staff in place and with the development of documented processes, checklists and assignments, an annual closing schedule has also been developed to ensure that sufficient time has been planned and scheduled allowing for adequate preparation and review time.

4. GASB 87 Lease Calculations

In order to comply with the new GASB 87 pronouncement regarding lease accounting, the Port selected a new lease management software package in 2022 and implemented the software in 2022 and into 2023, with the system going live in 2023. Subsequent to the implementation of the new software system, there was substantial turnover of staff responsible for lease administration. New staff are in place and trained in the lease management software system. This has enabled the Port to clarify roles and responsibilities associated with lease administration and data entry and has created documented work flows for each department, including multiple review data entry validation review steps performed by different departments.

The Port appreciates the SAO's recommendations as we are committed to continuous improvement in our financial reporting processes. These changes will strengthen our internal processes and controls to ensure accurate and complete financial statements going forward.

Auditor's Remarks

We appreciate the Port's commitment to resolve this finding and thank the Port for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

INDEPENDENT AUDITOR'S REPORT

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

Port of Benton January 1, 2023 through December 31, 2023

Board of Commissioners
Port of Benton
Richland, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Port of Benton, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated July 2, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2023-001, that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PORT'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the Port's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The Port's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

July 2, 2025

INDEPENDENT AUDITOR'S REPORT

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

Port of Benton January 1, 2023 through December 31, 2023

Board of Commissioners
Port of Benton
Richland, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Port of Benton, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended December 31, 2023. The Port's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

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



Pat McCarthy, State Auditor

Olympia, WA

July 2, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Port of Benton January 1, 2023 through December 31, 2023

Board of Commissioners
Port of Benton
Richland, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Port of Benton, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Port of Benton, as of December 31, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2025 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

July 2, 2025

FINANCIAL SECTION

Port of Benton January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2023

Statement of Revenues, Expenditures and Changes in Fund Balance – 2023

Statement of Cash Flows – 2023

Notes to Financial Statements – 2023

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios Public Employee
Benefits Board – 2023

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2023

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2023

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2023

Notes to the Schedule of Expenditures of Federal Awards – 2023

**PORT OF BENTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

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, 2023, with selected comparative information for the year ended 2022. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Port and to identify any significant changes in financial position. Information contained in the MD&A has been prepared by Port management and should be considered in conjunction with the financial statements and the notes. The notes to financial statements are essential to a full understanding of the data contained in the financial statements.

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

BACKGROUND

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Port of Benton falls under the control of the Governmental Accounting Standards Board (GASB). In 2004 the Port implemented a reporting model mandated by GASB, referred to as GASB Statement No. 34, where the Port is comprised of a single enterprise fund. Adoption of GASB Statement No. 34 negated the requirement for Fund level financial statements. In conformance with GASB, such statements have been excluded.

**PORT OF BENTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

FINANCIAL REPORT

Financial and Operational Highlights

Increase in Net Position: As of December 31, 2023, total Port assets and deferred outflows of \$93,275,990 exceed total liabilities and deferred inflows of \$29,443,330 by \$63,832,660, a change of 1.91% over the period ended December 31, 2022.

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

Increase in Current Assets: Current assets as of December 31, 2023 increased \$1,077,782, or 8.85% over the prior period.

Capital Assets: The Port's investment in capital assets for its business type activities as of December 31, 2023 amounts to \$54,708,826 (net of accumulated depreciation) which is an decrease of approximately 2.12%.

**PORT OF BENTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

FINANCIAL REPORT (Continued)

Financial and Operational Highlights (Continued)

Liabilities: At December 31, 2023, the Port's total long-term debt outstanding was \$8,608,000. Of this amount, general obligation bonds outstanding were \$8,034,486. The Port's total long-term liabilities decreased by \$335,489 between 2022 and 2023. Additional information on the Port's long-term debt may be found in Note 9 of this report.

Revenues: 2023 annual operating revenues are \$6,750,427. Operating revenues increased as compared to \$4,638,183 for that same period in 2022.

Expenses: Operating expenses for the year ended December 31, 2023 were \$11,800,124, which is an increase when compared to 2022 operating expenses of \$9,456,134.

**PORT OF BENTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

FINANCIAL REPORT (Continued)

Financial Position

The statements of net position present the financial position of the Port as of December 31, 2023. 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, 2023 and 2022 follows:

	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Current Assets, Unrestricted	\$ 13,254,180	\$ 12,168,738
Other Current Assets, Restricted	1,106	8,765
Capital Assets (Depreciable Net)	63,697,625	65,277,883
Other noncurrent assets	<u>15,748,167</u>	<u>18,720,901</u>
Total Assets	92,701,078	96,176,287
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow of Resources Related to Restricted	<u>574,912</u>	<u>453,698</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 93,275,990</u>	<u>\$ 96,629,985</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Current and Other Liabilities	\$ 2,376,985	\$ 3,162,532
Noncurrent Liabilities	<u>9,823,885</u>	<u>10,159,374</u>
Total Liabilities	12,200,870	13,321,906
DEFERRED INFLOW OF RESOURCES		
Deferred Inflow of Resources Related to Pensions	311,393	508,095
Deferred Inflow of Resources Related to Leases	16,931,067	20,185,713
NET POSITION		
Invested in Capital Assets, Net of Related Debt	54,708,826	55,894,384
Restricted Net Pension Asset	648,441	481,971
Unrestricted	<u>8,475,393</u>	<u>6,237,916</u>
Total Net Position	<u>63,832,660</u>	<u>62,614,271</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 93,275,990</u>	<u>\$ 96,629,985</u>

**PORT OF BENTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

FINANCIAL REPORT (Continued)

Financial Operations

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

	<u>2023</u>	<u>2022</u>
REVENUES		
Operating Revenues	\$ 6,750,427	\$ 4,638,183
Nonoperating Revenues	4,231,731	3,783,441
Capital Contributions	<u>1,102,690</u>	<u>1,565,656</u>
Total Revenues	<u>12,084,848</u>	<u>9,987,280</u>
EXPENSES		
Operating Expenses	11,800,124	9,420,058
Nonoperating Expenses	205,866	-
Capital Gain/Loss	<u>(1,134,923)</u>	<u>36,076</u>
Total Expenses	<u>10,871,067</u>	<u>9,456,134</u>
CHANGE IN NET POSITION	1,213,781	531,146
Prior Period Adjustments	4,608	(38,040)
Net Position - Beginning of Year	<u>62,614,271</u>	<u>62,121,165</u>
NET POSITION - END OF YEAR	<u><u>\$ 63,832,660</u></u>	<u><u>\$ 62,614,271</u></u>

**PORT OF BENTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

ECONOMIC FACTORS

Economic Outlook

Tri-Energy Partnership: In 2020 the U.S. Department of Energy announced two awards for the Advanced Reactor Demonstration Program, one of the awardees – X-Energy – later announced that it would locate its development site in the Tri-Cities while forming the Tri-Energy Partnership with Energy Northwest and Grant County PUD. With this announcement the Port was positioned to leverage the region's extensive clean energy technology experience to drive economic growth in support industries for this project throughout the clean energy industry. The Port was awarded a \$400,000 grant that began January 2022 from the Washington state Department of Commerce Innovation Cluster Accelerator Award program (ICAP). The ICAP grant is intended to support acceleration of creation of a supply chain alliance, partnerships, communications, and education of the clean energy sector. As a result, working with industry the Clean Energy Supplier Alliance has been formed. The Port participated in Maritime Blue's statewide application to the U.S. Economic Development Administration Build Back Better Challenge Grant requesting \$8 million to build the Advanced Energy Innovation & Commercialization Center that will include a hydrogen company and a maker space partnered with WSU Tri-Cities and Columbia Basin College to continue justice equity diversity inclusion workforce development in STEM within its design and programming along with startup facilities needed to grow entrepreneurial and clean energy companies.

Airports: The Port is almost complete with a new master plan (the Plan) for the Richland Airport and the FAA has approved the master plan forecast. The Plan will guide the Port in its development of the Richland Airport over the next 20 years. The Richland Airport is very close to running out of land that can be leased. Additional work is planned to open up more land for hangar development and expansion. The Port completed a master plan for the Prosser Airport during 2019, and the FAA followed with funding for new east taxi-lane construction that took place in 2021. Upon completion of planned improvements, the Port projects revenue at the Prosser Airport to remain stable and perhaps experience a nominal increase over the next three years.

Tri-Cities Research District: In 2019, the Port removed an indenture agreement with General Services Administration (GSA) and U.S. Department of Administration Maritime Administration (MARAD), within the Richland Innovation Center (RIC) making the property available for both lease and sale. The Port has already seen an increase in land and building use flexibility as a result. Roadway projects have been completed and additional land sales are pending across all port sites that result in further job creation. The Port has seen stable demand for commercial and industrial lease space.

Tax Levy: The Port of Benton continues to work towards minimizing the Port's tax levy. We strive to keep the Port levy low. Our goal is to be able to offset operating costs and capital improvements with revenue from tenants and operations while keeping tax revenue below our taxing authority. The Port's regular levy for 2023 was \$0.3317 per \$1,000 on an assessed valuation of \$8,467,612,800 for a total regular levy of \$2,808,530.

**PORT OF BENTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

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, Washington 99354. Telephone (509) 375-3060.

**PORT OF BENTON
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and Cash Equivalents	\$ 5,885,136
Cash and Cash Equivalents - Restricted	1,106
Taxes Receivable	95,089
Accounts Receivable	805,838
Due from Other Government	245,220
Prepays	427,569
Current Portion of Leases Receivable	2,914,685
Contracts with Interest Receivable	2,880,643
Total Current Assets	<u>13,255,286</u>

NONCURRENT ASSETS

Long-Term Cash and Cash Equivalents - Restricted	574,912
Net Port Share of State Pension Asset	514,918
Assets Held for Sale	-
Leases Receivable	14,781,070
Capital Assets	
Property, Plant and Equipment	119,225,862
Construction in Process	2,723,812
Less: Accumulated Depreciation	<u>(58,252,049)</u>
Total Noncurrent Assets	<u>79,568,525</u>

Total Assets	92,823,811
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflow of Resources Related to State Pension	446,827
Deferred Outflow of Resources Related to Other Postemployment Benefits	<u>5,352</u>
Total Deferred Outflows of Resources	<u>452,179</u>

Total Assets and Deferred Outflows of Resources	<u><u>\$ 93,275,990</u></u>
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See accompanying Notes to Financial Statements.

**PORT OF BENTON
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2023**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND NET POSITION**

CURRENT LIABILITIES

Accounts Payable	\$ 1,129,375
Accrued Payroll Payable	73,203
Accrued Vacation Payable	362,562
Retainage Under Construction Contracts	80,499
Interest and Other Payables	155,793
Deferred Revenue - Prepaid Rent	59,580
Current Portion of Long-Term Obligations	515,973
Total Payable from Unrestricted Assets	<u>2,376,985</u>

NONCURRENT LIABILITIES

Customer Deposits Payable	574,912
Other Post Employment Benefits	634,605
Net Port Share of State Pension Liability	222,041
General Obligation Bonds	8,034,486
Notes Payable	357,841
Total Noncurrent Liabilities	<u>9,823,885</u>

Total Liabilities	12,200,870
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DEFERRED INFLOW OF RESOURCES

Deferred Inflow of Resources Related to State Pension	311,393
Deferred Inflow of Resources Related to Leases	16,931,067
Total Deferred Inflows of Resources	<u>17,242,460</u>

NET POSITION

Net Investment in Capital Assets	54,708,826
Restricted Net Pension Asset	648,441
Unrestricted	8,475,393
Total Net Position	<u>63,832,660</u>

Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 93,275,990</u>
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See accompanying Notes to Financial Statements.

PORT OF BENTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023

OPERATING REVENUE

Property Lease/Rental Operations	\$ 6,750,427
Total Operating Revenue	<u>6,750,427</u>

OPERATING EXPENSES

General Operations	3,059,666
Maintenance	2,480,156
General and Administration	2,913,423
Pension Expense - GASB 68	(276,203)
OPEB Expense - GASB 75	<u>(102,765)</u>
Total Before Depreciation	8,074,278
Depreciation	<u>3,725,846</u>
Total Operating Expenses	<u>11,800,124</u>

OPERATING LOSS (5,049,697)

NONOPERATING REVENUES (EXPENSES)

Interest Income	1,437,658
Taxes Levied for:	
General Purposes	2,130,794
Debt Service Principal/Interest	678,179
Interest Expense	(205,866)
Gain (Loss) on Disposition of Assets	1,134,923
Other Nonoperating Revenues (Expense)	<u>(14,900)</u>
Total Nonoperating Revenue and Expenses	<u>5,160,788</u>

INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSS, AND TRANSFERS 111,091

Capital Contributions 1,102,690

CHANGE IN NET POSITION 1,213,781

Prior Period Adjustment 4,608

Net Position - Beginning of Year 62,614,271

NET POSITION - END OF YEAR \$ 63,832,660

See accompanying Notes to Financial Statements.

**PORT OF BENTON
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 4,054,889
Payments to Employees	(1,561,229)
Payments to Vendors and Suppliers	(7,189,511)
Net Cash Used by Operating Activities	<u>(4,695,851)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Noncapital Property Taxes Received	2,807,077
Nonoperating Receipts	(14,900)
Net Cash Provided by Noncapital Financing Activities	<u>2,792,177</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Sale of Capital Assets	1,134,923
Principal Payments Paid on Capital Debt	(547,433)
Interest Paid on Capital Debt	(205,866)
Proceeds from Capital Debt	234,000
Acquisition and Construction of Capital Assets	(2,066,564)
Cash Received from Other Governments	959,499
Net Cash Used by Capital and Related Financing Activities	<u>(491,441)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	1,437,658
Net Cash Provided by Investing Activities	<u>1,437,658</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS

(957,457)

Cash and Cash Equivalents - Beginning of Year

7,418,611

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 6,461,154

CASH AND CASH EQUIVALENTS CONSISTS OF

Cash and Cash Equivalents - Unrestricted	\$ 5,885,136
Cash and Cash Equivalents - Restricted	1,106
Long-Term Cash and Cash Equivalents - Restricted	574,912
Total Cash and Cash Equivalents	<u><u>\$ 6,461,154</u></u>

See accompanying Notes to Financial Statements.

**PORT OF BENTON
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023**

**RECONCILIATION OF NET OPERATING ACTIVITIES TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (5,049,697)
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities:	
Depreciation Expense	3,725,846
Changes in Assets and Liabilities:	
Receivables, Net	891,244
Prepaid Expenses	(38,056)
Customer Deposits	121,214
Payables, Net	(3,627,418)
Accounts Payable	(464,625)
Unearned Revenue	(453,350)
Accrued Payroll Payable	73,203
Vacation Payable	125,788
Net Cash Used by Operating Activities	<u><u>\$ (4,695,851)</u></u>

**SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING,
CAPITAL, AND FINANCING ACTIVITIES**

Net Pension Expense (GASB 68)	\$ (276,203)
Net OPEB Expense (GASB 75)	<u>(102,765)</u>
Total Noncash Investing, Capital and Financing Activities	<u><u>\$ (378,968)</u></u>

See accompanying Notes to Financial Statements.

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Accounting and Reporting

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Port are charges to customers for lease rents of the airports and the Port's commercial, retail and industrial development buildings. Operating expenses for the Port include but are not limited to the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the Port's policy to invest all temporary cash surpluses. At December 31, 2023, the Benton County Treasurer was holding \$6,140,745 in short-term residual investments of surplus cash. This amount is classified on the statement of net position as Cash and Cash Equivalents. The County of Benton holds Port deposits and investments in a Washington State approved depository. The interest on these

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

investments is accounted for on the statement of revenues, expenses, and changes in net position as nonoperating revenues.

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Fund Balance, and Net Position (Continued)

1. Cash and Cash Equivalents

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

2. Investments

See Note 2 – Deposits and Investments.

3. Receivables

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

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

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

4. Restricted Assets and Liabilities

These accounts contain resources for construction and debt service. The current portion of related liabilities is shown as retainage under construction contracts and is included in current portion of long-term obligations. Specific debt service requirements are described in Note 9 – Long-Term Debt.

The restricted assets of the Port as of December 31, 2023 are composed of the following:

Cash and Cash Equivalents - Unrestricted	\$ 5,885,136
Cash and Cash Equivalents - Restricted	1,106
Long-term Cash and Cash Equivalents - Restricted	574,912
Total Cash and Cash Equivalents	<u>6,461,154</u>
Less: Cash on Hand	
Total	<u><u>\$ 6,461,154</u></u>

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Assets, Liabilities, Fund Balance, and Net Position (Continued)

5. Capital Assets and Depreciation

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

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

The costs for normal maintenance and repairs are not capitalized.

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

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

6. Compensated Absences

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

Upon separation from Port service, a maximum of thirty (30) days or 240 hours at the employee's current salary rate, along with a maximum of sixty (60) days or 480 hours at 50% of the employee's current salary rate, as well as a maximum of thirty 30 days or 240 hours at 25% of the employee's current salary rate, is paid to the employee. Furthermore, employees have the option to cash out their accrued PTO and receive monetary compensation, up to a maximum of eighty (80) PTO hours in a calendar year. No cash out is allowed if the remaining accrued PTO of the employee is less than (80) hours, after the cash out is complete.

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Assets, Liabilities, Fund Balance, and Net Position (Continued)

7. Pensions

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

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

8. Long-Term Debt

See Note 9- Long-Term Debt.

9. Unearned Revenues

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

10. Net Position Classification

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

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

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Assets, Liabilities, Fund Balance, and Net Position (Continued)

11. Deferred Outflows of Resources

In addition to assets, the statements of net position include deferred outflows of resources which represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and pension contributions from the Port after the measurement date but before the end of the Port's reporting period.

12. Deferred Inflows of Resources

In addition to liabilities, the statements of net position include deferred inflows of resources which represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include pension related inflows, which are the unamortized portion of the difference between expected and actual experience, changes in assumptions and the change in proportion and differences between the Port's contributions and proportionate share of contributions all related to the net pension liability.

13. Leases

The Port is a lessor for noncancelable leases. The Port recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Port initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

Key estimates and judgments related to leases include how the Port determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The Port uses its estimated incremental borrowing rate as the discount rate for leases.

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Assets, Liabilities, Fund Balance, and Net Position (Continued)

13. Leases (Continued)

The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The Port monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

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

Investments in Benton County Treasurer's Investment Pool

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

Summary of Deposit and Investment Balances

Port of Benton deposits by type at December 31, 2023 are as follows:

Benton County Investment Pool	\$ 6,140,745
Banner Bank	317,588
US Bank	6,167
Clearing Accounts	(3,346)
Total Deposits	<u>\$ 6,461,154</u>

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 PROPERTY TAXES

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

Property Tax Calendar

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

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

The Port may levy up to \$0.45 per \$1,000 assessed valuation for general governmental services.

The Port's regular levy for 2023 was \$.3317 per \$1,000 on an assessed valuation of \$8.47 billion for a total regular levy of \$2,808,530.

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

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2023 was as follows:

	January 1, 2023	Additions	Transfers/ Retirements	December 31, 2023
Capital Assets, Not Depreciated:				
Land	\$ 14,594,329	\$ -	\$ (715,301)	\$ 13,879,028
Construction in Progress	6,386,855	-	(3,663,043)	2,723,812
Total Capital Assets, Not Depreciated	20,981,184	-	(4,378,344)	16,602,840
Capital Assets, Depreciated:				
Buildings	43,139,337	4,142,483	1,453,894	48,735,714
Improvements Other than Buildings	51,198,870	2,404,889	(377,271)	53,226,488
Machinery and Equipment	4,900,506	134,850	(1,650,724)	3,384,632
Total Capital Assets, Depreciated	99,238,713	6,682,222	(574,101)	105,346,834
Accumulated Depreciation:				
Buildings	19,510,765	1,700,126	1,650,724	22,861,615
Improvements Other than Buildings	30,488,572	1,884,922	(156,814)	32,216,680
Machinery and Equipment	4,942,737	110,878	(1,879,861)	3,173,754
Total Accumulated Depreciation	54,942,074	3,695,926	(385,951)	58,252,049
Total Capital Assets, Depreciated, Net	\$ 65,277,823	\$ 2,986,296	\$ (4,566,494)	\$ 63,697,625

The Port recorded depreciation expense of \$3,695,926 for the year ending December 31, 2023.

NOTE 5 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction Commitments

The Port of Benton has active construction projects as of December 31, 2023. The Port's commitment on contracts were as follows:

	Spent to Date	Remaining Commitment
Richland Airport Lighting/Electrical Replacement Construction	\$ 1,792,010	\$ 144,843
Richland Innovation Center Sidewalks, Streetlights, and Sewer	10,531	441,258
White Bluff Rail SR240 Crossing Replacement	67,891	148,989
Richland Airport Pavement Rehabilitation Design	103,333	1,179,214
Richland Airport Hanger Taxilane Design	13,897	245,568
Richland Airport Pavement Rehab & Electrical Replacement	177,237	59,993
Rail Crossing Replacements- Airport Way, Saint Street & Kingsgate Way	35,769	793,494
2021 Derailment Repairs & Improvements	439,825	1,200
2939 Richardson Road Parking Lot Improvement	10,977	200,474
Step toe Intersection Rail Crossing Design	63,885	18,324
3250 Port of Benton Conference Room Upgrades	8,458	7,095
Total Construction Commitments	\$ 2,723,811	\$ 3,240,452

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 LEASES

Effective January 1, 2022, the Port adopted GASB 87, *Leases*, as discussed in more detail in Note 1. The Port, as a lessor, leases land and facilities under long-term agreements at market rates with terms ranging from 1 to 50 years. The leases typically include provisions for rent changes based on the consumer price index or other market indexes, resulting in additional variable lease revenues that are not included in the measurement of lease receivables.

Total revenues from leases under GASB 87 in 2023 was \$4,310,130, which includes \$3,169,497 in principal and \$1,140,633 in interest. As of December 31, 2023, future lease receivable principal and interest payments are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,551,882	\$ 1,068,727	\$ 3,620,609
2025	2,471,270	943,974	3,415,245
2026	1,254,265	848,031	2,102,297
2027	1,109,233	787,177	1,896,410
2028	797,920	740,598	1,538,518
2029 - 2033	3,297,723	3,166,692	6,464,414
2034 - 2038	3,087,024	2,370,939	5,457,964
2039 - 2043	1,954,325	1,764,137	3,718,462
2044 - 2048	2,135,837	1,253,781	3,389,619
2049 - 2053	1,549,740	771,857	2,321,596
2054 - 2058	1,126,986	434,066	1,561,052
2059 - 2063	617,837	229,217	847,054
2064 - 2068	487,350	93,236	580,586
2069 - 2070	126,655	4,263	130,918
Total	<u>\$ 22,568,049</u>	<u>\$ 14,476,694</u>	<u>\$ 37,044,744</u>

NOTE 7 PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2023:

Aggregate Pension Amounts - All Plans:

Pension Liabilities	\$ (222,041)
Pension Assets	514,918
Deferred Outflows of Resources	406,491
Deferred Inflows of Resources	(276,809)
Pension Expense/Expenditures	(54,860)

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

State Sponsored Pension Plans

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

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

The DRS ACFR may be 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 nonduty 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.

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

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 0.20 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 2023 were as follows:

PERS Plan 1	Actual Contribution Rates	
	Employer	Employee
January - June 2023		
PERS Plan 1	6.36 %	6.00 %
PERS Plan 1 UAAL	3.85	-
Administrative Fee	0.18	-
Total	<u>10.39 %</u>	<u>6.00 %</u>
July - August 2023		
PERS Plan 1	6.36 %	6.00 %
PERS Plan 1 UAAL	2.83	-
Administrative Fee	0.20	-
Total	<u>9.39 %</u>	<u>6.00 %</u>
September - December 2023		
PERS Plan 1	6.36 %	6.00 %
PERS Plan 1 UAAL	2.97	-
Administrative Fee	0.20	-
Total	<u>9.53 %</u>	<u>6.00 %</u>

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

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

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

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

Contributions (Continued)

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 nonduty 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.

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 0.20 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 2023 were as follows:

PERS Plan 2/3	Actual Contribution Rates	
	Employer 2/3	Employee 2
January - June 2023		
PERS Plan 2/3	6.36 %	6.36 %
PERS Plan 1 UAAL	3.85	-
Administrative Fee	0.18	-
Employee PERS Plan 3	-	Varies
Total	<u>10.39 %</u>	<u>6.36 %</u>
July - August 2023		
PERS Plan 2/3	6.36 %	6.36 %
PERS Plan 1 UAAL	2.83	-
Administrative Fee	0.20	-
Employee PERS Plan 3	-	Varies
Total	<u>9.39 %</u>	<u>6.36 %</u>
September - December 2023		
PERS Plan 2/3	6.36 %	6.36 %
PERS Plan 1 UAAL	2.97	-
Administrative Fee	0.20	-
Employee PERS Plan 3	-	Varies
Total	<u>9.53 %</u>	<u>6.36 %</u>

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

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

Contributions (Continued)

The Port's actual PERS plan contributions were \$59,746 to PERS Plan 1 and \$112,630 to PERS Plan 2/3 for the year ended December 31, 2023.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

Inflation: 2.75% total economic inflation; 3.25% salary inflation

Salary Increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

Investment Rate of Return: 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2021 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 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 7.0 percent was determined using a building- block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

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, 2023 are summarized in the following table. 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	Percent Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20 %	1.50%
Tangible Assets	7	4.70
Real Estate	18	5.40
Global Equity	32	5.90
Private Equity	23	8.90
Total	100 %	

Sensitivity of the Net Pension Liability (Asset)

The table below presents the Port's proportionate share of the net pension liability calculated using the discount rate of 7 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 percent) or 1-percentage point higher (8 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$ 310,209	\$ 222,041	\$ 145,092
PERS 2/3	560,035	(514,918)	(1,398,059)

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.

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

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

At June 30, 2023, the Port reported its proportionate share of the net pension liabilities as follows:

Plan	2023
PERS 1 Liability	\$ 222,041
PERS 2/3 Liability	-
Total Liability	<u>\$ 222,041</u>
 PERS 1 Asset	 \$ -
PERS 2/3 Asset	(514,918)
Total Asset	<u>\$ (514,918)</u>

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

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.009477%	0.009727%	0.000250%
PERS 2/3	0.012393%	0.012563%	0.000170%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

Pension Expense

For the year ended December 31, 2023, the Port recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 6,164
PERS 2/3	(62,511)
Total Pension Expense	<u>\$ (56,347)</u>

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, the Port of Benton reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS 1		
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual		
Investment Earnings on Pension Plan Investments	-	(25,047)
Changes of Assumptions	-	-
Changes in Proportion and Differences Between		
Contributions and Proportionate Share of		
Contributions	-	-
Contributions Subsequent to the Measurement Date	26,958	-
Total	<u>\$ 26,958</u>	<u>\$ (25,047)</u>
PERS 2 and 3		
Differences Between Expected and Actual Experience	\$ 104,888	\$ (5,753)
Net Difference Between Projected and Actual		
Investment Earnings on Pension Plan Investments	-	(194,052)
Changes of Assumptions	216,180	(47,119)
Changes in Proportion and Differences Between		
Contributions and Proportionate Share of		
Contributions	40,336	(39,421)
Contributions Subsequent to the Measurement Date	58,465	-
Total	<u>\$ 419,869</u>	<u>\$ (286,345)</u>

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>PERS 1</u>
2024	\$ (17,041)
2025	(21,431)
2026	13,214
2027	211

<u>Year Ending December 31,</u>	<u>PERS 2 and 3</u>
2024	\$ (94,556)
2025	(116,533)
2026	160,060
2027	63,462
2028	51,057
Thereafter	1,568

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2023:

Aggregate OPEB Amounts - All Plans:

OPEB Liabilities	\$ 634,605
OPEB Assets	-
Deferred Outflows of Resources	(909)
Deferred Inflows of Resources	-
OPEB Expense/Expenditures	(101,856)

Plan Description

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

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Plan Description (Continued)

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 Postemployment Benefits Actuarial Valuation Report. The Other Postemployment Benefits Actuarial Valuation Report may be obtained by writing to: Office of the State Actuary, P.O. Box 40914, Olympia, Washington 98504 or it may be downloaded from the Office of the State Actuary website at <http://osa.leg.wa.gov>.

Subsidies

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

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

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

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Employees Covered by Benefit Terms

At December 31, 2023, the following employees were covered by the benefit terms.

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	-
Inactive Employees Entitled to but Not Yet	
Receiving Benefits	-
Active Employees	29
Total	<u>29</u>

Funding Policy, Funding Progress and Reserves

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

In order to fund the OPEB plan, the Port would have to establish an irrevocable trust, which means that the Port would no longer have control of the money from the trust. If the Port left the PEBB program, the Port would not be able to retrieve the money out of the trust. As of December 31, 2023, the Port does not pre-fund post-retirement medical insurance subsidies. Since the PEBB plan is paid on a "pay-as-you-go" basis and is 0% funded, there are no assets to invest. However, currently the Port has sufficient cash and cash equivalents to cover the entire liability (if any costs are incurred in the future). If the Port no longer uses PEBB for their medical insurance coverage, under the current Port policy, the Port is not liable for any future cost to retired employees.

Assumptions and Other Inputs

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, service retirement, disability, mortality, and the health care cost trend. Amounts determined regarding the OPEB liability are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Changes in Total OPEB Liability and Related Ratios, presented as required supplementary information following the notes to the financial statements, presents the results of OPEB valuations as of June 30, 2023, and looking forward, the schedule provides multi-year trend information about the actuarial values of OPEB liability.

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Assumptions and Other Inputs (Continued)

The actuarial assumptions in use to measure the total OPEB liability includes the entry-age cost method. The assumptions also include a discount rate that ranged from 2.16% at the beginning of the measurement year, to 3.54% at the end of the measurement year (Source Used: *Bond Buyer General Obligation 20-Bond Municipal Index*). Projected salary changes are 3.5% with the addition of service-based increases. Healthcare trend rates range from 2% to 11%. The inflation rate is set at 2.75%. The Post-Retirement participation percentage is 65%, with 45% assumed for spouse coverage.

The Port uses the alternative measurement method permitted under GASB Statement No. 75. Data (e.g., age range, years of service, active age average, etc.) is compiled into the Office of State Actuary (OSA) GASB No. 75 reporting tool for all active and inactive members to determine the total pension liability and the total pension expense. The OSA report involves calculations that require assumptions about future economic and demographic events. Consistent with GASB reporting requirements, the Office of the State Actuary uses a "pay-as-you-go" funding policy when selecting the assumed rate of investment return. General and salary inflation are the same as those used in the June 30, 2022 Actuarial Valuation Report (AVR) issued by the OSA. Participation percentage, percentage of spouses' coverage, and Medicare coverage is determined by the Office of the State Actuary.

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

OSA estimates retirement service for each active cohort based on the average entry age of 35, with a minimum service of 1 year. For example, an age 47 member is assumed to have 12 years of service. Service is a component of benefit eligibility.

Retirement, disablement, termination, and mortality rates are based on the 2020 PEBB OPEB AVR. The following changes were made for simplicity: assumed Plan 2 decrement rates, assumed all employees are retirement eligible at age 55 and all employees retire at age 70, and based on an average expected retirement age of 65, OSA applied active mortality rates for ages less than 65 and retiree mortality rates for ages 65+.

Each cohort is assumed to be a 50/50 male/female split. OSA further assumed that eligible spouses are the same age as the primary member. Age-based cohorts are used based upon the overall distribution of State employees and retirees that participate in PEBB. OSA believes the grouping approach is reasonable for the purposes of the Alternative Measurement Method.

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Assumptions and Other Inputs (Continued)

The following presents the total OPEB liability of the Port for each plan calculated using the current healthcare cost trend rate, which varies by plan, as well as what the OPEB liability would be, if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 513,576	\$ 634,605	\$ 793,842

The following presents the total OPEB liability of the Port calculated using the discount rate of 3.54 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.54 percent) or 1-percentage point higher (4.54 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 766,453	\$ 634,605	\$ 530,367

Changes to the Total OPEB Liability

The following presents the changes to the total OPEB liability.

Total OPEB Liability at July 1, 2022	\$ 737,370
Service Cost	42,158
Interest	27,579
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	(171,593)
Benefit Payments	(909)
Other Changes	-
Total OPEB Liability at June 30, 2023	<u>\$ 634,605</u>

The Port reported a total OPEB expense of \$(101,856) in 2023.

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Changes to the Total OPEB Liability (Continued)

At December 31, 2023, the Port reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Payments Subsequent to the Measurement Date	429	-
Total	<u>\$ 429</u>	<u>\$ -</u>

Deferred outflows of resources of \$429 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 429
2024	-
2025	-
2026	-
2027	-
Thereafter	-

NOTE 9 LONG-TERM DEBT

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

General obligation bonds currently outstanding are as follows:

Taxable, Matures, 2021-2040	0.31% - 3.06%	\$ 6,785,000
Tax-Exempt, Matures, 2021-2033	4.00%	1,875,000

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 9 LONG-TERM DEBT (CONTINUED)

A. Annual Debt Amortization

The annual principal and interest requirements for all debt outstanding as of December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 515,973	\$ 231,523	\$ 747,496
2025	520,973	226,248	747,221
2026	495,973	219,275	715,248
2027	530,973	207,455	738,428
2028	604,241	215,514	819,755
2029 - 2033	2,798,240	822,927	3,621,167
2034 - 2038	2,776,484	451,438	3,227,922
2039 - 2040	1,221,346	66,404	1,287,750
Total	<u>\$ 9,464,203</u>	<u>\$ 2,440,784</u>	<u>\$ 11,904,987</u>

B. Changes in Long-Term Liabilities

During the year ended December 31, 2023, the following changes occurred in long-term liabilities:

	<u>Beginning Balance 1/1/2023</u>	<u>Advances</u>	<u>Payments</u>	<u>Ending Balance 12/31/2023</u>	<u>Due Within One Year</u>
WSDOT Note RR00406	\$ 16,666	\$ -	\$ (16,666)	\$ -	\$ -
WSDOT Note RRB1228	200,000	-	(26,000)	174,000	24,973
WSDOT Note RRB1287	-	234,000	-	234,000	26,000
CERB Note	15,788	-	(15,788)	-	-
Cashmere Valley Bank Line of Credit	-	-	-	-	-
PERS/Pension Related	263,874	12,935	-	276,809	-
OPEB Liability	737,370	-	(102,765)	634,605	-
Total Other Obligations	<u>\$ 1,233,698</u>	<u>\$ 246,935</u>	<u>\$ (161,219)</u>	<u>\$ 1,319,414</u>	<u>\$ 50,973</u>
2021A GO Bond Taxable	\$ 6,785,000	\$ -	\$ (410,000)	\$ 6,375,000	\$ 410,000
2021B GO Bond Tax-Exempt	1,875,000	-	(50,000)	1,825,000	55,000
Total General Obligation Debt	<u>\$ 8,660,000</u>	<u>\$ -</u>	<u>\$ (460,000)</u>	<u>\$ 8,200,000</u>	<u>\$ 465,000</u>

C. Revolving Line of Credit

The Port obtained a not-to-exceed \$1,500,000 Limited Tax General Obligation Note (Line of Credit) in July 2021. The Port didn't utilize the line of credit in 2023.

D. Contingent Liability

The Port entered into a debt with the Washington State Department of Transportation for an existing hanger project. The loan amount is \$1,050,000 with an interest rate of 2.0% for 20 years, this agreement allows for a deferral period up to 3- years. The Port plans to draw funds starting January 2024.

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 10 ECONOMIC DEVELOPMENT CORPORATION

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

There was no financial activity between the EDC and the Port in 2022. The balance of funds available as of December 31, 2023 was \$6,167. These funds are to be used for economic development.

NOTE 11 RISK MANAGEMENT

Port of Benton is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and contract for risk management, claims, and administrative services. The Pool was formed on July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2023, there were 518 Enduris members representing a broad array of special purpose districts throughout the state..

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

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

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 11 RISK MANAGEMENT (CONTINUED)

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles Co-Pays ⁽¹⁾
Liability:				
General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 – \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 – \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 – \$100,000
Terrorism Liability ⁽²⁾	Per Occurrence	\$500,000	\$0	\$1,000 – \$100,000
	Pool Aggregate	\$1 million	Fully funded by Pool	
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible

(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.

(3) Members pay a 20% co-pay of costs. By meeting established guidelines, the co-pay may be waived.

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 11 RISK MANAGEMENT (CONTINUED)

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles Co-Pays ⁽¹⁾
Property ⁽²⁾:				
Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000 -\$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000 -\$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 -\$250,000
Sublimit ⁽⁵⁾:				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 -\$250,000
Earthquake	Per Occurrence	5% of indemnity, subject to \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 -\$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million per Occurrence \$200 million aggregate	\$1,000 -\$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/ Pool aggregate \$1.1 billion/per occurrence APIP program \$1.4 billion/APIP program aggregate	\$0
Automobile Physical Damage ⁽⁶⁾	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles; \$250,000 for Emergency Vehicles valued >\$750,000	\$1 billion	\$250 – \$1,000
Crime Blanket ⁽⁷⁾	Per Occurrence	\$50,000	\$1 billion	\$1,000
Names Position ⁽⁸⁾	Per Occurrence	\$50,000	\$1 billion	\$1,000
Cyber ⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$40 million	20% Copay
Identity Fraud Expense Reimbursement ⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$1 billion except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$2 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 11 RISK MANAGEMENT (CONTINUED)

- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

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

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

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

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

NOTE 12 CONTINGENCIES AND LITIGATION

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

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

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

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 12 CONTINGENCIES AND LITIGATION (CONTINUED)

1. On July 31, 2020, Burlington Northern Santa Fe (BNSF) had a major derailment on the Port track shortly before 1600 hours. By August 3rd, 2020, BNSF had removed all the damaged cars from the Port's track. Approximately 500 track feet needed repairs and approximately 325 track feet that were destroyed have been cleared from the track alignment.

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

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

It is unclear at this time whether the Port will need to litigate to settle this matter, or whether insurance will be pulled in to negotiate between all parties (TCRY is insured, and BNSF self-insures). The Port has now obtained, via subpoena, the "black box" data from BNSF and it is being examined by subject matter experts.

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

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 12 CONTINGENCIES AND LITIGATION (CONTINUED)

2. On December 15, 2022, BNSF derailed a unit train on the south leg of the Wye track (approximately MP 28.7) at about 0530 hours. The derailed portion of the train fouled the west switch of the Wye track blocking access to the Horn Rapids Industrial Park rail customers.

Per contract, the Port requested that BNSF remove their railcars. Hulcher Railroad Services was contacted and arrived on site quickly to remove the derailed cars.

The Port temporarily took the south leg of the Wye out of service for repairs. Replacement of approximately 500 track feet in the derailment area was completed, and the Port took proactive measures to install a few hundred new ties in the remaining portion of the leg to keep the rails in gauge. The track is fully back in service.

Through October 31, 2023, the Port has expended \$345,470 on this issue. **Worst case, the Port will be unable to prove liability and will not collect anything on this matter. It is more likely that BNSF or their insurance will be found liable for at least a portion of the tab paid to date by the Port on the derailment repair costs. The Port is attempting to set up discussions between BNSF, Union Pacific, and the Port in regards to updated contract language, track use agreements, maintenance costs, etc. so reduce the possibility of future issues and to make liability in those instances easier to determine.**

**PORT OF BENTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 13 ENVIRONMENTAL LIABILITIES

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

The Port currently has no environmental liabilities to report.

NOTE 14 SUBSEQUENT EVENTS

The following events and transactions occurred subsequent to December 31, 2023:

The Port didn't have any subsequent events to disclose.

**PORT OF BENTON
MCAG NO. 1698
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
PUBLIC EMPLOYEES BENEFITS BOARD
LAST 10 FISCAL YEARS***

	For the Year Ending June 30, 2023					
	2023	2022	2021	2020	2019	2018
Total OPEB Liability Beginning	\$ 737,370	\$ 884,359	\$ 1,168,166	\$ 840,702	\$ 918,242	\$ 886,673
Service Cost	42,158	60,884	78,664	54,758	45,049	53,447
Interest	27,579	20,319	27,525	31,333	37,248	33,656
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	-	-	-	-	-	-
Changes of Assumptions	(171,593)	(219,080)	(387,304)	241,828	(158,178)	(55,534)
Benefit Payments	(909)	(9,112)	(2,692)	(455)	(1,659)	-
Other Changes	-	-	-	-	-	-
Total OPEB Liability - Ending	<u>\$ 634,605</u>	<u>\$ 737,370</u>	<u>\$ 884,359</u>	<u>\$ 1,168,166</u>	<u>\$ 840,702</u>	<u>\$ 918,242</u>
Covered-Employee Payroll	\$ 1,940,408	\$ 1,848,242	\$ 1,886,258	\$ 1,822,995	\$ 1,934,908	\$ 1,798,040
Total OPEB Liability as a Percentage of Covered Payroll	32.70%	39.90%	46.88%	64.08%	43.45%	51.07%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

PORT OF BENTON
MCAG NO. 1698
SCHEDULE OF THE PORT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY – PERS 1
AS OF JUNE 30, 2023

	As of June 30, 2023									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Employer's Proportion of the Net Position Liability (Asset)	0.009727%	0.009477%	0.011647%	0.010488%	0.012148%	0.012964%	0.012744%	0.012689%	0.011772%	
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 270,835	\$ 263,874	\$ 142,237	\$ 370,283	\$ 467,134	\$ 578,977	\$ 604,713	\$ 684,459	\$ 615,785	
Employer's Covered-Employee Payroll	\$ 1,742,058	\$ 1,565,380	\$ 1,789,171	\$ 1,696,822	\$ 1,703,498	\$ 1,722,732	\$ 1,607,109	\$ 1,508,580	\$ 1,349,356	
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	15.55%	16.86%	7.95%	21.82%	27.42%	33.61%	37.63%	45.37%	45.64%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	

PORT OF BENTON
MCAG NO. 1698
SCHEDULE OF THE PORT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY – PERS 2/3
AS OF JUNE 30, 2023

	As of June 30, 2023									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Employer's Proportion of the Net Position Liability (Asset)	0.012563%	0.012393%	0.014959%	0.013646%	0.015674%	0.012964%	0.012744%	0.012689%	0.011772%	
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ (465,918)	\$ (459,629)	\$ (1,490,157)	\$ 174,525	\$ 152,248	\$ 578,977	\$ 604,713	\$ 684,459	\$ 615,785	
Employer's Covered-Employee Payroll	\$ 1,742,058	\$ 1,565,380	\$ 1,789,171	\$ 1,696,822	\$ 1,703,498	\$ 1,722,732	\$ 1,607,109	\$ 1,508,580	\$ 1,349,356	
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	-26.75%	-29.36%	-83.29%	10.29%	8.94%	33.61%	37.63%	45.37%	45.64%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	107.02%	106.73%	120.29%	97.22%	63.22%	63.22%	61.24%	57.03%	59.10%	

**PORT OF BENTON
MCAG NO. 1698
SCHEDULE OF EMPLOYER CONTRIBUTIONS – PERS 1
DECEMBER 31, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutory or Contractually Required Contributions	\$ 59,746	\$ 53,575	\$ 74,530	\$ 81,588	\$ 85,961	\$ 87,257	\$ 82,791	\$ 74,139	\$ 62,888
Contributions in Relation to the Statutory or Contractually Required Contributions	(59,746)	(53,575)	(74,530)	(81,588)	(85,961)	(87,257)	(82,791)	(74,139)	(62,888)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 1,770,910	\$ 1,749,818	\$ 1,731,032	\$ 1,701,175	\$ 1,734,761	\$ 1,723,322	\$ 1,687,551	\$ 1,554,286	\$ 1,469,916
Contribution as a Percentage of Covered-Employee Payroll	3.37%	3.06%	4.31%	4.80%	4.96%	5.06%	4.91%	4.77%	4.28%

PORT OF BENTON
MCAG NO. 1698
SCHEDULE OF EMPLOYER CONTRIBUTIONS – PERS 2/3
DECEMBER 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutory or Contractually Required Contributions	\$ 112,630	\$ 111,289	\$ 123,957	\$ 134,734	\$ 133,738	\$ 129,249	\$ 116,086	\$ 96,832	\$ 80,790
Contributions in Relation to the Statutory or Contractually Required Contributions	(112,630)	(111,289)	(123,957)	(134,734)	(133,738)	(129,249)	(116,086)	(96,832)	(80,790)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 1,770,910	\$ 1,749,818	\$ 1,731,032	\$ 1,701,175	\$ 1,734,761	\$ 1,723,322	\$ 1,687,551	\$ 1,554,286	\$ 1,469,916
Contribution as a Percentage of Covered-Employee Payroll	6.36%	6.36%	7.16%	7.92%	7.71%	7.50%	6.88%	6.23%	5.50%

PORT OF BENTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Note
Washington State Department of Commerce Total ALN 11.307	Innovation Cluster Program	22-7801C-005	\$ 78,325	\$ -	\$ 78,325	1, 2, 3
			78,325	-	78,325 *	
U.S. Department of Transportation	Airport Improvement Program	3-53-0056-035-2021	-	41,560	41,560	1, 2, 3
U.S. Department of Transportation	Airport Improvement Program	3-53-0056-037-2023	-	92,999	92,999	1, 2, 3
U.S. Department of Transportation	Airport Improvement Program	3-53-0056-038-2024	-	12,507	12,507	1, 2, 3
U.S. Department of Transportation Total ALN 20.106	Airport Improvement Program	3-53-0056-023-2023	-	159,513	159,513	1, 2, 3
			-	306,579	306,579	
Washington State Department of Transportation Total ALN 20.205	National Highway Freight Program	LA10988	190,733	-	190,733 *	1, 2, 3
			190,733	-	190,733	
Total Federal Awards Expended			\$ 269,058	\$ 306,579	\$ 575,637	

* Denotes a major program

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

**PORT OF BENTON
MCAG NO. 1698
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023**

NOTE 1 BASIS OF ACCOUNTING

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

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

NOTE 2 PROGRAM COSTS

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

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Port of Benton
January 1, 2023 through December 31, 2023

This schedule presents the corrective action planned by the Port for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2023-001	Finding caption: The Port did not have adequate internal controls for ensuring accurate reporting of its financial statements.
Name, address, and telephone of Port contact person: Jeff Lubeck Director of Finance 3250 Port of Benton Blvd. Richland, WA 99352	
Corrective action the auditee plans to take in response to the finding: (If the auditee does not concur with the finding, the auditee must list the reasons for non-concurrence). <i>The Port has taken the recommendation to improve internal controls for ensuring accurate reporting of its financial statements very seriously and is committed to continuously improving its processes and practices. As such, the Port has taken the following actions.</i> <ul style="list-style-type: none"> <i>The Port has developed multiple financial reporting and year-end checklists. These checklists are maintained in a SharePoint folder that the entire finance and management team have access to. This will ensure visibility into the status and progress of the year-end closing cycle. These checklists were developed in conjunction with the preparation of the 2024 financial statements and will be fully implemented for the 2025 reporting period. The following checklists are now in place.</i> <i>The “Year End Close Process & Checklist” has over 100 steps identified to be addressed during the overall year end closing process. This includes preliminary steps to be taken before the year has ended as well as specific closing tasks. Each of these tasks are assigned to a single individual on the Port finance team.</i> 	

- *The Port has also adopted the SAO's "Checklist for Preparing Financial Statements following Generally Accepted Accounting Principles (GAAP). This checklist also has over 100 steps or activities to consider. Each of these steps are assigned to a single individual on the Port finance team.*
- *Additionally, the Port has adopted the SAO's "Financial Reporting Risk Assessment Tool" which has been designed by the SAO to identify potential risks and challenges in the financial reporting process. This checklist will be reviewed by the senior staff of the Port's Finance team.*
- *As part of the year-end closing process, the complete list of over 450 general ledger accounts are now assigned to someone in the Finance team to reconcile and/or review as part of the year end closing process. This will help ensure that the individual accounts are accurately stated.*
- *The Port has also changed CPA firms supporting the year-end financial statement preparation process, moving from single individual CPA to a large, national firm. This national firm will bring a more structured approach to workpaper documentation, ensuring a year-to-year consistency in preparation of the entire financial reporting package. The CPA firm also has a structured, internal review process in accordance with the firm's quality control/quality assurance program.*
- *The Port is also working to more clearly define and document internal workflows and to develop desk procedures.*

The implementation of these improvements has already begun with full implementation in place for the 2025 financial reporting period. We are committed to continuous improvement and maintaining public trust by ensuring that our financial reporting is complete, accurate, and transparent. We appreciate the SAO's input and the opportunity to strengthen our financial operations.

Anticipated date to complete the corrective action:

The checklists, processes and workflows relating to the year end closing and reporting process have all been fully developed and implemented as of June 23, 2025.

The development of desk procedures does not have a defined completion date. This is not a critical element of the corrective action plan, but rather, will be a continuously changing internal resource. As software systems continue to change and individual roles and responsibilities change, these internal work processes will be continually adapting and improving.

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