



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

**Financial Statements and Federal Single Audit  
Report**  
**Benton County**

**For the period January 1, 2018 through December 31, 2018**

**Published November 21, 2019**

**Report No. 1025046**





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

November 21, 2019

Board of Commissioners  
Benton County  
Prosser, Washington

**Report on Financial Statements and Federal Single Audit**

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

## TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Audit Findings and Responses.....	6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	10
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	13
Independent Auditor's Report on Financial Statements.....	16
Financial Section.....	20
Corrective Action Plan for Findings Reported Under Uniform Guidance .....	94
About the State Auditor's Office.....	95

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Benton County January 1, 2018 through December 31, 2018

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Benton County 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 financial statements of the governmental activities, each major fund and the aggregate remaining fund information 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 County.

#### 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 County'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>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

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

The County qualified as a low-risk auditee under the Uniform Guidance.

### **SECTION II – FINANCIAL STATEMENT FINDINGS**

See finding 2018-001.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Benton County

January 1, 2018 through December 31, 2018

**2018-001 The County's internal controls over financial reporting were inadequate to ensure accurate reporting.**

#### *Background*

The County's elected officials, state, and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. County management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance regarding the reliability of financial reporting.

*Government Auditing Standards*, prescribed by the Comptroller General of the United States, requires the auditor to communicate material weaknesses, defined below in the Applicable Laws and Regulations section, as a finding.

#### *Description of Condition*

Our audit identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a material weakness:

- Governmental Accounting Standards Board Statement No. 34 (GASB 34) outlines the criteria for reporting a major fund on the financial statements. Governmental and proprietary fund financial statements focus on major funds. The financial statements should present major funds individually and non-major funds in aggregate. Accounting standards provide quantitative thresholds for identifying which funds must be reported as major. The County prepared a calculation to determine its major funds. However, the County missed a major fund because it misinterpreted the criteria for reporting a major fund related to interfund activity.
- Sales taxes are earned by local governments generally when the underlying sales transaction takes place. The State Treasurer remits sales tax revenue monthly to local governments. However, two months pass after the transaction takes place before the government receives the cash. Therefore, the County should include sales tax received for the first two months of the following year as revenue and record it as receivable in the financial statements. The County did not record tax revenue received from the State Treasurer in the period it was earned. Rather, County staff reported tax received as revenue in the period the County received it.

- The County did not have an effective process in place to review the financial statements to ensure they were accurate and supported.
- The federal government requires local governments that spend over \$750,000 of federal funds in a fiscal year to have a federal audit completed and submit the federal audit report within nine months after the year-end. The County did not meet the nine-month submission deadline.

***Cause of Condition***

The County experienced turnover in key accounting positions responsible for preparing and reviewing the financial statements. In addition, the County did not dedicate adequate resources to perform a detailed review of the financial statements. These challenges delayed the timely completion of the financial statements for audit.

***Effect of Condition***

The material weakness in internal controls caused the following material errors found in the financial statements submitted for audit:

- The County did not report the County Road Improvement fund as a major fund, as required by GASB 34.
- The County understated the following sales tax receivables:

Opinion Unit/Fund	Amount
General	\$2,235,192
Public Safety Tax	\$1,395,605
1/10% Criminal Justice	\$832,630
Rural County Capital	\$755,866

- The County missed the September 30, 2019, deadline for filing its federal audit report.
- Our audit identified several other, less significant errors in the statements, notes, and schedules.

## ***Recommendations***

We recommend the County dedicate sufficient resources, including adequate training, to the preparation of timely and accurate financial statements under GAAP. In addition, the County should establish a robust process to review the final financial statements for accuracy.

## ***County's Response***

*We concur with the findings and recommendations.*

*Accounting staff continues to work toward increasing technical knowledge and understanding of the reporting requirements for financial statement preparation ensuring that we are reporting accurate, timely and complete financial information in accordance with GAAP and other regulatory entities.*

*Staff training should also enable sufficient time for a thorough and proper review of financial data prior to preparing the financial statements. We continue to improve processes and are working towards implementing a process for a review of the statements prior to submitting them for audit.*

*The County will increase its internal controls during implementation of new GASB standards and revisit previous significant implementations to ensure proper adherence to the standards. To clarify questions regarding GAAP and GASB standards, the County will utilize the technical helpdesks of GASB, GFOA and the Office of the Washington State Auditor.*

## ***Auditor's Remarks***

We appreciate the County's commitment to resolve this finding. We will review the corrective action taken during our next regular audit.

## ***Applicable Laws and Regulations***

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.

The *Budgeting, Accounting, and Reporting System (BARS)* manual, 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

*Government Auditing Standards*, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material

weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, 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.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Benton County  
January 1, 2018 through December 31, 2018**

Board of Commissioners  
Benton County  
Prosser, 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 governmental activities, each major fund and the aggregate remaining fund information of Benton County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 19, 2019. As discussed in Note 18 to the financial statements, during the year ended December 31, 2018, the County implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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, as described in the accompanying

Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 County'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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2018-001 to be material weaknesses.

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **COUNTY'S RESPONSE TO FINDINGS**

The County's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The County'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 County'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 County'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.

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

Pat McCarthy  
State Auditor  
Olympia, WA

November 19, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**Benton County  
January 1, 2018 through December 31, 2018**

Board of Commissioners  
Benton County  
Prosser, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of Benton County, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2018. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the County 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, 2018.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

We noted certain matters that we have reported to the management of the County in a separate letter dated November 19, 2019.

### **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.

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Pat McCarthy

State Auditor

Olympia, WA

November 19, 2019

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Benton County** **January 1, 2018 through December 31, 2018**

Board of Commissioners  
Benton County  
Prosser, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 20.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, County Road, County Road Improvement Matching Program, Human Services, 1/10% Criminal Justice Jail - Juvenile, Rural County Capital, and Public Safety Tax funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 18 to the financial statements, in 2018, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain

limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County'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 schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Pat McCarthy

State Auditor

Olympia, WA

November 19, 2019

## FINANCIAL SECTION

### **Benton County** **January 1, 2018 through December 31, 2018**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2018

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2018

Statement of Activities – 2018

Balance Sheet – Governmental Funds – 2018

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2018

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2018

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – 2018

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund – 2018

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – County Road – 2018

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – County Road Improvement Matching Program – 2018

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Human Services – 2018

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – 1/10 Percent Criminal Justice Jail – Juvenile – 2018

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Rural County Capital – 2018

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Public Safety Tax Fund – 2018

Statement of Net Position – Proprietary Funds – 2018

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2018

Statement of Cash Flows – Proprietary Funds – 2018

Statement of Fiduciary Net Position – Fiduciary Funds – 2018  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2018  
Notes to Financial Statements – 2018

## **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF I OPEB –  
2018

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1,  
LEOFF 2, PSERS 2 – 2018

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2,  
PSERS 2 – 2018

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2018

Notes to the Schedule of Expenditures of Federal Awards – 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Benton County's discussion and analysis presents the readers of the County's annual financial report a narrative overview of the County's financial performance during the fiscal year that ended on December 31, 2018. We encourage readers to consider the information presented here in conjunction with the County's financial statements, which immediately follow this section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction of Benton County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic statements.

The government-wide financial statements are comprised of the statement of net position which presents information on all the County's assets, deferred outflows, liabilities, deferred inflows and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. These statements present the entire financial position of Benton County. The government-wide financial statements use full accrual accounting, which reports both current and long-term liabilities and assets. The upper section of the statement of activities shows how general government activities do not support themselves based on charges for services. Rather the lower section of this statement shows the tax revenue that is required to support the general government functions.

The fund financial statements are presented immediately following the government-wide financial statements. There are three categories of the fund financial statements, 1) governmental, 2) proprietary, and 3) fiduciary. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Benton County, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The governmental fund financial statements are prepared using the modified accrual basis of accounting, which does not include long-term liabilities and assets, focusing on current resources. Therefore a reconciliation is provided alongside the government fund financial statements to bridge the differences between the governmental fund financial statements and the government-wide financial statements. The major differences between the two types of financial statements are due to the capitalization and depreciation of assets, recognition of bonds payable, and the inclusion of the internal service net position. The county reports its major funds separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. A budgetary comparison statement is also provided for the general fund and each of the major special revenue funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements after the notes to the financial statements.

There are two types of proprietary funds. Enterprise Funds are used to report the same functions presented as business type activities in the government wide financial statements. As stated earlier, Benton County does not have any Enterprise Funds (business-type activities). Internal Service Funds, the second type of proprietary fund, accumulate and allocate costs internally among the County's various functions. The revenues and expenses of the internal service funds that are duplicated in other funds through allocations are eliminated in the government-wide statements, with the remaining balances included in the governmental activities' column.

Proprietary fund statements follow the governmental fund statements in this report. They provide the same type of information as the government wide financial statements, only in more detail, since both apply the accrual basis of accounting.

Individual fund data for each of the non-major proprietary funds is provided in the form of combining statements. The proprietary fund combining statements follow the governmental fund combining statements in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government wide financial statements because the resources of those funds are not available to support Benton County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Benton County has two types of fiduciary funds:

- Agency Funds are clearing accounts for assets held by Benton County in its role as custodian until the funds are identified for use by the private parties, organizations, or government agencies to which they belong.

- Investment/Fiduciary Funds account for the external pooled investments held by the County Treasurer on behalf of external pool participants in the County's investment program. External participants are generally government entities that do not have their own treasurer.

The basic fiduciary fund financial statements can be found following the proprietary fund financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Benton County's progress in funding its obligation to provide other post-employment benefits to its LEOFF 1 retirees as well as information regarding pension liabilities. Required supplementary information can be found immediately following the notes to the financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of Benton County, assets exceeded liabilities by \$259,890,198 at the close of the most recent fiscal year. This increased by \$18,955,272 from the previous year. The implementation of GASB 75 added liabilities for Other Post-Employment Benefits (OPEB) and deferred resources that required a \$4,497,225 reduction of beginning net position. While the changes in accounting principle reduced the total net position, there was a partially offsetting increase in net position from regular operations. The largest contribution to this fiscal year growth was the completion and construction of County Road infrastructure.

Benton County's Changes in Net Position			
<b>Revenues</b>			
Program revenues:	2018	2017	
Charges for services	31,006,226	30,649,469	
Operating grants and contrib.	6,754,513	6,609,777	
Capital grants and contrib.	5,542,551	1,623,476	
General revenues:			
Taxes	62,066,515	59,500,633	
Entitle, Impact & In-lieu Pay.	9,111,248	9,091,471	
Interest earnings on invest.	3,372,444	2,711,695	
Total revenues	117,853,496	110,186,521	
<b>Program Expenses</b>			
General government	37,402,584	39,148,224	
Judicial	-	-	
Public safety	36,187,047	37,993,451	
Utilities	-	-	
Transportation	10,968,048	12,567,299	
Natural & Economic Environment	1,692,363	1,863,231	
Social services	5,482,126	6,203,432	
Culture and recreation	1,339,667	1,330,768	
Interest on long term debt	497,025	672,420	
Total expenses	93,568,859	99,778,825	
Change in net position	24,284,638	10,407,696	
Net position as of Jan 1	246,282,594	230,527,230	
Change in accounting principle	(4,497,225)	-	
Net position as of Dec 31	266,070,007	240,934,926	

Benton County's Net Position			
		2018	2017
Current & other assets		176,459,316	159,194,067
Capital assets (net of depr.)		138,512,552	134,712,949
Total assets		314,971,869	293,907,016
Deferred outflows of resources		-	3,516,820
Long-term liabilities		8,866,092	19,008,697
Other liabilities		35,361,988	32,362,687
Total liabilities		44,228,081	51,371,384
Deferred inflows of resources		7,892,686	5,117,524
Net position:			
Net investment in capital assets		127,930,171	119,055,950
Restricted		78,388,286	65,617,507
Unrestricted		59,751,549	56,261,469
Total net position		266,070,006	240,934,926

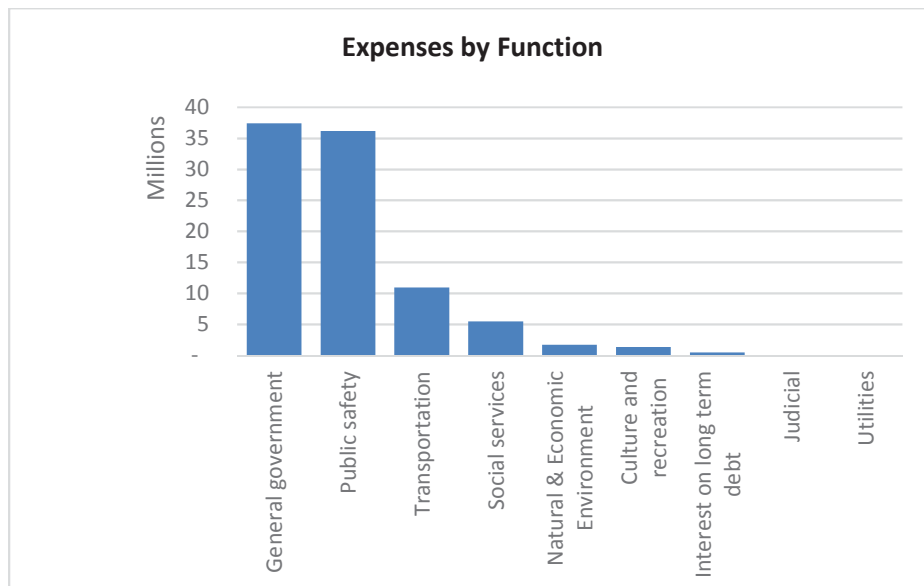
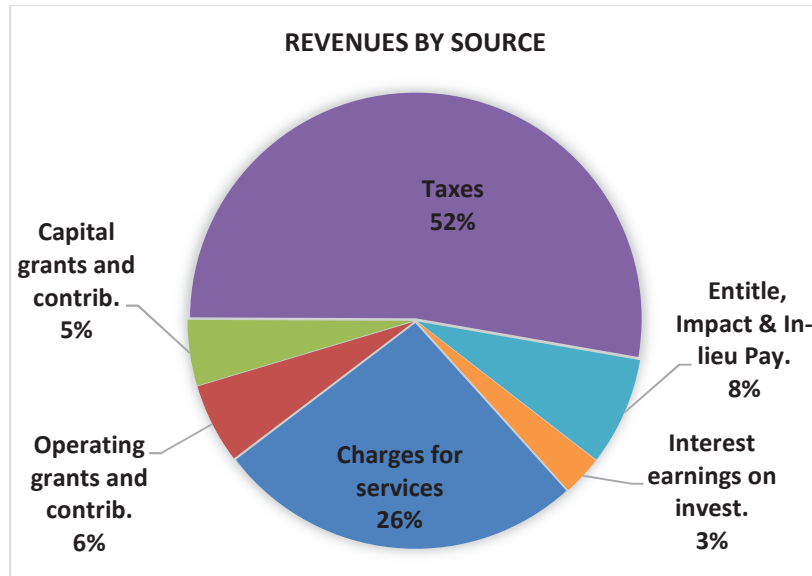
Grant revenues for Transportation make up a significant portion of the increase in revenues for 2018. Local sales tax continued to show strong signs of recovery. These continue to provide increased revenues and general county expenses have been held low ever since the 2009 recession.

A large portion of the County's net position (48%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At December 31, 2018, Benton County reports positive balances in all categories of net position, for the government as a whole. There are no significant restrictions or other commitments that will impact the availability of fund resources for future use. At the end of the current fiscal year, the county is able to report positive balances in all reported categories of net position, both for the government as a whole.

### FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

The following presents a graphical representation of Revenues by Source and Expenses by Program:



### Governmental funds

The General fund, County Road, County Road Improvement Match Program, Human Services, 1/10% Criminal Justice, Rural County Capital and Public Safety Tax funds account for 87% of all governmental fund revenue and 81% of all expenditures. The Capital Acquisition fund is considered a major fund by the merits of its total assets. This year the

Human Services fund, 1/10% Criminal Justice fund and Rural County Capital are classified as major funds because of their public interest to financial statement users. Together these eight funds account for 77% of total governmental fund balance.

The General fund is the chief operating fund of Benton County. At the end of the current fiscal year, unassigned fund balance of the General fund was \$8,358,932, which represents 14% of total General fund expenditures. The fund balance of General fund decreased by \$3,921,872 during the current fiscal year. A slight increase in revenues and expenditures along with an increase in transfers for capital projects and debt service accounts for the decrease in fund balance for the General fund.

The fund balance of the County Road special revenue fund increased by 8% or \$712,281, during the current fiscal year. The County is working on a major infrastructure update that is spending its current fund balance. However, the present infrastructure should reap benefits to future maintenance and future cost savings should grow the fund balance again. Because property taxes in this fund are collected for the explicit purpose of road construction and maintenance, these funds are restricted for that purpose.

The Public Safety Sales Tax fund balance increased by \$3,760,277 or 24%. The purpose and goal of the Public Safety Sales Tax is to improve public safety, including combating criminal gangs. The tax funds the hiring of additional police officers, corrections officers, prosecutors, the Metro Drug Task Force, gang and crime prevention efforts, and court and clerk programs including drug and mental health courts. The tax is scheduled to expire December 31, 2024. More specific information regarding this tax can be found on the County's website.

As the County continues to upgrade the campus infrastructure the Capital Acquisition fund has received an increase in fund balance mainly from transfers of approximately \$8.7 million. Improvements to buildings at the Fairgrounds, purchase of vehicles for the Sheriff fleet, rebuilding of the recreational boat dock at Two Rivers park and ongoing upgrades to the Justice Center's security retrofit project represent the major developments currently in place.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Actual expenditures are generally less than final budgeted expenditures. The main reason for this is that employee turnover and unfilled positions leave budget authority that goes unspent. In addition, since elected officials are legally required to operate within their given budget, they typically spend their budgets conservatively in case something unexpected comes up. The actual revenues were greater than budgeted revenues due to the strong local economy and generally conservative budgeting.

In 2016, Benton County adopted the budget for the 2017/2018 biennium. The following table shows the changes between the original and the final General Fund budget as of December 31, 2018.

**Benton County, Washington  
General Fund Changes in Budget  
As of December 31, 2018**

	2018		Changes Over (Under)
	Original Budget	Final Budget	
<i>Revenues</i>			
Taxes	\$ 68,805,855	\$ 68,805,855	\$ 0
Licenses and Permits	219,815	219,815	0
Intergovernmental	9,772,380	9,772,380	0
Charges for Services	33,664,974	33,664,974	0
Fines and Forfeits	5,041,275	5,041,275	0
Miscellaneous Revenues	2,971,101	2,971,101	0
Total Revenues	<u>120,475,400</u>	<u>120,475,400</u>	<u>0</u>
<i>Expenditures</i>			
General Government	56,657,679	56,037,700	(619,979)
Public Safety	54,583,857	54,514,749	(69,108)
Natural & Economic Environment	2,064,667	2,333,949	269,282
Social Services	1,753,793	1,753,793	0

Culture and Recreation	1,076,454	1,088,454	12,000
Capital Outlay	388,605	281,563	(107,042)
Total Expenditures	<u>116,525,055</u>	<u>116,010,208</u>	<u>(514,847)</u>
Excess (Deficit) Revenues Over Expenditures	<u>3,950,345</u>	<u>4,465,192</u>	<u>514,847</u>
<i>Other Financing Sources (Uses)</i>			
Sale of Fixed Assets	0	0	0
Operating Transfers In	2,362,823	2,362,823	0
Operating Transfers Out	<u>(6,373,299)</u>	<u>(24,640,146)</u>	<u>(18,266,847)</u>
Total Other Financing Sources (Uses)	<u>(4,010,476)</u>	<u>(22,277,323)</u>	<u>(18,266,847)</u>
Excess (Deficit) Resources Over Uses	(60,131)	(17,812,131)	(17,752,000)
Fund Balance, January 1	7,500,000	7,500,000	0
Fund Balance, December 31	\$ <u>7,439,869</u>	\$ <u>(10,312,131)</u>	\$ <u>(17,752,000)</u>

The \$17,752,000 change in the biennium budget are for adjustments for budget policy cash carry forward transfers to the following:

- Park Development \$ 320,000
- Sustainable Development \$ 601,000
- Fairgrounds O & M \$ 663,000
- Capital Projects \$16,168,000

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** Benton County's investment in capital assets as of December 31, 2018, amounts to \$145,736,646 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, highways, and bridges. The County's investment in capital assets increased by 2%. The increase was mostly due to infrastructure projects such as \$6.8 million to hard surface gravel roadways and reconstruct degraded asphalt. There was also a \$481,574 upgrade to a building at the fairgrounds.

	2018	2017
Land	4,943,303	4,433,009
Infrastructure	93,696,217	88,172,232
Construction in Progress	3,411,769	2,848,775
Other Capital Assets	36,461,263	39,258,933
<b>Total</b>	<u>138,512,552</u>	<u>134,712,949</u>

Additional information on the County's capital assets can be found in note 6.

**Long-term Debt.** At the end of the current fiscal year, Benton County had total bonded debt outstanding of \$8,740,000. The total amount of this debt is backed by the full faith and credit of the government. Benton County's total bonded debt decreased by \$1,960,000 (18%) during the current fiscal year. On February 22, 2018 Benton County issued \$5,345,000 Limited Tax General Obligation Refunding Bonds to refinance the 2006 Limited Tax General Obligation Bonds. These new bonds have a fixed interest rate of 3.03% with maturity in December 2031 replacing the 2006 GO bonds with interest rates ranging from 4.40% to 4.75% for an estimated savings of \$600,000. The County has a continuing goal to sustain the County's debt rating. As of December 31, 2018, the bond rating services of Moody's Investors Service, Inc. and Standard & Poor's Ratings Services assigned the County long term bond ratings of Aa2 and AA+, respectively. See note 9 for further information about long term debt.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Benton County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Benton County Auditor's Office, 620 Market Street, Prosser, WA 99350. Financial information requests can also be emailed to [auditor@co.benton.wa.us](mailto:auditor@co.benton.wa.us).

# BENTON COUNTY, WASHINGTON

## Statement of Net Position

December 31, 2018

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<i>ASSETS</i>	
Cash/Cash Equivalents and Equity in Pooled Investments	\$ 96,150,444
Deposits with Fiscal Agent (Restricted)	2,223,416
Investments	55,672,589
Receivables	9,818,111
Due From Other Governments	2,291,878
Inventories/Prepayments	2,164,142
Joint Ventures	4,018,816
Land	4,943,303
Infrastructure	93,696,217
Construction in Progress	3,411,769
Other Capital Assets (Net of Depreciation)	36,461,263
Restricted Net Pension Asset	<u>4,119,921</u>
 Total Assets	 <u>314,971,869</u>
 <i>DEFERRED OUTFLOWS OF RESOURCES</i>	
 Related to Pensions	 3,129,281
Related to OPEB	<u>141,181</u>
Total Deferred Outflows of Resources	<u>3,270,462</u>
 Total Assets and Deferred Outflows of Resources	 \$ <u>318,242,330</u>
 <i>LIABILITIES</i>	
Accounts Payable and Other Current Liabilities	\$ 2,269,383
Accrued Liabilities	6,905,345
Long-Term Liabilities:	
Long-Term Payable - Working Advance	252,235
Special Assessment Debt with Governmental Commitment-	
Due Within One Year	51,558
Due In More Than One Year	604,334
Other Due Within One Year	2,624,670
Other Due In More Than One Year	10,379,082
OPEB Liability	5,989,187
Net Pension Liability	15,203,845
 Total Liabilities	 <u>44,279,639</u>
 <i>DEFERRED INFLOWS OF RESOURCES</i>	
Deferred Inflows Related to Pensions	<u>7,892,686</u>
 Total Deferred Inflows of Resources	 <u>7,892,686</u>
 Total Liabilities and Deferred Inflows of Resources	 \$ <u>52,172,324</u>
 <i>NET POSITION</i>	
Net Investment in Capital Assets	\$ 127,930,171
Restricted for:	
General Government	15,925,572
Public Safety	40,215,006
Mental & Health Services	9,476,323
Economic Environment	3,850,286
Transportation	8,095,050
Culture & Recreation	826,050
Unrestricted (Deficit)	<u>59,751,549</u>
 Total Net Position	 \$ <u>266,070,006</u>

**BENTON COUNTY, WASHINGTON**

Statement of Activities

Year Ended December 31, 2018

	Program Revenues			Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions		
<b>Functions/Programs</b>					
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 37,402,584	\$ 11,365,406	\$ 1,724,080	\$ 0	\$ (24,313,097)
Public Safety	36,187,047	15,614,305	1,518,247	0	(19,054,495)
Transportation	10,968,048	544,669	0	5,542,551	(4,880,829)
Natural & Economic Environment	1,692,363	1,134,900	152,918	0	(404,545)
Social Services	5,482,126	1,653,567	3,359,071	0	(469,488)
Culture and Recreation	1,339,667	693,379	196	0	(646,091)
Interest on Long Term Debt	497,025	0	0	0	(497,025)
<b>Total Governmental Activities</b>	<u>93,568,859</u>	<u>31,006,226</u>	<u>6,754,513</u>	<u>5,542,551</u>	<u>(50,265,569)</u>
Total Primary Government	\$ <u>93,568,859</u>	\$ <u>31,006,226</u>	\$ <u>6,754,513</u>	\$ <u>5,542,551</u>	\$ <u>(50,265,569)</u>
<b>General Revenues</b>					
Taxes:					
Property					29,487,486
Sales					30,719,402
Entitlements, Impact & In-lieu Payments					9,111,248
Excise Taxes					1,266,713
Penalties & Interest on Delinquent Taxes					592,914
Interest and Investment Earnings					3,372,444
Total General Revenues					<u>74,550,207</u>
Change in Net Position					24,284,638
Net Position as of January 1					240,934,926
Prior Period Adjustments					5,347,668
Net Position, January 1 - Restated					<u>246,282,594</u>
Cumulative effect of a change in accounting principle:					(4,497,225)
<b>Net Position as of December 31</b>					<u>\$ 266,070,007</u>

See accompanying notes to the basic financial statements

Balance Sheet  
 Governmental Funds  
 December 31, 2018

	Major Funds				
	General Fund	County Road	County Road Improvement	Human Services	1/10% Criminal Justice Fund
<i>ASSETS</i>					
Cash/Cash Equivalents	\$ 5,022,667	\$ 7,396,318	4,041,732	\$ 3,219,842	\$ 7,218,688
Deposits with Fiscal Agent (Restricted)	2,223,416	0	0	0	0
Investments	5,452,137	3	0	3,491,533	7,828,164
Taxes Receivable	2,880,019	175,085	0	0	832,630
Accounts Receivable	645,858	0	0	0	0
Assessments Receivable	0	0	0	0	0
Interest Receivable	102,536	16,312	9,183	0	0
Due From Other Funds	2,932	1,354,320	0	23,941	0
Interfund Receivable	1,293	0	0	0	0
Due From Other Gvmntl Units	1,712,756	16,472	0	312,708	0
Property Held In Trust	21,202	0	0	0	0
 Total Assets	 \$ <u>18,064,815</u>	 \$ <u>8,958,511</u>	 \$ <u>4,050,915</u>	 \$ <u>7,048,024</u>	 \$ <u>15,879,482</u>
<i>LIABILITIES</i>					
Accounts/Vouchers Payable	\$ 864,127	\$ 221,507	0	\$ 179,896	\$ 0
Due To Other Funds	60,347	209,253	1,337,271	0	579
Interfund Payable	0	0	0	0	0
Due To Other Governmental Units	0	0	0	252,235	0
Accrued Wages Payable	3,181,650	259,538	0	55,599	0
Custodial Accounts	2,223,416	0	0	0	0
Deferred Revenue	5,278	0	0	0	0
Total Liabilities	<u>6,334,817</u>	<u>690,298</u>	<u>1,337,271</u>	<u>487,730</u>	<u>579</u>
<i>DEFERRED INFLOWS</i>					
Unavailable Rev. - Property Tax	666,029	175,085	0	0	0
Unavailable Rev. - Court Judgments	481,622	0	0	0	0
Total Deferred Inflows of Resources	<u>1,147,650</u>	<u>175,085</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>FUND BALANCES</i>					
Restricted	2,223,416	8,093,128	0	6,560,293	15,878,904
Committed	0	0	2,713,643	0	0
Assigned	0	0	0	0	0
Unassigned	8,358,932	0	0	0	0
Total Fund Balances	<u>10,582,348</u>	<u>8,093,128</u>	<u>2,713,643</u>	<u>6,560,293</u>	<u>15,878,904</u>
Total Liabilities, Fund Balances and Deferred Inflows of Resources	 \$ <u>18,064,815</u>	 \$ <u>8,958,511</u>	 \$ <u>4,050,914</u>	 \$ <u>7,048,024</u>	 \$ <u>15,879,482</u>

Balance Sheet  
 Governmental Funds  
 December 31, 2018

	Major Funds			Other Governmental Funds	Total
	Rural County Capital Fund	Public Safety Tax Fund	Capital Acquisition		
<i>ASSETS</i>					
Cash/Cash Equivalents	\$ 6,207,415	\$ 18,246,021	\$ 15,461,512	\$ 19,387,431	\$ 86,201,627
Deposits with Fiscal Agent (Restricted)	0	0	0	0	2,223,416
Investments	6,731,509	0	16,766,932	14,131,105	54,401,383
Taxes Receivable	755,865	1,395,605	0	55,630	6,094,833
Accounts Receivable	0	0	0	83,627	729,485
Assessments Receivable	0	0	0	5,809	5,809
Interest Receivable	0	40,284	0	14,238	182,552
Due From Other Funds	0	0	0	8,840	1,390,033
Interfund Loans Receivable	0	0	2,735,953	0	2,737,246
Due From Other Gvmmntl Units	0	0	1,507	244,664	2,288,107
Property Held In Trust	0	0	0	0	21,202
Total Assets	\$ 13,694,789	\$ 19,681,909	\$ 34,965,904	\$ 33,931,345	\$ 156,275,694
<i>LIABILITIES</i>					
Accounts/Vouchers Payable	\$ 284,877	\$ 224,955	\$ 61,667	\$ 233,485	\$ 2,070,513
Due To Other Funds	0	0	2,442	39,169	1,649,061
Interfund Payable	0	0	0	1,293	1,293
Due To Other Governmental Units	0	0	0	0	252,235
Accrued Wages Payable	0	237,952	0	690,615	4,425,355
Custodial Accounts	0	0	0	0	2,223,416
Deferred Revenue	0	0	0	0	5,278
Total Liabilities	284,877	462,907	64,109	964,563	10,627,150
<i>DEFERRED INFLOWS</i>					
Unavailable Rev. - Property Tax	0	0	0	24,209	865,322
Unavailable Rev. - Court Judgments	0	0	0	0	481,622
Total Deferred Inflows of Resources	0	0	0	24,209	1,346,944
<i>FUND BALANCES</i>					
Restricted	13,409,913	19,219,002	0	12,368,856	77,753,511
Committed	0	0	0	20,575,011	23,288,654
Assigned	0	0	34,901,795	0	34,901,795
Unassigned	0	0	0	(1,293)	8,357,639
Total Fund Balances	13,409,913	19,219,002	34,901,795	32,942,574	\$ 144,301,600
Total Liabilities, Fund Balances and Deferred Inflows of Resources	\$ 13,694,789	\$ 19,681,909	\$ 34,965,904	\$ 33,931,345	\$ 156,275,694

# BENTON COUNTY, WASHINGTON

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2018

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Total fund balances as shown on the Governmental Fund Balance Sheet:	\$ 144,301,600
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. This amount reflects the initial investment in capital assets, including construction in progress at 12/31/18. This amount does not include internal service fund capital assets, which are included as a reconciling item in a note further down on this page.	246,280,701
Life to date depreciation on capital assets is reflected in the statement of net position. This amount does not include internal service fund depreciation which is included reconciling item in a note further down on this page.	(111,199,835)
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds.	8,255,260
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the funds.	3,160,266
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the funds.	(7,607,719)
Internal Service funds are used to charge the costs of services to individual funds. The assets and liabilities of the Internal Service funds are included in governmental activities in the statement of net position.	16,932,788
Long-term liabilities that are not due and payable in the current period and are not reported in the funds.	(34,053,054)
Total Net Position, as reflected on the Statement of Net Position:	<b>\$ 266,070,006</b>

## Statement of Revenues, Expenditures, and Changes in Fund Balance

## Governmental Funds

For the Year Ended December 31, 2018

## Major Funds

	General Fund	County Roads	County Road Improvement	Human Services	1/10% Criminal Justice Fund
<u>Revenues</u>					
Property Taxes	\$ 22,797,037	\$ 5,912,084	\$ 0	\$ 0	\$ 0
Sales and Use Taxes	12,058,007	0	0	0	4,725,468
Other Taxes	963,608	63,718	0	0	0
Licenses and Permits	106,710	1,000	0	0	0
Intergovernmental	5,577,826	8,215,909	763,877	3,375,744	0
Charges for Services	19,310,905	310,786	0	293,567	0
Fines and Forfeits	2,152,721	0	0	0	0
Interest Earnings	2,522,357	117,123	61,860	0	0
Donations	2,535	0	0	0	0
Other Revenues	337,618	9,997	0	2,066	0
Total Revenues	<u>65,829,324</u>	<u>14,630,617</u>	<u>825,737</u>	<u>3,671,377</u>	<u>4,725,468</u>
<u>Expenditures</u>					
Current:					
General Governmental Services	27,785,252	4,195	0	0	0
Public Safety	27,444,174	0	0	0	356,142
Transportation	0	8,760,904	0	0	0
Natural & Economic Environment	1,094,874	0	0	0	0
Social Services	819,727	0	0	3,624,819	0
Culture and Recreation	563,425	0	0	0	0
Debt Service:					
Principal	0	197,748	0	0	0
Interest	0	6,921	0	0	0
Capital Outlay	226,518	7,334,952	0	0	526,973
Total Expenditures	<u>57,933,970</u>	<u>16,304,721</u>	<u>0</u>	<u>3,624,819</u>	<u>883,114</u>
Excess (Deficit) Revenues Over Expenditures	<u>7,895,354</u>	<u>(1,674,104)</u>	<u>825,737</u>	<u>46,558</u>	<u>3,842,354</u>
<u>Other Financing Sources (Uses)</u>					
Proceeds of Capital Assets	18,664	0	0	0	0
Transfers In	996,734	2,386,385	0	0	0
Transfers Out	(12,832,624)	0	(2,270,449)	0	(2,193,468)
Total Other Financing Source (Uses)	<u>(11,817,226)</u>	<u>2,386,385</u>	<u>(2,270,449)</u>	<u>0</u>	<u>(2,193,468)</u>
Net Change in Fund Balance	(3,921,872)	712,281	(1,444,712)	46,558	1,648,886
Fund Balance-January 1	12,514,144	7,344,957	4,158,356	6,513,735	13,435,939
Prior Period Adjustments	1,990,076	35,891	0	0	794,078
Fund Balance, January 1 - Restated	<u>14,504,220</u>	<u>7,380,848</u>	<u>4,158,356</u>	<u>6,513,735</u>	<u>14,230,017</u>
Fund Balance-December 31	<u>\$ 10,582,348</u>	<u>\$ 8,093,129</u>	<u>\$ 2,713,644</u>	<u>\$ 6,560,293</u>	<u>\$ 15,878,904</u>

See accompanying notes to the basic financial statements

## Statement of Revenues, Expenditures, and Changes in Fund Balance

## Governmental Funds

For the Year Ended December 31, 2018

	Major Funds				Total
	Rural County Capital Fund	Public Safety Tax Fund	Capital Acquisition	Other Governmental Funds	
<u>Revenues</u>					
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 653,184	\$ 29,362,304
Sales and Use Taxes	4,283,394	7,861,756	0	1,790,777	30,719,402
Other Taxes	0	0	0	832,301	1,859,627
Licenses and Permits	0	0	0	866,172	973,882
Intergovernmental	0	0	619,025	1,899,534	20,451,916
Charges for Services	0	0	29,037	6,321,254	26,265,549
Fines and Forfeits	0	0	0	6,599	2,159,319
Interest Earnings	0	268,081	62,459	136,926	3,168,805
Donations	0	0	0	7,409	9,944
Other Revenues	0	0	15,000	1,286,943	1,651,625
Total Revenues	4,283,394	8,129,837	725,520	13,801,099	116,622,373
<u>Expenditures</u>					
Current:					
General Governmental Services	4,132,460	1,821,841	1,488,360	3,390,059	38,622,167
Public Safety	0	2,432,360	2,346	8,490,116	38,725,137
Transportation	0	0	0	0	8,760,904
Natural & Economic Environment	80,000	46,122	0	519,493	1,740,488
Social Services	0	0	15,187	1,048,112	5,507,844
Culture and Recreation	0	0	30,450	531,642	1,125,517
Debt Service:					
Principal	0	0	0	2,157,832	2,355,580
Interest	0	0	0	427,645	434,566
Capital Outlay	0	69,237	1,783,093	412,172	10,352,945
Total Expenditures	4,212,460	4,369,560	3,319,436	16,977,069	107,625,149
Excess (Deficit) Revenues Over Expenditures	70,934	3,760,277	(2,593,916)	(3,175,970)	8,997,225
<u>Other Financing Sources (Uses)</u>					
Proceeds of Capital Assets	0	0	0	13,641	32,305
Transfers In	0	0	8,668,000	6,117,390	18,168,508
Transfers Out	(250,005)	0	0	(621,963)	(18,168,508)
Total Other Financing Source (Uses)	(250,005)	0	8,668,000	5,509,068	32,305
Net Change in Fund Balance	(179,071)	3,760,277	6,074,084	2,333,098	9,029,530
Fund Balance-January 1	12,868,175	14,134,628	26,091,757	30,371,507	127,433,198
Prior Period Adjustments	720,809	1,324,097	2,735,953	237,967	7,838,871
Fund Balance, January 1 - Restated	13,588,984	15,458,725	28,827,710	30,609,474	135,272,069
Fund Balance-December 31	\$ 13,409,913	\$ 19,219,002	\$ 34,901,794	\$ 32,942,572	\$ 144,301,599

See accompanying notes to the basic financial statements

## BENTON COUNTY, WASHINGTON

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2018

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Net change in fund balances as shown on Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance:	\$ 9,029,530
Internal Service Fund Interest, Misc Rev/Exp and Proceeds From Capital Asset Sales and Transfers	228,534
Governmental funds report capital outlays as expenditures and proceeds from the sale of capital assets as revenues. In the Statement of Activities, the cost of those assets is capitalized and depreciated over the period of the asset's useful life. When capital assets are disposed of, the difference between original cost and depreciation, and the proceeds are booked as a gain or (loss) on the sale. This entry takes into account the differences in how capital costs are treated between the Statement of Activities and the governmental fund statements.	6,934,928
Internal service fund expenses are allocated to other funds. The net expense of certain internal service fund activities is reported with governmental activities on the Statement of Activities.	341,483
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This entry is the net effect of these differences in the treatment of long-term debt issuance and payments.	2,355,580
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	22,523
Some expenses reported in the statement of activities do not require the use of current financial resources, and accordingly, are not reported as expenditures in governmental funds.	5,372,062
Change in Net Position, as reflected on the Statement of Activities	<b>\$ 24,284,638</b>

BENTON COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (GAAP Basis) and Actual

General Fund

For the Year Ended December 31, 2018

	Original Biennial Budget	Final Biennial Budget	2017 Actual	2018 Actual	Variance with Final Budget Over (Under)
<i>Revenues</i>					
Taxes	\$ 68,805,855	\$ 68,805,855	\$ 35,074,113	\$ 35,818,652	\$ 2,086,910
Licenses and Permits	219,815	219,815	94,400	106,710	(18,705)
Intergovernmental Revenues	9,772,380	9,772,380	5,226,356	5,577,826	1,031,802
Charges for Services	33,664,974	33,664,974	18,500,394	19,310,905	4,146,325
Fines and Forfeitures	5,041,275	5,041,275	2,099,237	2,152,721	(789,317)
Miscellaneous Revenue	2,971,101	2,971,101	2,322,871	2,862,510	2,214,280
Total Revenues	120,475,400	120,475,400	63,317,371	65,829,324	8,671,295
<i>Expenditures</i>					
General Government Services	56,657,679	56,141,479	26,535,429	27,785,252	(1,820,798)
Public Safety	54,583,857	55,253,464	25,820,578	27,444,174	(1,988,712)
Natural & Economic Environment	2,064,667	2,333,949	1,117,813	1,094,874	(121,262)
Social Services	1,753,793	1,753,793	843,934	819,727	(90,132)
Culture and Recreation	1,076,454	1,088,454	498,607	563,425	(26,422)
Capital Outlay	388,605	281,563	36,298	226,518	(18,747)
Total Expenditures	116,525,055	116,852,702	54,852,659	57,933,970	(4,066,073)
Excess(Deficiency) of Revenues over Expenditures	3,950,345	3,622,698	8,464,712	7,895,354	12,737,368
<i>Other Financing Sources (Uses)</i>					
Sale of Capital Assets	0	0	2,000	18,664	20,664
Transfers In	2,362,823	2,362,823	1,309,932	996,734	(56,158)
Transfers Out	(6,373,299)	(24,218,899)	(11,675,553)	(12,832,624)	289,278
Total Other Financing Sources (Uses)	(4,010,476)	(21,856,076)	(10,363,621)	(11,817,226)	324,771
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	(60,131)	(18,233,378)	(1,898,909)	(3,921,872)	12,412,597
Fund Balance, January 1	7,500,000	15,992,000	14,407,486	12,514,144	(1,584,514)
Prior Period Adjustments	0	0	5,567	1,990,076	5,567
Fund Balance, January 1 - Restated	7,500,000	15,992,000	14,413,053	14,504,220	(1,578,947)
Fund Balance, December 31	\$ 7,439,869	\$ (2,241,378)	\$ 12,514,144	\$ 10,582,348	\$ 10,833,650

# BENTON COUNTY, WASHINGTON

## Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual County Road Year Ended December 31, 2018

	Original Biennial Budget	Final Biennial Budget	2017 Actual	2018 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>					
Property Taxes	\$ 11,773,000	\$ 11,773,000	\$ 5,777,676	\$ 5,912,084	\$ (83,240)
Excise and Other Taxes	230,000	230,000	145,900	63,718	(20,382)
Total Taxes	<u>12,003,000</u>	<u>12,003,000</u>	<u>5,923,576</u>	<u>5,975,802</u>	<u>(103,622)</u>
Licenses and Permits	200	200	1,000	1,000	1,800
Intergovernmental Revenues	11,052,605	11,052,605	4,090,569	8,215,909	1,253,873
Charges for Services	695,500	695,500	265,995	310,786	(118,719)
Interest Earnings	40,000	40,000	96,790	117,123	173,913
Miscellaneous Revenues	11,900	7,900	10,512	9,997	12,609
Total Revenues	<u>23,803,205</u>	<u>23,799,205</u>	<u>10,388,442</u>	<u>14,630,617</u>	<u>1,219,854</u>
<u>Expenditures</u>					
General Governmental Services	252,000	252,000	84,010	4,195	(163,795)
Transportation	21,322,402	22,220,902	10,303,895	8,760,904	(3,156,103)
Debt Service:					
Principal	395,500	395,500	197,748	197,748	(4)
Interest	14,882	14,882	7,910	6,921	(51)
Capital Outlay	13,736,820	12,934,320	636,879	7,334,952	(4,962,489)
Total Expenditures	<u>35,721,604</u>	<u>35,817,604</u>	<u>11,230,442</u>	<u>16,304,721</u>	<u>(8,282,441)</u>
Excess (Deficiency) of Revenues over Expenditures	(11,918,399)	(12,018,399)	(842,000)	(1,674,104)	9,502,295
<u>Other Financing Sources (Uses)</u>					
Proceeds of Capital Assets	3,000	0	0	0	0
Interfund Loan Principal Payment	(96,000)	0	0	0	0
Transfers In	5,604,000	5,604,000	0	2,386,385	3,217,615
Total Other Financing Sources (Uses)	<u>5,511,000</u>	<u>5,604,000</u>	<u>0</u>	<u>2,386,385</u>	<u>3,217,615</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(6,407,399)	(6,414,399)	(842,000)	712,281	6,284,680
Fund Balance, January 1	8,451,000	8,451,000	8,040,829	7,344,957	(410,171)
Prior Period Adjustments	0	0	146,128	35,891	(182,019)
Fund Balance, January 1 - Restated	<u>8,451,000</u>	<u>8,451,000</u>	<u>8,186,957</u>	<u>7,380,848</u>	<u>(592,190)</u>
Fund Balance, December 31	<u>\$ 2,043,601</u>	<u>\$ 2,036,601</u>	<u>\$ 7,344,957</u>	<u>\$ 8,093,129</u>	<u>\$ 5,692,490</u>

# BENTON COUNTY, WASHINGTON

## Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual County Road Improvement Matching Program Year Ended December 31, 2018

	Original Biennial Budget	Final Biennial Budget	2017 Actual	2018 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>					
Intergovernmental Revenues	1,848,000	1,848,000	1,005,576	763,877	(78,547)
Interest Earnings	15,300	15,300	41,001	61,860	87,561
Total Revenues	<u>1,863,300</u>	<u>1,863,300</u>	<u>1,046,577</u>	<u>825,737</u>	<u>9,014</u>
Excess (Deficiency) of Revenues over Expenditures	1,863,300	1,863,300	1,046,577	825,737	9,014
<u>Other Financing Sources (Uses)</u>					
Transfers Out	<u>(3,832,000)</u>	<u>(3,832,000)</u>	<u>0</u>	<u>(2,270,449)</u>	<u>(1,561,551)</u>
Total Other Financing Sources (Uses)	<u>(3,832,000)</u>	<u>(3,832,000)</u>	<u>0</u>	<u>(2,270,449)</u>	<u>(1,561,551)</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(1,968,700)	(1,968,700)	1,046,577	(1,444,712)	1,570,565
Fund Balance, January 1	<u>2,630,000</u>	<u>2,630,000</u>	<u>3,111,779</u>	<u>4,158,356</u>	<u>481,779</u>
Fund Balance, January 1 - Restated	<u>2,630,000</u>	<u>2,630,000</u>	<u>3,111,779</u>	<u>4,158,356</u>	<u>481,779</u>
Fund Balance, December 31	<u>\$ 661,300</u>	<u>\$ 661,300</u>	<u>\$ 4,158,356</u>	<u>\$ 2,713,644</u>	<u>\$ 2,052,344</u>

# BENTON COUNTY, WASHINGTON

## Statement of Revenues, Expenditures, and Changes in Fund Balance

### Budget (GAAP Basis) and Actual

#### Human Services

Year Ended December 31, 2018

	Original Biennial Budget	Final Biennial Budget	2017 Actual	2018 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>					
Property Taxes	\$ 750,000	\$ 750,000	\$ 0	\$ 0	\$ (750,000)
Excise and Other Taxes	2,500	2,500	0	0	(2,500)
Total Taxes	<u>752,500</u>	<u>752,500</u>	<u>0</u>	<u>0</u>	<u>(752,500)</u>
Intergovernmental Revenues	7,874,600	7,874,600	2,882,681	3,375,744	(1,616,175)
Charges for Services	712,000	712,000	435,921	293,567	17,488
Miscellaneous Revenues	0	0	299	2,066	2,365
Total Revenues	<u>9,339,100</u>	<u>9,339,100</u>	<u>3,318,901</u>	<u>3,671,377</u>	<u>(2,348,822)</u>
<u>Expenditures</u>					
Social Services	13,282,864	13,282,864	3,148,947	3,624,819	(6,509,098)
Total Expenditures	<u>13,282,864</u>	<u>13,282,864</u>	<u>3,148,947</u>	<u>3,624,819</u>	<u>(6,509,098)</u>
Excess (Deficiency) of Revenues over Expenditures	(3,943,764)	(3,943,764)	169,954	46,558	4,160,276
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(3,943,764)	(3,943,764)	169,954	46,558	4,160,276
Fund Balance, January 1	5,000,000	5,000,000	6,343,781	6,513,735	1,343,781
Fund Balance, December 31	<u>\$ 1,056,236</u>	<u>\$ 1,056,236</u>	<u>\$ 6,513,735</u>	<u>\$ 6,560,293</u>	<u>\$ 5,504,057</u>

# BENTON COUNTY, WASHINGTON

## Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (GAAP Basis) and Actual

1/10 Percent Criminal Justice Jail - Juvenile

Year Ended December 31, 2018

	Original Biennial Budget	Final Biennial Budget	2017 Actual	2018 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>					
Taxes	\$ 7,062,110	\$ 7,062,110	\$ 4,451,829	\$ 4,725,468	\$ 2,115,187
Total Revenues	<u>7,062,110</u>	<u>7,062,110</u>	<u>4,451,829</u>	<u>4,725,468</u>	<u>2,115,187</u>
<u>Expenditures</u>					
Public Safety	200,000	1,404,600	545,167	356,142	(503,291)
Capital Outlay	7,500,000	6,055,400	1,203,308	526,973	(4,325,119)
Total Expenditures	<u>7,700,000</u>	<u>7,460,000</u>	<u>1,748,475</u>	<u>883,114</u>	<u>(4,828,411)</u>
Excess (Deficiency) of Revenues over Expenditures	(637,890)	(397,890)	2,703,354	3,842,354	6,943,598
<u>Other Financing Sources (Uses)</u>					
Transfers Out	(3,906,935)	(4,146,935)	(1,953,467)	(2,193,468)	1
Total Other Sources (Uses)	<u>(3,906,935)</u>	<u>(4,146,935)</u>	<u>(1,953,467)</u>	<u>(2,193,468)</u>	<u>1</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(4,544,825)	(4,544,825)	749,887	1,648,886	6,943,598
Fund Balance as of January 1	8,294,137	8,294,137	12,686,052	13,435,939	(17,827,854)
Prior Period Adjustment	0	0	0	794,078	(794,078)
Fund Balance, January 1 - Restated	<u>8,294,137</u>	<u>8,294,137</u>	<u>12,686,052</u>	<u>14,230,017</u>	<u>(18,621,932)</u>
Fund Balance as of December 31	<u>\$ 3,749,312</u>	<u>\$ 3,749,312</u>	<u>\$ 13,435,939</u>	<u>\$ 15,878,904</u>	<u>\$ (11,678,334)</u>

# BENTON COUNTY, WASHINGTON

## Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual Rural County Capital Year Ended December 31, 2018

	Original Biennial Budget	Final Biennial Budget	2017 Actual	2018 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>					
Taxes	\$ 8,075,558	\$ 8,075,558	\$ 4,041,716	\$ 4,283,394	\$ 249,552
Total Revenues	<u>8,075,558</u>	<u>8,075,558</u>	<u>4,041,716</u>	<u>4,283,394</u>	<u>249,552</u>
<u>Expenditures</u>					
General Government Services	14,333,896	14,232,047	0	4,132,460	(10,099,587)
Natural & Economic Environment	0	160,000	80,000	80,000	0
Total Expenditures	<u>14,333,896</u>	<u>14,392,047</u>	<u>80,000</u>	<u>4,212,460</u>	<u>(10,099,587)</u>
Excess (Deficiency) of Revenues over Expenditures	(6,258,338)	(6,316,489)	3,961,716	70,934	10,349,139
<u>Other Financing Sources (Uses)</u>					
Transfers Out	(2,653,725)	(2,595,574)	0	(250,005)	2,345,569
Total Other Sources (Uses)	<u>(2,653,725)</u>	<u>(2,595,574)</u>	<u>0</u>	<u>(250,005)</u>	<u>2,345,569</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(8,912,063)	(8,912,063)	3,961,716	(179,071)	12,694,708
Fund Balance as of January 1	8,952,771	8,952,771	8,906,459	12,868,175	(46,312)
Prior Period Adjustment	0	0	0	720,809	720,809
Fund Balance, January 1 - Restated	<u>8,952,771</u>	<u>8,952,771</u>	<u>8,906,459</u>	<u>13,588,984</u>	<u>674,497</u>
Fund Balance as of December 31	<u>\$ 40,708</u>	<u>\$ 40,708</u>	<u>\$ 12,868,175</u>	<u>\$ 13,409,913</u>	<u>\$ 13,369,205</u>

BENTON COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget (GAAP Basis) and Actual  
 Public Safety Tax Fund  
 Year Ended December 31, 2018

	Original Biennial Budget	Final Biennial Budget	2017 Actual	2018 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>					
Taxes	\$ 13,551,459	\$ 13,551,459	\$ 7,384,130	\$ 7,861,756	\$ 1,694,427
Interest Earnings	17,846	17,846	143,246	268,081	393,481
Donations	0	0	200	0	200
Miscellaneous	0	0	10	0	10
Total Revenues	<u>13,569,305</u>	<u>13,569,305</u>	<u>7,527,586</u>	<u>8,129,837</u>	<u>2,088,118</u>
<u>Expenditures</u>					
General Government Services	4,404,349	4,350,833	1,543,845	1,821,841	(985,147)
Public Safety	6,438,302	6,388,293	1,945,837	2,432,360	(2,010,096)
Natural & Economic Environment	92,672	92,672	43,565	46,122	(2,985)
Capital Outlay	98,510	202,035	14,747	69,237	(118,051)
Total Expenditures	<u>11,033,833</u>	<u>11,033,833</u>	<u>3,547,994</u>	<u>4,369,560</u>	<u>(3,116,279)</u>
Excess (Deficiency) of Revenues over Expenditures	2,535,472	2,535,472	3,979,592	3,760,277	5,204,397
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	2,535,472	2,535,472	3,979,592	3,760,277	5,204,397
Fund Balance as of January 1	9,500,000	9,500,000	10,155,036	14,134,628	655,036
Prior Period Adjustment	0	0	0	1,324,165	1,324,165
Fund Balance, January 1 - Restated	<u>9,500,000</u>	<u>9,500,000</u>	<u>10,155,036</u>	<u>15,458,793</u>	<u>1,979,201</u>
Fund Balance as of December 31	<u>\$ 12,035,472</u>	<u>\$ 12,035,472</u>	<u>\$ 14,134,628</u>	<u>\$ 19,219,070</u>	<u>\$ 7,183,598</u>

# BENTON COUNTY, WASHINGTON

## Statement of Net Position

### Proprietary Funds

December 31, 2018

	Governmental Activities
	Internal Service Funds
<i>ASSETS</i>	
<u>Current Assets</u>	
Cash/Cash Equivalents	\$ 9,948,817
Investments	1,271,206
Accounts Receivable	2,341
Interest Receivable	19,975
Due From Other Funds	267,305
Due from Other Governmental Units	3,771
Inventories/Prepayments	2,142,940
Total Current Assets	<u>13,656,355</u>
<u>Noncurrent Assets</u>	
Capital Assets	
Land	221,020
Buildings	6,663,760
Improvements Other Than Buildings	91,393
Machinery and Equipment	10,656,489
Less Accumulated Depreciation	<u>(10,182,159)</u>
Total Noncurrent Assets	<u>7,450,503</u>
<u>Deferred Outflows of Resources</u>	
Deferred Outflows Related to Pensions	110,195
Total Deferred Outflows of Resources	<u>110,195</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 21,217,053</u>
<i>LIABILITIES AND NET POSITION</i>	
<u>Current Liabilities</u>	
Accounts/Vouchers Payable	\$ 198,870
Due To Other Funds	8,278
Interfund Loans Payable	238,061
Accrued Wages Payable	185,320
Total Current Liabilities	<u>630,528</u>
<u>Noncurrent Liabilities</u>	
Compensated Absences	155,089
Net Pension Liability	715,789
Interfund Loans Payable	2,497,893
Total Noncurrent Liabilities	<u>3,368,770</u>
Total Liabilities	<u>3,999,298</u>
<u>Deferred Inflows of Resources</u>	
Deferred Intflows Related to Pensions	284,967
Total Deferred Inflows of Resources	<u>284,967</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 4,284,265</u>
<u>Net Position</u>	
Investment in Capital Assets	\$ 7,450,503
Unrestricted	9,482,285
Total Net Position	<u>\$ 16,932,788</u>

See accompanying notes to the basic financial statements

# BENTON COUNTY, WASHINGTON

## Statement of Revenues, Expenses, and Changes in Fund Net Position

### Proprietary Funds

Year Ended December 31, 2018

	Governmental Activities
	Internal Services
<i><u>Operating Revenues</u></i>	
Net Charges for Services	\$ 8,284,092
Other Operating Revenue	27,335
Total Operating Revenues	<u>8,311,427</u>
<i><u>Operating Expenses</u></i>	
Personal Services	2,509,940
Contractual services	2,766,708
Other Supplies and Expenses	680,784
Depreciation	1,071,482
Payment to Claimants	941,027
Total Operating Expenses	<u>7,969,942</u>
Operating Income (Loss)	<u>341,485</u>
<i><u>Non-Operating Revenue (Expenses)</u></i>	
Interest Revenue	138,708
Interest Expense	(62,459)
Gain (Loss) on Disposition of Capital Assets	28,843
Other Non-Operating Revenues (Expenses)	123,441
Total Non-Operating Revenue (Expenses)	<u>228,534</u>
Income (Loss) before Transfers	570,018
Change in Net Position	<u>570,018</u>
Net Position as of January 1	16,362,770
Net Position as of December 31	<u>\$ 16,932,788</u>

## Statement of Cash Flows

## Proprietary Funds

Year Ended December 31, 2018

	Governmental Activities
	<u>Internal Services</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from Customers	\$ 19,683
Receipts from Interfund Services Provided	10,091,756
Miscellaneous Receipts	72,657
Payments to Employees	(2,519,182)
Payments to Suppliers	(5,331,755)
Payments for Interfund Services Used	<u>(376,387)</u>
Net cash provided (used) by operating activities	<u>1,956,773</u>
<u>Cash Flows From Capital And Related Financing Activities</u>	
Interest Paid to Capital Projects Fund	(62,459)
Principal Paid to Capital Projects Fund	(118,085)
Proceeds from sale of capital assets	128,965
Purchases of capital assets	<u>(540,275)</u>
Net cash provided (used) by capital and related financing activities	<u>(591,854)</u>
<u>Cash Flows From Investing Activities:</u>	
Interest Earnings	<u>140,242</u>
Net Cash Provided by Investing Activities	<u>140,242</u>
Net Increase (Decrease) in Cash & Cash Equivalents	1,505,161
Balances as of January 1	<u>9,714,861</u>
Balances as of December 31	<u>\$ 11,220,022</u>

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended December 31, 2018

	Governmental Activities Internal Services
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>	
Operating Income/(Loss)	\$ <u>341,485</u>
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>	
Depreciation Expense	1,071,482
Other Non-Cash Revenue/Expense	(138,308)
<u>Changes in assets and liabilities:</u>	
Receivables, net	1,228,538
Inventories	(400,392)
Accounts and other payables	<u>(146,031)</u>
Net Cash Provided by Operating Activities	\$ <u><u>1,956,773</u></u>

# BENTON COUNTY, WASHINGTON

## Statement of Fiduciary Net Position

### Fiduciary Funds

December 31, 2018

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash, Cash Equivalents & Pooled Investments	\$ 323,326,832	\$ 32,828,748
Receivables		
Taxes Receivable	0	6,090,684
Due From Other Governments	<u>0</u>	<u>4,322,619</u>
 Total Assets	 <u>323,326,832</u>	 <u>43,242,052</u>
 <b>LIABILITIES</b>		
Warrants Payable	0	11,789,650
Due to Other Governments	<u>0</u>	<u>31,452,402</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 43,242,052</u>
 <b>NET POSITION</b>		
Net Position held in trust for pool Participants	<u>323,326,832</u>	<u>0</u>
Total Net Position	<u>\$ 323,326,832</u>	<u>\$ 0</u>

## BENTON COUNTY, WASHINGTON

### Statement of Changes in Fiduciary Net Position

#### Fiduciary Funds

For the Year Ended December 31, 2018

	<u>Investment Trust Funds</u>
ADDITIONS	
Contributions	
Additions by Participants	\$ 74,148,336
Total Contributions	<u>74,148,336</u>
Other Changes	
Net Funds Moved To/From County's LGIP Investments	8,348,206
Net (Decrease) in Fair Value of Investments	<u>(3,761,059)</u>
Net Other Changes	4,587,146
Net Additions	<u>78,735,483</u>
DEDUCTIONS	
Distributions to Participants	<u>100,312,799</u>
Net Deductions	<u>100,312,799</u>
Change in Net Position Held For Participants	(21,577,316)
Net Position As Of January 1	344,904,148
Net Position As Of December 31	\$ <u><u>323,326,832</u></u>

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

Benton County was incorporated in March, 1905 and operates under the laws of the state of Washington applicable to a non-charter county. The County operates under a commissioner form of government and provides the following services to its constituents: police, road maintenance, planning and zoning, parks and recreation, judicial administration, health, social services, and general administrative services. As required by GAAP, the financial statements present Benton County, the primary government.

The County participates in two joint ventures. These include the Benton County Emergency Services (BCES) and the Metro Drug Forfeiture Fund. These organizations are not part of the County. The County's equity interest in these entities is presented in the Government-wide financial statements. Also, the County participates with the Bi-County Police Information Network (BI-PIN) through a joint cooperative agreement. See Note 15, Joint Ventures, which more fully describes these three organizations.

**B. Government-Wide and Fund Financial Statements**

Government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Benton County's reports present Governmental activities, which normally are supported by taxes and intergovernmental revenues. Benton County does not have, and, therefore, does not report any business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Additionally, the County's accounting system allocates a portion of its indirect costs to individual functions. These indirect costs have been included as part of the program expenses reported for the various functional activities.

Program revenue includes:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are used to report additional and more detailed information about the primary government. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Agency fund financial statements do not have a measurement focus and are prepared using the accrual basis of accounting. Under the economic resources measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

*Benton County, Washington*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or as soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual are earned interest, certain charges for services, and intergovernmental revenues, such as grants, where program expenditures are the prime factor for determining reimbursement. Other revenues such as sales based taxes, licenses, fines and fees are not considered susceptible for accrual since they are not generally measurable until received. Expenditures are generally recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Benton County reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- The *County Road Fund*, funded with tax revenues and state and federal grants and assistance, accounts for the design, construction, and maintenance of County roads.
- The *County Road Improvement Matching Program Fund*, funded with Payment-In-Lieu-Tax (PILT) for utilization by the County Road department to gain funding through state and federal highway programs for improvements to the county road system.
- The *Human Services Fund*, funded with tax revenues and state and federal grants and assistance, accounts for the financial operations of County health programs including, but not limited to, mental health, developmental disabilities, alcoholism and drug abuse treatment and prevention programs.
- The *1/10% Criminal Justice Fund*, funded with sales tax revenue to assist the financing of the construction, maintenance and operation of the adult and juvenile jails.
- The *Rural County Capital Fund*, funded with retail sales tax for the purpose of financing public facilities.
- The *Public Safety Tax Fund*, funded with retail sales tax for the purpose of financing public safety, judicial and mental health programs.
- The *Capital Acquisition Fund* accounts for the expenditures incurred for the acquisition or construction of capital assets that are not identified with other capital funds.

Additionally, the County reports the following fund types:

- *Special revenue funds* account for and report the proceeds of specific revenue sources that are restricted or committed to finance specific activities or functions, as required by law or administrative regulation.
- *Capital project funds* account for and report resources that are restricted, committed or assigned to be used for acquisition or construction of capital projects or other capital assets.
- *Debt service funds* account for and report financial resources that are restricted, committed or assigned to be used for payment of principal and interest on long-term debt.
- *Internal Service Funds* account for equipment rental, central services, worker's compensation insurance, insurance management and accumulated leave, provided to other departments or agencies of the government, or to other governments on a cost reimbursement basis.
- *Investment trust funds* account for and report pooled investments held by the County Treasurer on behalf of outside entities in the County's investment program. Pooled money is invested and monitored by the County and external participants are generally government entities that do not have their own treasurer, such as fire and school districts.
- *Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. These funds account for and report assets (such as property taxes collected on behalf of other governments) that the County holds for others in an agency capacity. Agency funds include cities, towns, and fire, school, port, air pollution, library, and drainage districts, along with miscellaneous clearing fund activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include a) charges to customers or applicants for goods, services or privileges provided, b) operating grants and contributions, and c) capital grants and contributions, including special

*Benton County, Washington*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

assessments. Internally, dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 internal service funds are charges to customers for sales and services. Operating expenses for internal service funds include the cost of personal services, contractual services, other supplies and expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Budgets and Budgetary Accounting**

1. Scope of Budget

Biennial appropriated budgets are adopted for the general and special revenue funds and for all proprietary funds on the modified accrual basis of accounting. For governmental funds, there are no differences between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated into fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for biennially budgeted governmental funds only. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects. National Council on Governmental Accounting (NCGA) Statement 1 does not require, and the financial statements do not present, budgetary comparisons for proprietary fund types.

Biennial appropriated budgets are adopted at the level of the fund, except in the general fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class.

Appropriations for governmental funds lapse at the end of the biennium.

2. Procedures for Adopting the Original Budget

The County's budget procedures are mandated by RCW 36.40. The steps in the budget process are as follows:

- a. Prior to the first Tuesday in September, in even number years, the County Auditor submits a proposed budget to the County Commission. This budget is based on priorities established by the Commission and estimates provided by County departments, during the preceding months, and balanced with revenue estimates made by the County Auditor.
- b. The Commission conducts public hearings on the proposed budget in October, November and December.
- c. The Commission makes its adjustments to the proposed budget and adopts, by resolution, a final balanced biennial budget no later than December 31.
- d. Within 30 days of adoption, the final biennial budget is available to the public.

3. Amending the Budget

The County Auditor is authorized to transfer budgeted amounts between the supplies and professional service categories of any department. Any revisions that alter the total expenditures of a department or fund, or that affect the number of authorized employee positions; salary ranges, hours, or other conditions of employment must be approved by the County Commission.

When the County Commission determines that it is in the best interest of the County to increase or

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

decrease the appropriation for a particular fund or department, it may do so by resolution, approved by a simple majority, after holding two public hearings.

Unless stated otherwise, the budget amounts shown in the financial statements are the final authorized amounts as revised during the biennium.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriation, and other legally authorized changes.

4. Deficit Fund Equity

At December 31, 2018, the following fund reported a deficit in its fund balance:

Fund Number	Fund Name	Deficit
0373	CRID #21 Construction	\$1,293

County Road Improvement District (CRID) #21 was originally financed using registered warrants. Debt was issued in 2016 to cover the warrants. One additional invoice was received late and processed against the capital project fund. The residual deficit will be cleared in 2019.

**E. Assets, Liabilities, Fund Balance, Deferred Outflows/Inflows and Net Position/Fund Balance**

1. Cash/Cash Equivalents and Equity in Pooled Investments

It is the County's policy to invest all temporary cash surpluses. At December 31, 2018, the County Treasurer was holding \$477,159,940 in investments of surplus cash as reported on the Benton County Treasurer's investment activity report. The County's portion of this amount, \$100,495,975 is classified on the Statement of Net Position as Cash/Cash Equivalents and Equity in Pooled Investments. The County's portion is classified on the Governmental Balance Sheet of the various funds as Cash/Cash Equivalents. The interest on these investments is credited to the General Fund.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2018 were approximately \$9,756,202.

For purposes of the Statement of Cash Flows, the County considers all highly liquid investments (including restricted assets) with a maturity of two months or less when purchased to be cash equivalents.

2. Temporary Investments - See Note 4

3. Receivables

Taxes receivable consists of property taxes and related interest and penalties (See Note 5) and sales tax. Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special Assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2018, \$25,753 of special assessments receivable were delinquent.

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

4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances

*Benton County, Washington*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund loans receivable/payable” or “advances to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.” A schedule of Due To/From Other Funds and a separate schedule Interfund Loans is included in Note 13.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve accounting in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

5. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased.

Inventories in proprietary funds are valued by the first in, first out (FIFO) method (which approximates the market value).

6. Capital Assets - See Note 6

7. Other Property and Investments - See Note 4.

8. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. In governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. In proprietary funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

Vacation pay, which may be accumulated up to 240 hours, is payable upon resignation, retirement or death. Sick leave may be accumulated up to 1040 hours. Employees hired prior to July 1, 1992, are eligible for half of their accumulated sick leave upon voluntary termination, retirement or death. Employees hired on or after July 1, 1992, may be eligible for twenty-five percent of their accumulated sick leave upon retirement with a maximum amount of \$5,000.

Compensated absences are reported in governmental funds only if they have matured (i.e., unused reimbursable leave still outstanding following an employee’s resignation or retirement).

9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

10. Long-Term Debt - See Note 9

11. Unearned Revenues

This account includes amounts recognized as receivables, but not revenues, in governmental funds (i.e., tax assessments) because the revenue recognition criteria has not been met.

12. Deferred Inflows of Resources

In July, 2011, the GASB issued Statement no. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position* (GASB 63). The County implemented GASB Statement 63 beginning in fiscal year 2011.

Deferred inflows of resources in the fund financial statements include pension related items, delinquent taxes and court judgments that are earned, but not yet available under the modified

*Benton County, Washington*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

accrual basis of accounting.

13. Fund Balance Classifications

Governmental Accounting Standards Board Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” classifies fund balance in governmental funds as nonspendable, restricted, committed, assigned and unassigned.

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. For the classification of fund balances, the County considers amounts to have been spent when an expenditure is incurred for purposes for which fund balance is both available and can be used. In accordance with GASB Statement 54, the fund balances of the County are classified into the following categories: nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not is spendable form or (b) legally or contractually required to be maintained intact, including items that are not expected to be converted to cash.

Restricted fund balance includes amounts where constraints have been placed on the use of resources by either (a) external imposition by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposition by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of County Commissioners (BOCC), the highest level of decision-making authority for the County. Committed amounts cannot be used for any other purpose unless the BOCC removes or changes the specified use through formal action by resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance includes amounts that are constrained by the County Board of Commissioner’s intent to be used for specific purposes, but are neither restricted nor committed. The BOCC has delegated the authority to assign amounts to be used for specific purposes to the County Administrator or his/her designee. During the current reporting period, a designee was not assigned.

Unassigned fund balance represents fund balance that has not been restricted, committed or assigned. Only the General Fund may report a positive unassigned fund balance amount.

It is the County’s policy to use restricted amounts first, then committed, then assigned, and then unassigned, as they are needed.

14. Minimum Fund Balance Policy

To assure sufficient reserves are available to meet the respective operational needs during low revenue periods within a budget cycle, the Benton County Board of County Commissioners may require the following County funds to maintain a minimum fund balance at the close of or during any given fiscal year:

- General Fund. The County shall maintain a minimum unassigned fund balance in the range of 10% to 15% of appropriated expenditures.
- Capital Projects. A fund balance of at least \$500,000.
- Central Services. A fund balance of at least \$250,000.
- Election Reserve. A fund balance of at least \$500,000.
- Park Development. A fund balance of at least \$500,000.

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

15. Detailed Fund Balance Constraints

	Major Special Revenue Funds							Major		Total
	General Fund	County Roads	County Road Improvement	Human Services	1/10% Criminal Justice Fund	Rural County Capital Fund	Public Safety Tax Fund	Capital Acquisition Fund	Other Funds	
<b>Fund Balances:</b>										
<b>Restricted for:</b>										
Detention/Correction					15,878,904				2,249,821	18,128,725
Education									109,917	109,917
Financial/Records Services						13,409,913			1,392,833	14,802,746
Housing/Community Dev									2,590,713	2,590,713
Judicial									1,021,020	1,021,020
Juvenile Services									9,089	9,089
Legal									101,806	101,806
Mental/Health Services				6,560,293					2,916,029	9,476,322
Park Facilities									716,133	716,133
Planning/Community Dev									492,009	492,009
Transportation		8,093,128							1,922	8,095,050
Veterans Services									767,564	767,564
Public Safety							19,219,002			19,219,002
General Fund	2,223,416									2,223,416
<b>Committed to:</b>										
Information Technology									2,632,610	2,632,610
Cultural/Recreational Facilities									7,135,517	7,135,517
Debt Service									4,306,391	4,306,391
Detention/Correction									271,973	271,973
Conservation/Environmental									793,692	793,692
Housing/Community Dev									1,417,401	1,417,401
Judicial									1,682,148	1,682,148
Juvenile Services									1,015,045	1,015,045
Law Enforcement									930,497	930,497
Legislative									371,650	371,650
Substance Abuse									18,087	18,087
Transportation			2,713,643							2,713,643
<b>Assigned to:</b>										
Capital Projects								34,901,795		34,901,795
<b>Unassigned:</b>										
General Fund	8,358,932									8,358,932
Transportation									(1,293)	(1,293)
	10,582,348	8,093,128	2,713,643	6,560,293	15,878,904	13,409,913	19,219,002	34,901,795	32,942,574	144,301,600

16. Net Position

In Government-wide Statements and Internal Service Fund statements, net position consists of assets invested in capital assets (net of related debt), restricted and unrestricted net positions. The restricted net positions are restricted by governmental statutes, actions and third parties.

17. Pensions

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

*Benton County, Washington*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position**

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities reported in the government-wide statement of net position. One element of that reconciliation explains, “Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.” The details of this reconciliation are as follows:

Unavailable Revenue – Property Taxes	\$ 870,600
Unavailable Revenue – Court Judgements	481,622
Interest Earned, unavailable for >90 days	334,874
Restricted Net Pension Asset	4,119,921
A/R Superior & District Courts, Treasurers O&M	<u>2,448,243</u>
 Net Adjustment to Increase Total Governmental Funds to Arrive At Net Position Governmental Funds	  <u>\$8,255,260</u>

Another element of that reconciliation explains, “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this reconciliation are as follows:

Bonds Payable	\$ (8,740,000)
Special Assessment Debt	(655,892)
Long-Term Loans	(1,333,682)
Compensated Absences	(2,930,070)
Less Internal Service Funds Amount	<u>155,089</u>
Net Compensated Absences	(2,774,981)
Interest Payable	(50,874)
Miscellaneous Payable	(20,382)
OPEB Liability	(5,989,187)
Net Pension Liability	(15,203,845)
Less Internal Service Funds Amount	<u>715,789</u>
Net Pension Liability	<u>(14,488,056)</u>
Net Adjustment to Reduce - Total Governmental Funds to Arrive at Net Position – Governmental Activities	  <u>\$(34,053,054)</u>

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures”.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. When capital assets are disposed of, the difference between original cost minus depreciation, and the proceeds is booked as a gain or (loss) on the sale.

The details of this difference is as follows:

Capital Outlay	\$ 10,352,945
Donated Capital Assets	946,452
Change in Joint Venture Equity	118,680
Depreciation Expense	(4,483,149)
Net Adjustment to Increase Net Changes in Fund Balance -	

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$ 6,934,928</u>
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Another element of that reconciliation states “The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

The details of this difference are as follows:

Net Issuance of Debt	\$ -0-
Principal Payments:	
General Obligation Debt	<u>2,355,580</u>
 Net Adjustment to Increase Net Changes in Fund Balances	
Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$ 2,355,580</u>

One further element of that reconciliation states “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.”

The details of this difference are as follows:

Change in Accrual for Superior Court A/R	\$ (262,563)
Change in Accrual for District Court A/R	2,834
Change in Accrual for Treasurers O&M A/R	(39,988)
State of Washington Contribution to LEOFF 2	203,602
Change in Interest Receivable between 2017 & 2018	64,931
Change in Deferred Tax Inflow between 2017 & 2018	<u>53,707</u>
 Net Adjustment to Increase Net Changes in Fund Balance -	
Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$ 22,523</u>

One further element of that reconciliation states “Some expenses in the statement of activities that do not require the use of current financial resources, and accordingly, are not reported as expenditures in governmental funds.”

The details of this difference are as follows:

OPEB expense	\$ 249,211
Change in Interest Payable between 2017 & 2018	6,853
Pension Expenses	4,244,862
Change in Compensated Absences, 2017 to 2018	869,826
Less Internal Service Funds Change	<u>1,310</u>
Net Change in Compensated Absences between 2017 & 2018	<u>871,136</u>
 Net Adjustment to Increase Net Changes in Fund Balance -	
Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$ 5,372,062</u>

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of the County.

*Benton County, Washington*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

**NOTE 4 - DEPOSITS AND INVESTMENTS**

DEPOSITS

The County’s deposits, certificates of deposit and securities are fully 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

Investment oversight is provided by the Benton County Finance Committee (the “Finance Committee”) pursuant to RCW 36.29.020. The Finance Committee consists of the County Treasurer as Chair, the County Auditor as Secretary and the Chair of the Board of County Commissioners. All investments are subject to written policies and procedures adopted by the Finance Committee. The Finance Committee meets not less than quarterly to review the investment portfolio and performance. In July 2014, the County’s Investment Policy received a Certification of Excellence from the Association of Public Treasurers of the United States and Canada. All County held investments are either insured or registered in the County’s name and held by the County or its agent in the County’s name. Due to the current economic environment, banks are not taking public funds for investing in Certificate of Deposits. Monies that normally would have been invested as Certificate of Deposits are currently being sent to the LGIP or invested through the Treasurer’s Investment Pool (TIP). The philosophy in developing the TIP was to create a locally managed diversified investment option that would take advantage of the economies of scale, simplify administration and achieve a potentially higher yield than other available programs. The TIP, administered by the Benton County Treasurer’s Office, is an external investment pool.

The County uses a variety of financial institutions to determine the fair value of securities purchased on behalf of the County. A minimum of three quotes from brokers/dealers is used to determine the fair value of the securities on that specified date. A quarterly analysis is prepared for the County by various financial institutions. In 2015, the County Board of Commissioners contracted with FTN Financial Main Street Advisors, LLC (“FTN”). FTN will make specific recommendations to the investment strategy and investments, provide periodic review of internal controls, market analysis, portfolio analysis and reporting. FTN will evaluate the County’s Investment Policy and Procedures and provide strategic quarterly reports of the investment program as well as provide an annual onsite visit to review the investment program and the market/economy for the fiscal year.

The County does not report any securities at amortized cost. All securities reported are disclosed using the securities fair market value. Fair market value calculations are completed monthly with current market prices added to the Counties’ investment software, Sympro, as provided by Bank of New York Mellon, the Counties’ safekeeper. Quarterly fair market values are prepared by the Counties’ financial advisor FTN, which are then compared to the values returned by our safekeeper.

The County measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2018, the County had the following investments measured at fair value:

Investments by fair value level	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Municipal bonds	164,662.40	164,662.40	-0-	-0-
U.S. government & agency securities	304,995,277.17	304,4995,277.17	-0-	-0-

*Benton County, Washington*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

Total Debt Securities	\$305,159,939.57	\$305,159,939.57	-0-	-0-
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As of December 31, 2018, the County had the following investments:

**BENTON COUNTY ALL FUNDS**

Investment Type	Weighted Average Maturity Years	Fair Value of County's Investments	Fair Value of Non- County Investments	Total
Federal Agricultural Mortgage Corporation	1.53	\$ 43,203,218.00	\$ -	\$ 43,203,218.00
Federal Farm Credit Bank	2.10	\$ 89,708,421.67	\$ -	\$ 89,708,421.67
Federal Home Loan Bank	1.39	\$ 67,426,400.00	\$ -	\$ 67,426,400.00
Federal Home Loan Mortgage Corporation	1.96	\$ 41,655,370.00	\$ -	\$ 41,655,370.00
Federal National Mortgage Association	1.17	\$ 45,170,187.50	\$ -	\$ 45,170,187.50
Municipal Bonds	0.92	\$ 164,662.40	\$ -	\$ 164,662.40
Treasuries	0.64	\$ 17,831,680.00	\$ -	\$ 17,831,680.00
State Pool	0.97	\$ 172,000,000.00	\$ 4,885,669.47	\$ 176,885,669.47
<b>GRAND TOTAL</b>		<b>\$ 477,159,939.57</b>	<b>\$ 4,885,669.47</b>	<b>\$ 482,045,609.04</b>

The amounts listed in the above table as the County's investments (stated at market) also includes idle agency fund monies invested by the County upon which the County earns interest. The amount listed as agency investments includes investments that agencies have directed the County to purchase on their behalf.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes if interest rates will adversely affect the fair value of an investment. Through its investment policy, the County manages its exposure to the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities. The policy also states that no single security will be purchased with a maturity date of more than five and one-half years from the date of purchase without approval of the Treasurer or Chief Deputy Treasurer.

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparts to an investment will not fulfill its obligations. The County investment policy minimizes its credit risk by limiting investments to selected types of securities and pre-qualifying the financial institutions, broker/dealers and intermediaries with which the County will do business. Presented below is the minimum rating required by the state statute and the actual rating as of the end of the year 2018 for each type of investment of which the Primary Government participates.

Investment Type	Minimum Rating	Year-End Rating
Fixed Rate Agency Securities	AAA	AAA
Certificates of Deposit	N/A	N/A
State Local Government Investment Pool	N/R	N/R
Municipal Bonds	AA2	AA2

Management intends to hold the time deposits and securities until maturity. In accordance with GAAP applicable to regulated industries and GASB Statement No. 31, changes in fair value are reflected as unrealized income in the financial statements. Other gains or losses on investments sold or exchanged are recognized at the time transactions are completed.

With regard to the County's participation in the LGIP, the State Treasurer's Office maintains a third-party custodial arrangement with Bank of New York in order to provide the maximum degree of safety possible. All investment transactions conducted by the County are done on a delivery versus payment ("DVP") basis. In addition, in 1995 the LGIP developed an Advisory Committee to aid the Office of the State Treasurer in an advisory and oversight capacity. Other forms of oversight include the annual state and independent audits that the LGIP undergoes and as a result of that extensive oversight, the LGIP publishes monthly, quarterly and annual reports that allow participants to stay abreast of LGIP issues and activity. The LGIP is an unrated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

of the portfolio will not exceed 60 days. Per GASB 40 guidelines the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited, as most investments are either obligations of the US government; government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. The fair value of County shares in the LGIP is dollar for dollar equal to the value of pool shares.

External Investment Pool

The TIP is not registered with the U.S. Securities and Exchange Commission (the “SEC”) as an investment company. Oversight is provided by the Finance Committee. In 2012 the Board of Commissioners, Finance Committee and County Treasurer authorized the expansion of the Treasurer Investment Pool and with that expansion, an alternative investment vehicle is available not only to the County, but also allows for participation by other legally separate entities such as special districts and public agencies, for which the County is ex officio treasurer. Participation in the TIP by districts and agencies is voluntary, with a signed Investment Service Agreement submitted to the Treasurer. Participants withdrawing one or more funds completely from the TIP, wherein the value being redeemed equals or exceeds \$10 million, must provide ten (10) business days- notice prior to withdrawal.

The County and districts are able take advantage of higher yielding investment opportunities by combining purchasing power while maintaining the objectives of safety, liquidity and yield. The TIP has grown from four participants with 34 funds at its implementation to 18 participants involving 129 funds in 2018. It is expected that the growth of the TIP will continue, with only nine districts left to join the TIP.

The following schedule shows the types of investments, the fair value and the weighted average maturity in years of the TIP as of December 31, 2018.

**BENTON COUNTY TREASURER’S INVESTMENT POOL**

Investment Type	Weighted Average Maturity Years	Fair Value of County's Investments	Total
Federal Agricultural Mortgage Corporation	1.47	\$ 35,306,718.00	\$ 35,306,718.00
Federal Farm Credit Bank	2.06	\$ 71,813,775.00	\$ 71,813,775.00
Federal Home Loan Bank	1.27	\$ 56,504,720.00	\$ 56,504,720.00
Federal Home Loan Mortgage Corporation	1.83	\$ 32,711,460.00	\$ 32,711,460.00
Federal National Mortgage Association	1.14	\$ 32,321,227.50	\$ 32,321,227.50
Municipal Bonds	0.00	\$ -	\$ -
Treasuries	0.66	\$ 16,835,740.00	\$ 16,835,740.00
State Pool	1.00	\$ 123,563,188.83	\$ 123,563,188.83
<b>GRAND TOTAL</b>	<b>1.04</b>	<b>\$ 369,056,829.33</b>	<b>\$ 369,056,829.33</b>

TREASURER’S INVESTMENT POOL				
	FMV	PRINCIPLE AMOUNT	INTEREST RATE RANGE	MATURITY RANGE
TREASURIES & AGENCIES	\$ 245,493,640.50	\$247,171,808.82	0.88% - 3.07%	1/1/2019-12/31/2023
MUNICIPAL BONDS	\$ -	\$ -	\$ -	\$ -
STATE POOL	\$ 123,563,188.83	\$123,563,188.83	2.37	12/31/2018
<b>TOTAL</b>	<b>\$ 369,056,829.33</b>	<b>\$370,734,997.65</b>	<b>0.88% - 3.07%</b>	<b>1/1/2019-12/31/2023</b>

The Benton County Treasurer’s Investment Pool is comprised of United State Treasuries and Agency securities and the Washington State LGIP investments. All securities are traded in active markets with readily available market pricing, or in the case of the Washington LGIP, pricing is provided daily on the State Treasurer’s website as well as the 12/31/2018 LGIP account statement. As the Benton County Investment pool doesn’t contain securities that would have assumptions made regarding their fair market value, additional value disclosures are not necessary.

The Washington LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, on at <http://www.tre.wa.gov>

*Benton County, Washington*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Realized gains and losses from investments will be credited or charged to investment income at the time of sale. As a result of changing market conditions, the Benton County Treasurer's Investment Pools had a net decrease in Fair Market value of (\$1,678,168.32) at 12/31/2018. Pool participants are one hundred percent invested in the pool with purchase and redemption calculated on average daily balances which is the same methodology for reporting.

**BENTON COUNTY TREASURER'S INVESTMENT POOL**  
**CONDENSED STATEMENT OF NET POSITION**

<b>Assets</b>	
Cash, Cash Equivalents & Pooled Investments	\$369,056,829
Receivables	-0-
Total Assets	<u>\$369,056,829</u>
 <b>Liabilities</b>	
Total Liabilities	-0-
 <b>Net Position Held in Trust For Pool Participants</b>	 <u>\$369,056,829</u>

**BENTON COUNTY TREASURER'S INVESTMENT POOL**  
**CONDENSED STATEMENT OF CHANGES IN NET POSITION**

Net Position Beginning of Year	\$386,144,367
Net Change in Investments by Pool Participants	-17,087,538
 <b>Net Position Year-End</b>	 <u>\$369,056,829</u>

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The County's Investment Policy minimizes concentration risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. The investment policy sets forth maximum concentration guidelines whereby agency securities (combined) may comprise up to the following:

- US Treasury Obligations 100%
- Washington LGIP 100%
- US Agency ("GSE") Securities 100%:
  - Federal Home Loan Bank 50%
  - Federal Farm Credit Bank 50%
  - Federal Home Loan Mortgage Corporation 50%
  - Federal National Mortgage Association 50%
- Bankers Acceptances (<360 days, A1/P1) 10%
- Certificates of Deposit, including Bank Deposits 50%
- Repos (<60 days) 20%
- Registered Warrants 10%
- Municipal GO Bonds (one of 3 highest ratings) 10%
- Commercial Paper 20%
- Supranational 20%

Presented below are investments in any one issuer in which the Primary Government participated as of December 31, 2018:

*Benton County, Washington*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

**BENTON COUNTY INVESTMENT CONCENTRATION**

INVESTMENT	% Of County Investments	% of Other Districts	Total
Federal Agricultural Mortgage Corporation	8.96%	0.00%	8.96%
Federal Farm Credit Bank	18.61%	0.00%	18.61%
Federal Home Loan Bank	13.99%	0.00%	13.99%
Federal Home Loan Mortgage Corporation	8.64%	0.00%	8.64%
Federal National Mortgage Association	9.37%	0.00%	9.37%
Municipal Bonds	0.03%	0.00%	0.03%
Treasuries	3.70%	0.00%	3.70%
State Pool	35.68%	1.01%	36.69%
<b>GRAND TOTAL</b>	<b>98.99%</b>	<b>1.01%</b>	<b>100.00%</b>

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. County policy dictates that all investment instruments other than non-negotiable certificates of deposit and monies placed with the LGIP are transacted on the delivery versus payment basis. This means that payment is made simultaneously with the receipt of the security. Securities are held in safekeeping in the County’s name by an institution (custodian) under contract with the Treasurer. Currently, safekeeping is with Bank of New York Mellon.

**NOTE 5 - PROPERTY TAXES**

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed daily.

Property taxes are levied and become an enforceable lien against properties upon certification, with collection beginning after the Treasurer has completed the tax roll for the current year’s collection and provided the notification required. They may be paid in two installments—one half by April 30 and the second half by October 31. Interest is charged at the rate of 12% per annum, computed on a monthly basis from date of delinquency, until paid. A penalty of 3% of total delinquent tax is added on June 1 and an additional penalty of 8% is added December 1. On January 1, the assessed value of property is established for the next year’s levy at 100% of market value.

Property taxes are 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. The balance of taxes receivable includes related interest and penalties. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible by lien foreclosure. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The County may levy up to \$1.80 per \$1,000 of assessed valuation for general governmental services, subject to three limitations:

- Washington State law, RCW 84.55.010, limits the growth of regular property taxes to the lesser rate of the implicit price deflator per year or 1%, excluding new construction, improvements to property, any increase in the value of state assessed property, and newly constructed wind turbines, solar, biomass and geothermal facilities.
- RCW Chapter 84.52 establishes a limitation on the levies for ports, public utilities, state schools, emergency medical services, counties, roads, cities and towns. Counties, roads, cities, towns and all other regular levies are proportionately reduced if a composite rate of \$5.90 per thousand is exceeded. Levies not subject to the \$5.90 Aggregate Limit: State, Ports, Public Utility Districts, Emergency Medical Services,

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

Affordable Housing, Conservation Futures, County Ferry Districts, Criminal Justice, and County Transit.

- The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1% limit. Exceptions include port districts and public utility districts.

For 2018, the County levied the following property taxes:

<b>Purpose of Levy</b>	<b>Per \$1,000</b>	<b>Levy Amount</b>
General Government (A)	\$1.2425	\$22,469,093
County Roads (B)	1.5336	6,492,838
Human Services (A)	0.0250	452,081
Veterans' Assistance (A)	0.0113	204,341
<b>Totals</b>	<b>\$2.8124</b>	<b>\$29,618,353</b>

(A) assessed value of \$18,083,259,175

(B) assessed value of \$ 4,233,672,807

**NOTE 6 – CAPITAL ASSETS**

Capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Infrastructure assets are long-lived assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, bridges, drainage systems, water and sewer systems, and lighting systems. The total for Infrastructure on the government-wide Statement of Net Position is comprised all Infrastructure related capital expenses, including construction in progress and depreciation.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the government fund financial statements.

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no records exist. Donated capital assets are valued at their estimated acquisition value on the date received.

Improvements to capital assets that materially add to the value or extend the life of the asset are capitalized. Other repairs and normal maintenance are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of buildings, equipment, vehicles, and improvements is computed using the straight-line method. Estimated useful lives are the lesser of the projects' estimated lives or the following:

Buildings - 20 years	Autos, Light Trucks - 5 years
Furniture & Equip - 10 years	Heavy Trucks - 7 years
Information Systems - 4 years	Land Improvements - 20 years
Data Handling Equip - 4 years	Heavy Road Equipment - 10 years
Infrastructure - 75 years	

Machinery and equipment purchased on capital leases are treated as capital assets indicating a constructive or actual transfer of the benefits and risks of ownership to the County, and are valued at the lesser of the fair value of the leased property or the net present value of the minimum lease payments required by the contract.

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

Capital asset activity for the year ended December 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustment</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>					
Capital assets, not being depreciated					
Land	\$ 16,790,622	\$ 239,226	\$ (2,550,854)	\$ -0-	\$ 14,478,994
Rights and Easements	-	507,460	-	-	507,460
Construction in progress	3,818,356	7,280,929	(7,415,118)	-	3,684,167
<b>Total capital assets, not being depreciated</b>	<u>20,608,978</u>	<u>8,027,615</u>	<u>(9,965,972)</u>	<u>-0-</u>	<u>18,670,621</u>
Capital assets, being depreciated:					
Quarries	82,330	-	-	(389)	81,941
Buildings	97,340,437	485,496	-	-	97,825,933
Improvements	4,590,945	-	-	(2,777)	4,588,168
Intangibles	1,181,254	255,064	-	-	1,436,318
Machinery and equipment	20,472,494	1,979,864	(1,892,023)	37,844	20,598,179
Infrastructure	109,087,131	8,532,164	(925,909)	-	116,693,386
<b>Total capital assets being depreciated</b>	<u>232,754,591</u>	<u>11,252,588</u>	<u>(2,817,932)</u>	<u>34,678</u>	<u>241,223,925</u>
Less accumulated depreciation for:					
Quarries	25,278	-	-	-	25,278
Buildings	68,634,764	3,574,404	-	-	72,209,168
Improvements	1,446,891	247,318	-	(20,000)	1,674,209
Intangibles	621,313	182,713	-	-	804,026
Machinery and equipment	13,623,228	1,576,843	(1,877,243)	(22,893)	13,299,935
Infrastructure	34,299,147	1,098,590	(925,909)	(1,102,447)	33,369,381
<b>Total accumulated depreciation</b>	<u>118,650,621</u>	<u>6,679,868</u>	<u>(2,803,152)</u>	<u>(1,145,340)</u>	<u>121,381,997</u>
Total capital assets being depreciated, net	114,103,970	4,572,720	(14,780)	1,180,018	119,841,928
Governmental activities capital assets, net	\$ <u>134,712,948</u>	\$ <u>12,600,335</u>	<u>(9,980,752)</u>	<u>1,180,018</u>	\$ <u>138,512,549</u>

Depreciation expense was charged to functions as follows:

General Government	3,586,553
Public Safety	450,632
Transportation	1,125,826
Natural & Economic Environment	75,361
Social Services	65,355
Culture and Recreation	<u>304,659</u>
	5,608,386

Depreciation on capital assets held by the County's internal service funds included in the totals above) is charged to the various functions based upon their usage of the assets.

Total governmental activities depreciation expense \$ 6,679,868

**NOTE 7 - PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2018:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	(15,203,850)
Pension assets	4,119,921
Deferred outflows of resources	3,129,426

*Benton County, Washington  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2018*

Deferred inflows of resources	(7,892,687)
Pension expense/expenditures	56,418

**State Sponsored Pension Plans**

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

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

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

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees’ Retirement System (PERS)**

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates expressed as a percentage of covered payroll) for 2018 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee*</b>
January – August 2018		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.70%</b>	<b>6.00%</b>
September – December 2018		
PERS Plan 1	7.52%	6.00%

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.83%</b>	<b>6.00%</b>

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

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates expressed as a percentage of covered payroll) for 2018 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January – August 2018		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.70%</b>	<b>7.38%</b>
September – December 2018		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.83%</b>	<b>7.41%</b>

\* For employees participating in JBM, the contribution rate was 18.45%

*Benton County, Washington  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2018*

The County’s actual PERS plan contributions were \$1,677,341 to PERS Plan 1 and \$1,882,303 to PERS Plan 2/3 for the year ended December 31, 2018.

**Public Safety Employees’ Retirement System (PSERS)**

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in [RCW 10.93.020](#); or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member’s 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member’s age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2018 were as follows:

<b>PSERS Plan 2</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>

*Benton County, Washington*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

January – August 2018		
PSERS Plan 2	6.74%	6.74%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.95%</b>	<b>6.74%</b>
September – December 2018		
PSERS Plan 2	7.07%	7.07%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.38%</b>	<b>7.07%</b>

The County’s actual plan contributions were \$478,811 to PSERS Plan 2 and \$353,850 to PERS Plan 1 for the year ended December 31, 2018.

**Law Enforcement Officers’ and Fire Fighters’ Retirement System LEOFF)**

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

**LEOFF Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months’ salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2018. Employers paid only the administrative expense of 0.18 percent of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance based on the CPI, capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.43%</b>	<b>8.75%</b>
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.93%</b>	<b>8.75%</b>

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2018, the state contributed \$68,152,127 to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is \$203,602.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan’s normal cost using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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

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

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

**Discount Rate**

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

**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, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

**Sensitivity of the Net Pension Liability/(Asset)**

The table below presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	13,592,323	11,060,223	8,866,912
PERS 2/3	18,854,660	4,122,117	(7,956,924)
PSERS 2	2,234,687	21,510	(1,715,108)
LEOFF 1	(348,776)	(438,426)	(515,609)
LEOFF 2	(489,570)	(3,681,496)	(6,284,883)

**Pension Plan Fiduciary Net Position**

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

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

financial report.

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

At June 30, 2018, the County reported a total pension liability of \$11,083,928 for its proportionate share of the net pension liabilities as follows:

	Liability or Asset
PERS 1	11,060,223
PERS 2/3	4,122,117
PSERS 2	21,510
LEOFF 1	(438,426)
LEOFF 2	(3,681,496)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the County. The amount recognized by the County as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the County were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	(438,426)	(3,681,496)
State's proportionate share of the net pension asset associated with the employer	(2,965,500)	(2,383,699)
TOTAL	(3,403,925)	(6,065,195)

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

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.259094%	0.247652%	0.011442%)
PERS 2/3	0.257100%	0.241425%	0.015675%)
PSERS 2	1.823246%	1.736097%	0.087149%)
LEOFF 1	0.024923%	0.024149%	0.000774%)
LEOFF 2	0.176483%	0.181335%	0.004852%)

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary OSA). In fiscal year 2018, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense**

*Benton County, Washington*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

For the year ended December 31, 2018, the County recognized pension expense as follows:

	Pension Expense
PERS 1	413,563
PERS 2/3	(522,386)
PSERS 2	364,341
LEOFF 1	(59,833)
LEOFF 2	(139,268)

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	0	0
Net difference between projected and actual investment earnings on pension plan investments	0	(439,527)
Changes of assumptions	0	0
Changes in proportion and differences between contributions and proportionate share of contributions	0	0
Contributions subsequent to the measurement date	847,806	0
<b>TOTAL</b>	<b>847,806</b>	<b>(439,527)</b>

<b>PERS 2 &amp; 3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	505,264	(721,707)
Net difference between projected and actual investment earnings on pension plan investments	0	(2,529,522)
Changes of assumptions	48,222	(1,173,121)
Changes in proportion and differences between contributions and proportionate share of contributions	0	(1,180,487)
Contributions subsequent to the measurement date	939,104	0
<b>TOTAL</b>	<b>1,492,589</b>	<b>(5,604,837)</b>

<b>PSERS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	159,534	(22,069)
Net difference between projected and actual investment earnings on pension plan investments	0	(290,038)
Changes of assumptions	2,301	(133,112)
Changes in proportion and differences between contributions and proportionate share of contributions	0	(28,147)
Contributions subsequent to the measurement date	250,989	0
<b>TOTAL</b>	<b>412,824</b>	<b>(473,366)</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	0	0
Net difference between projected and actual investment earnings on pension plan investments	0	(35,594)
Changes of assumptions	0	0
Changes in proportion and differences between contributions and proportionate share of contributions	0	0
Contributions subsequent to the measurement date	0	0

*Benton County, Washington  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2018*

<b>TOTAL</b>	<b>0</b>	<b>(35,594)</b>
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<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	197,211	(85,485)
Net difference between projected and actual investment earnings on pension plan investments	0	(644,311)
Changes of assumptions	2,084	(528,361)
Changes in proportion and differences between contributions and proportionate share of contributions	4,756	(81,206)
Contributions subsequent to the measurement date	172,157	0
<b>TOTAL</b>	<b>376,208</b>	<b>(1,339,363)</b>

<b>TOTAL ALL PLANS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	862,008	(829,261)
Net difference between projected and actual investment earnings on pension plan investments	0	(3,938,992)
Changes of assumptions	52,607	(1,834,594)
Changes in proportion and differences between contributions and proportionate share of contributions	4,756	(1,289,840)
Contributions subsequent to the measurement date	2,210,055	0
<b>TOTAL</b>	<b>3,129,426</b>	<b>(7,892,687)</b>

Deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>	<b>PERS 2 &amp; 3</b>	<b>PSERS</b>	<b>LEOFF 1</b>	<b>LEOFF 2</b>
2019	19,229	(790,395)	(8,656)	34	(84,528)
2020	(96,083)	(1,031,848)	(39,680)	(8,030)	(182,080)
2021	(288,318)	(1,699,065)	(101,329)	(21,870)	(390,413)
2022	(74,355)	(724,112)	(52,492)	(5,729)	(152,734)
2023	0	(362,980)	(15,269)	0	(61,392)
Thereafter	0	(442,951)	(94,104)	0	(264,167)

**NOTE 8A - RISK POOL**

Benton County is a participating member of the Washington Counties Risk Pool (WCRP). Chapter 48.62 RCW authorizes the governing body of one or more governmental entities to join together for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2018, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total

*Benton County, Washington*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

coverage limits are \$25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2018, Benton County selects a per-occurrence deductible of \$100,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions (“SIRs”) equal to the greater of the deductible for the member with the claim or \$100,000. More recent years’ reinsurance programs have included “corridor deductibles” with aggregated stop losses which have the effect of increasing the Pool’s SIR. For 2017-18, the “corridor” increased the SIR to \$2 million, with an aggregated stop loss of \$4.35 million. Other reinsurance agreements respond up to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million (second layer), \$30 million (third layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

New members may be asked to pay modest fees to cover the costs to analyze their loss data and risk profiles, and for their proportional shares of the entry year’s assessments. New members contract under the Interlocal Agreement to remain in the Pool for at least five years. Following its initial 60-month term, any member may terminate its membership at the conclusion of any Pool fiscal year, provided the county timely files the required advance written notice. Otherwise, the Interlocal Agreement and membership automatically renews for another year. Even after termination, former members remain responsible for reassessments by the Pool for the members’ proportional shares of any unresolved, unreported, and in-process claims for the periods that the former members were signatories to the Interlocal Agreement.

The Pool is fully funded by its member participants. Claims are filed directly with the Pool by members and adjusted by one of the six staff members responsible for evaluating each claim for coverage, establishing reserves, and investigating for any risk-shared liability. The Pool does not contract with any third party administrators for claims adjustment or loss prevention services.

During 2017-18, Benton County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties’ buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes ‘All Other Perils (“AOP”)’ coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

Benton County also participates in the jointly purchased cyber risk and security coverage from a highly-rated commercial insurer.

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. The Board of Directors generally meets three-times each year with the Annual Meeting of the Pool being held in summer. The Board approves the extent of risk-sharing, approves the Pool’s self-insuring coverage documents, approves the selection of reinsurance and excess agreements, and approves the Pool’s annual operating budget.

An 11-member executive committee is elected by and from the WCRP Board for staggered, 3-year terms. Authority has been delegated to the Committee by the Board of Directors to, a) approve all disbursements and reviews the Pool’s financial health, b) approve case settlements exceeding the applicable member’s deductible by at least \$50,000, c) review all claims with incurred loss estimates exceeding \$100,000, and d) evaluate the Pool’s operations, program deliverables, and the Executive Director’s performance. Committee members are expected to participate in the Board’s standing committees (finance, personnel, risk management, and underwriting) which develop or review/revise proposals for and/or recommendations to the association’s policies and its coverages for the Board to consider and act upon.

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

During 2017-18, the WCRP's assets increased slightly to \$51.5 million while its liabilities increased slightly to \$31.5 million. The Pool's net position increased slightly from \$18.1 million to \$19.8 million. The Pool more than satisfies the State Risk Manager's solvency requirements WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2018 was zero \$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

**NOTE 8B - UNPAID CLAIMS LIABILITIES**

Benton County maintains insurance coverage for the following: General liability, auto liability, property damage, excess workers' compensation and employers' liability, surety bonds, and employee dishonesty. These coverages insure against most normal hazards such as torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

Claims settlements and loss expenses are accrued in the Insurance Management Fund. This fund is responsible for collecting interfund premiums from insured funds and departments, and for purchasing insurance policies, and claim settlements. Every two years, Benton County has an actuarial review of the liability program that determines the interfund premiums to be allocated to each department. The interfund assessments are based on total budget dollars, worker hours and vehicle counts, as well as the loss history of each department. Claims settlements have not exceeded insurance coverage during the past three years.

Benton County maintains reserves at a funding confidence level as recommended by the actuary. The reserves are sufficient to cover estimated future payments on claims incurred and/or outstanding as of the year-end.

Reconciliation of Claims Liability

- Unemployment Compensation. Benton County reimburses the Employment Security Department for individual unemployment compensation claims. The County pays actual claims on a pay-as-you-go basis.

Claims liability at 12/31/2016	\$ -0-
Claims incurred	58,128
Claims paid	<u>(58,128)</u>
Claims liability at 12/31/2017	-0-
Claims incurred	71,729
Claims paid	<u>(71,729)</u>
Claims liability at 12/31/2018	<u>\$ -0-</u>

- Workers' Compensation. Benton County reimburses the Employment Security Department for individual unemployment compensation claims. The County pays actual claims on a pay-as-you-go basis.

Claims liability at 12/31/2016	\$ 714,960
Claims incurred	623,935
Claims paid	650,189
Claims adjustments	<u>(15)</u>
Claims liability at 12/31/2017	688,691
Claims incurred	824,651
Claims paid	751,950
Claims adjustments	(237)
Claims liability at 12/31/2018	<u>\$ 761,155</u>

**NOTE 8C - RISK MANAGEMENT**

The County maintains insurance against most normal hazards, except for workers' compensation and unemployment, where it has elected to become self-insured. The County is required by the State to set aside for

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

protection, to the Workers' Compensation Fund, \$100,000 in cash reserves. Workers' Compensation Fund reserves, at December 31, 2018, were \$3,090,677.

**NOTE 9 - LONG-TERM DEBT**

A. Advance Due to Other Governments

On June 28, 1985, Benton County entered into a contract with the Washington State Department of Social and Health Services (DSHS) and began receiving funding to be used as working advances for specific client services. The current amount of the advance is \$252,235. The contract has been renewed every two years since it was first signed. Since its inception, the contract with DSHS has required that the County “shall record” these advances as “Long-Term Payables in its financial records”. The County has complied with this requirement and listed them in the governmental balance sheets for the Human Services Special Revenue Fund and on the combining Balance Sheet for Governmental Funds as “Due To Other Governmental Units”. The County recognizes that this is a departure from GAAP but has chosen to continue presenting the advances in this manner since the amount is not material and presenting them in this format meets the specific contractual requirement mandated by the DSHS.

On July 16, 2007, Benton County accepted the first draw on a loan from the Washington State Department of Community Trade and Economic Development in the amount of \$1,462,500. On July 24, 2008, a second draw of \$812,500 was accepted by Benton County and on December 29, 2008 an additional draw of \$812,500 was accepted. The final draw was completed on March 31, 2009 in the amount of \$162,500 bringing the total to \$3,250,000. This loan was for the development of the I-82 to SR397 Intertie Project. The loan has a low-interest rate of 0.50% and the repayment term is approximately 20 years from completion of the project.

The completion of the Intertie road in 2008 resulted in a route jurisdictional transfer of the road to the state that was signed by the Governor and became effective July 26, 2009. Benton County remains accountable for the loan.

Public Works Trust Fund Loan debt service requirements to maturity are as follows:

Year Ending December 31	Trust Fund Loan		
	Principal	Interest	Total
2019	\$ 197,748	\$ 5,933	\$ 203,681
2020	197,748	4,944	202,692
2021	197,748	3,955	201,703
2022	197,748	2,966	200,714
2023	197,748	1,978	199,726
2024	197,748	989	198,737
<b>Totals</b>	<b>\$1,186,488</b>	<b>\$20,765</b>	<b>\$1,207,253</b>

B. Special Assessment Bonds

On May 1, 2003 Benton County issued \$382,995 in Special Assessment bonds payable by levy against real property in the County’s Road Improvement District (CRID) numbers 11 and 12. This CRID was paid off in May 2018. There remains \$20,867 in delinquent special assessment receivables on December 31, 2018.

On December 31, 2005, Benton County issued \$899,598 in Special Assessment bonds payable by levy against real property in the County’s Road Improvement District numbers 15 and 16. This CRID was paid off in 2017. There remains \$3,313 in delinquent special assessment receivables on December 31, 2018.

On August 23, 2016, Benton County issued \$713,724 in Special Assessment bonds payable by levy against real property in the County’s Road Improvement District number 21. These bonds bear an interest rate of 3.80% and reach maturity in the year 2031. The principal outstanding on December 31, 2016 is \$773,373. There was \$1,573 in delinquent special assessment receivables on December 31, 2018.

Debt service requirements for special assessment bonds will be met by the collection of assessment receivable that have been levied against property owners. Benton County has established a CRID Guaranty fund whereby the County will cover expenses if the property owners do not pay the assessments necessary to finance the debt. The

*Benton County, Washington  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2018*

County will recover all funds spent in this manner, as the assessments are liens against the property and subject to foreclosure.

Year Ending December 31	Special Assessment Bonds		
	Principal	Interest	Total
2019	\$ 51,558	\$ 25,137	\$ 76,695
2020	51,558	23,225	74,782
2021	51,559	21,185	72,743
2022	51,558	19,209	70,767
2023	51,558	17,233	68,791
2024-2028	257,791	56,589	314,377
2029-2033	140,317	10,205	150,523
<b>Totals</b>	<b>\$655,892</b>	<b>\$172,784</b>	<b>\$ 828,676</b>

C. Long-Term Debt

The County issues general obligation bonds to finance the purchase of land and the acquisition or construction of buildings. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. General obligation bonds are being repaid from the applicable resources using debt service funds.

These bonds are subject to Federal arbitrage regulations. Benton County has contracted with Arbitrage Compliance Specialists, Inc., to perform periodic arbitrage rebate calculations on the County's long-term debt. The latest report, dated December 20, 2018, determined that there were no requirements to report anything to the IRS as of that date.

On November 1, 2003 Benton County issued \$20,885,000 in General Obligation bonds to refinance portions of the bonds issued in July of 2000 and September of 1996. These bonds bear an interest rate of 2.00% to 5.00% and reach maturity in the year 2020. The principal outstanding on December 31, 2018 is \$ 3,750,000.

On February 22, 2018 Benton County issued a \$5,345,000 Limited Tax General Obligation Refunding Bond to refinance the 2006 Limited Tax General Obligation Bonds. This bond has a fixed interest rate of 3.03% with maturity in December 2031. The principal outstanding on December 31, 2018 is \$ 4,990,000.

The County entered into a financing contract with KS StateBank for the purchase of election ballot processing/sorting equipment. Outstanding principal on December 31, 2018 is \$164,409.

The annual requirements to amortize outstanding debt, including interest, are as follows:

Years)	Health Building 2018 refunding	CRID21 Special Assessment Debt 2016	G.O. Bonded Debt 2003	Public Works Trust Fund Loan	Elections Equipment KS StateBank	Total Debt Payments
2019	\$ 476,197	\$ 76,695	\$ 2,017,500	\$ 203,681	\$ 54,803	\$ 2,828,876
2020	471,350	74,782	2,016,000	202,692	54,803	\$ 2,819,627
2021	476,351	72,743	0	201,703	54,803	\$ 805,600
2022	415,449	70,767	0	200,714	0	\$ 686,930
2023	470,141	68,791	0	199,726	0	\$ 738,658
2024-2028	2,364,053	314,377	0	198,737	0	\$ 2,877,167
2029-2033	924,994	150,523	0	0	0	\$ 1,075,517

*Benton County, Washington*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

<b>Totals</b>	\$ 5,598,535	\$ 828,676	\$ 4,033,500	\$ 1,207,253	\$ 164,409	\$ 11,832,373
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General Obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
Refinance portions of outstanding bonds for reduced rate	2.77%-5.00%	\$ 3,750,000
Health Building refunded 2018)	Fixed 3.03%	4,990,000
<b>Total</b>		<b>\$ 8,740,000</b>

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
2019	\$ 2,155,000	\$ 244,947	<b>\$ 2,399,947</b>
2020	2,250,000	141,350	<b>2,391,350</b>
2021	345,000	131,351	<b>476,351</b>
2022	355,000	120,897	<b>475,897</b>
2023	360,000	110,141	<b>470,141</b>
2024-2028	1,985,000	379,053	<b>2,364,053</b>
2029-2033	1,290,000	78,023	<b>1,368,023</b>
	<b>\$ 8,740,000</b>	<b>\$ 1,205,762</b>	<b>\$ 9,945,762</b>

At December 31, 2018, the County has \$4,190,011 available in Debt Service funds to service the general obligation bonded debt.

Under Washington State law RCW 39.36.020, a County may incur general obligation debt for general County purposes, with or without a vote, in an amount not to exceed two and one-half percent of the value of all taxable property within the County. State law requires all property to be assessed at 100 percent of its true and fair value. The County is limited to a non-voted debt capacity of one and one-half percent and a voted debt capacity of two and one-half percent of the assessed valuation. The County's legal non-voted debt limit is \$271,248,888 with \$262,152,996 still available. The legal voted debt limit (with 3/5 vote) is \$452,081,479 with \$442,685,587 still available.

At December 31, 2018, the County estimates that it has \$225,570 of compensated absences due within one year.

**NOTE 10 – LEASES**

The County leases copiers and other office machines and equipment under non-cancelable operating leases. Total cost for such leases was \$109,571 for the year ended December 31, 2018. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2019	\$ 89,419
2020	61,393
2021	44,591
2022	32,944
2023	14,843
2024-2028	-0-
<b>Total</b>	<b>\$ 243,190</b>

**NOTE 11 – CHANGES IN GENERAL LONG-TERM LIABILITIES**

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

During the year ended December 31, 2018, the following changes occurred in Long-Term Liabilities:

Description	Balance 01/01/18	Additions	Reductions	Balance 12/31/18	Due Within One Year
Employee Leave Benefits*	\$ 3,799,896	\$ 3,865,728	\$ 4,735,554	\$ 2,930,070	\$ 225,570
DSHS Working Advances	245,328	6,907	0	252,235	0
Economic Development Loan	1,384,237	0	197,748	1,186,489	197,748
2003 CRID Special Assessment	5,000	0	5,000	0	0
2016 CRID21 Special Assessment	713,724	0	57,832	655,892	51,558
BF Health District Building	5,210,000	0	5,210,000	0	0
BF Health District Bldg Refunding	0	5,345,000	355,000	4,990,000	325,000
2003 Refinancing juv/jail/other)	5,490,000	0	1,740,000	3,750,000	1,830,000
KS StateBank Elections	0	201,996	54,803	147,193	46,352
OPEB Liability	6,227,569	0	238,382	5,989,187	0
Net Pension Liability	21,584,437	0	6,380,590	15,203,847	0
<b>Total Debt</b>	<b>\$ 44,660,191</b>	<b>\$ 9,419,631</b>	<b>\$18,974,909</b>	<b>\$35,104,913</b>	<b>\$2,676,228</b>

\*Departments are reimbursed leave expenditures from the Accumulated Leave fund. At year-end \$155,089 of internal service funds compensated absences are included in the above amounts.

**NOTE 12 – CONTINGENCIES AND LITIGATIONS**

The County participates in a number of federal and state grant 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. County management believes that such disallowances, if any, will be immaterial.

Benton County's financial statements include all material liabilities. There are no material contingent liabilities to record. In the opinion of management the County's insurance policies and self-insurance reserves are adequate to pay all known pending claims without adversely affecting the financial viability of the County.

**NOTE 13 - INTERFUND BALANCES AND TRANSFERS**

A. Classification of Interfund Transactions

Interfund transactions are classified as follows:

1. Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payment in lieu of taxes, are similarly treated when they involve other funds of the County.
2. Transfers to support the operations of other funds are recorded as "Transfers" and classified with "Other Financing Sources or Uses".

B. Interfund Reconciliations

1. Interfund Due To & Due From

The composition of interfund Due To and Due From as of December 31, 2018, is as follows:

Due To	Due From	Amount
General Fund	County Road	\$ 929
	NonMajor Governmental Funds	1,790
	Internal Service Funds	213
	<b>Sub-total</b>	<b>2,932</b>
County Road Fund	General Fund	5,696

*Benton County, Washington  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2018*

	1/10% Criminal Justice Funds	579
	Capital Fund	2,442
	County Road Improvement Matching Fund	1,337,539
	Internal Service Fund	8,065
	<b>Sub-total</b>	<b>1,354,321</b>
Human Services	NonMajor Governmental Funds	23,941
	<b>Sub-total</b>	<b>23,941</b>
NonMajor Governmental Funds	General Fund	6,126
	NonMajor Governmental Funds	2,714
	<b>Sub-total</b>	<b>8,840</b>
Internal Service Funds	General Fund	48,525
	County Road	208,324
	NonMajor Governmental Funds	10,456
	<b>Sub-total</b>	<b>267,305</b>
	<b>Totals</b>	<b>\$ 1,657,399</b>

These interfund transactions usually involve the exchange of goods and services in a normal business relationship. The amounts due to the internal service funds consists primarily of interfund assessments for insurance and worker's compensation. Also, County Road fund equipment rental fees and material purchases of approximately \$208,324. Other interfund transactions include court costs, legal fees and administrative charges.

2. Transfers

Transfers represent subsidies and contributions provided to operating funds and capital project funds with no corresponding debt or promise to repay. Transfers out on non-major governmental funds generally represent debt service and capital project funding. Interfund transfers occurring between individual major funds and non-major governmental funds of the County during the year ended December 31, 2018 are as follows:

Transferring In Fund	Transferring Out Fund	Amount
General Fund	1/10% Criminal Justice Tax Fund	\$ 976,734
	NonMajor Governmental Funds	20,000
	<b>Sub-total</b>	<b>996,734</b>
County Roads	Rural County	115,465
	County Road Improvement Matching Program	1,337,271
	NonMajor Governmental Funds	933,649
	<b>Sub-total</b>	<b>2,386,385</b>
Capital Acquisition	General Fund	8,668,000
	<b>Sub-total</b>	<b>8,668,000</b>
NonMajor Governmental Funds	General Fund	4,164,624
	1/10% Criminal Justice Tax Fund	1,216,734
	Rural County	134,540
	NonMajor Governmental Funds	601,493
	<b>Sub-total</b>	<b>6,117,391</b>
	<b>Total</b>	<b>\$ 18,168,510</b>

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

For the year ended December 31, 2018, the following transfers were significant or of a nonroutine nature:

- \$8.67 million transferred from the General Fund to Capital Projects Fund for building maintenance projects.
- \$3.43 million transferred to the Benton Franklin Juvenile Center to fund operations, consisting of the following: \$2.46 million from the General Fund and \$0.97 million from the 1/10% Criminal Justice Jail-Juvenile Fund.
- \$.98 million from 1/10% Criminal Justice Jail-Juvenile Fund to the General Fund for maintenance and operation of the adult and juvenile jails.
- \$2.27 million from County Road Improvement Matching Program Fund to the County Road Fund.

3 Interfund Loans

One Interfund Loan arose during 2016 to repay the Capital Projects fund for financing the construction of the ER&R maintenance shop. The loan will be repaid over 20 years with the final payment in July, 2036. Interest is calculated yearly using the U.S. Department of Treasury, 5 Year Treasury Yield Rate as of December 31<sup>st</sup>. The following table displays interfund activity during 2018:

<b>Borrowing Fund</b>	<b>Lending Fund</b>	<b>Balance 01/01/2018</b>	<b>New Loans</b>	<b>Repayments</b>	<b>Balance 12/31/2018</b>	<b>Due Within One Year</b>
Equipment Rental & Revolving	Capital Projects	\$2,854,038	\$-0-	\$118,085	\$2,735,954	\$238,061
	<b>TOTALS</b>	<b>\$2,854,038</b>	<b>\$-0-</b>	<b>\$118,085</b>	<b>\$2,735,954</b>	<b>\$238,061</b>

**NOTE 14 – RESTRICTED NET POSITION**

The government-wide statement of net position reports \$75,404,186 of restricted net position, of which \$74,111,414 is restricted by enabling legislation and \$1,292,772 is restricted for pension assets.

**NOTE 15 - JOINT VENTURES**

A. Benton County Emergency Services

Benton County Emergency Services BCES), providing public safety communications and emergency management services, was formed January 1, 1997, when an Inter-local Agreement was entered into by the Cities of Kennewick, Richland, West Richland, Benton City, Prosser and the County. A second amended and restated interlocal agreement was made and entered into by and between the following entities: Benton County, Franklin County, the Cities of Kennewick, Richland, West Richland, Prosser, Benton City, and Pasco, Benton County Fire Protection Districts and the Public Utility District #1 of Benton County. These agreements shall continue indefinitely, unless terminated by a participant. Upon dissolution of the Inter-local Agreement, the net position will be shared equitably among the participants.

Benton County Emergency Services is served by an Executive Board composed of a County Commissioner, City Managers or designees) of Kennewick and Richland, City Administrators for Prosser and West Richland, a Council member from Benton City and a Franklin County Commissioner and a single representative collectively representing Benton County Fire Protection Districts.

BCES is comprised of four funds: the Southeast Communications SECOMM), 800 MHz Radio, Benton County Emergency Management BCEM) and Microwave.

1. SECOMM

The Southeast Communications Center SECOMM) provides public safety communications services to three principal participating jurisdictions: The Cities of Kennewick and Richland and the County. The three principal participating jurisdictions own an equal share of net position.

*Benton County, Washington*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

Allocation of financial participation among the three principle jurisdictions is based on an equal share of capital expense, predetermined fixed costs, direct costs and percentages of use.

SECOMM also provides public safety communication services via contract to the City of West Richland, Benton County Fire Protection Districts #1, #2, #3, #4 and #6. These agencies contract with SECOMM and are assessed on a cost per capita or cost per call basis.

2. 800 MHz Radio

The 800 MHz Radio fund provides communication infrastructure and technology for the dispatching of public safety agencies throughout Benton County. Participating agencies Benton County Sheriff's Office, Jail, Juvenile Justice Center, Public Works, Public Utility District and Animal Control; the Cities of Richland, Kennewick, Prosser and West Richland, as well as PNNL and the Areva Corporation) are charged an annual fee per radio to fund system maintenance and upgrades.

3. BCEM

Benton County Emergency Management provides disaster response planning, event and response coordination and disaster recovery for the County and its political subdivisions per RCW 38.52. BCEM is funded by four grant programs: Radiological Emergency Preparedness, Emergency Management Program, Department of Energy Emergency Preparedness, and State Homeland Security Program. The six participating jurisdictions of the Cities of Kennewick, Richland, West Richland, Prosser and Benton City as well as Benton County participate in the grant programs through the Inter-local Agreement for Emergency Management. Financial position is allocated based on equal shares of a predetermined basic charge and a variable charge calculated using population percentages and assessed valuations.

4. Microwave

The microwave system is accounted for separately within its own fund and the user groups are charged a portion of costs based on number of circuits utilized. The Cities of Kennewick, Richland and Benton County each own an equal share of Microwave's net assets. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net position will be shared equitably among the participants.

Effective January 1, 1997, the City of Richland assumed responsibility for operation of Benton County Emergency Services BCES). As the Operating Jurisdiction, the City of Richland provides all of the necessary administrative services for the operation of BCES. The total amount paid by BCES in 2018 for these services was \$415,074. No distributions of income to Richland are expected since charges are assessed only to recover anticipated expenses.

The County's equity interests in SECOMM, 800 MHZ Radio, BCEM and Microwave were \$973,778; \$2,037,747; \$26,597; and \$39,462 on December 31, 2018. The total of these amounts is reported as Joint Venture capital assets on the government-wide statement of net position. The change in equity is reflected in the government-wide statement of activities under Public Safety. The County does not anticipate any income distributions from BCEM since charges are assessed only to recover anticipated expenses. Complete and separate financial statements for BCES may be obtained from the City of Richland, 505 Swift Blvd., Richland, WA.

B. Metro Drug Forfeiture Fund

The Metropolitan Controlled Substance Enforcement Group Metro) was established prior to 1987, when an Inter-local Agreement was entered into by six participating municipal corporations, the cities of Kennewick, Pasco, Richland, and West Richland, and Benton and Franklin Counties West Richland has subsequently opted out of the task force). Metro was established to account for the proceeds of forfeitures, federal grants, and court ordered contributions, and to facilitate the disbursement of those proceeds for the purpose of drug enforcement and investigations.

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

Metro is served by an Executive Committee composed of the City Manager or designee of each of the cities and a member or designee from each of the Boards of County Commissioners of Benton and Franklin Counties. In addition, a Governing Board, consisting of the Chiefs of Police from the cities and the Sheriffs from the counties administers daily activity.

Effective July 1, 2009, the City of Kennewick assumed responsibility for the operation of Metro. As the Operating Jurisdiction, the City provides accounting support services for the operation of Metro.

The County's equity interest in Metro was \$27,300 on June 30, 2018. The County does not anticipate any income distribution from Metro since charges are assessed only to recover anticipated expense. Complete separate financial statements for Metro may be obtained at the City of Kennewick, 210 West Sixth Avenue, Kennewick, WA.

**C. Bi-County Police Information Network**

The Bi-County Police Information Network (BI-PIN) was established November 24, 1982, when an Inter-local Agreement was entered into by eight participating municipal corporations: the Cities of Kennewick, Pasco, Richland, Connell, West Richland, Prosser, and Benton and Franklin Counties. This particular agreement is considered a joint cooperative agreement. BI-PIN was established to assist the participating police and sheriff's departments in the deterrence and solution of criminal incidents. BI-PIN is served by an Executive Committee composed of the City Manager for each city and a member from each Board of County Commissioners of Benton and Franklin Counties. A liaison from the Bi-County Chiefs and Sheriffs is an ex-officio, non-voting member.

The allocation of financial participation among the participating jurisdictions is based upon the approved budget for that year and is billed quarterly in advance to each agency. On dissolution of the Inter-local Agreement, the net position will be shared based upon participant contribution.

Effective January 1, 1992, the City of Kennewick assumed responsibility for operation of the BI-PIN system. As the Operating Jurisdiction, the City of Kennewick provides all of the necessary support services for the operation of BI-PIN. These services include accounting, legal services, risk management and information systems. The total amount paid by BI-PIN, in 2018, for these transactions were \$119,000.

The County's equity interest in BI-PIN was \$913,932 on December 31, 2018. The change in equity is reflected in the government-wide statement of activities under Public Safety. Complete and separate financial statements for BI-PIN may be obtained at the City of Kennewick, 210 West Sixth Avenue, Kennewick, WA.

**NOTE 16 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

The following table represents the aggregate other postemployment benefits other than pension amounts for the county's single employer plan subject to the requirements of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for the year 2018:

OPEB liabilities	\$ 5,989,187
Deferred outflows of resources	\$ 141,181
OPEB expenses/expenditures	\$ 22,322

**OPEB Plan Description**

The county administers a single-employer Other Post Employment Benefit plan, which provides all health insurance benefits for retired public safety employees who are vested in LEOFF I. All county LEOFF I employees may become eligible for these benefits if they reach normal retirement age while working for the county. The county has used the alternative measurement method permitted by GASB Statement 75.

**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

There are thirteen participants eligible to receive these benefits. There are currently no members actively employed at the county who are not yet receiving LEOFF I medical benefits. The County reimburses 100 percent of the amount of validated claims for medical and hospitalization costs incurred by pre-Medicare retirees in order to meet state statutory requirements under the LEOFF I system and provided pursuant to RCW 41.26, whereby the county pays their medical and dental premiums and out-of-pocket medical costs for life. This plan is closed to new entrants.

At December 31, 2018, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	-0-
Active employees	-0-
<b>Total</b>	<b>13</b>

**Contributions**

The county has authority to establish and amend contribution requirements. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. For the year ending December 31, 2018, benefit payments made by the county were \$167,634.

**Actuarial Assumptions** The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The county's total OPEB liability of \$5,898,187 was measured as of June 30, 2018 with a valuation date of June 30, 2018. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The entry age normal actuarial cost method and the recognized immediately amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified:

- Inflation: 3.0% total economic inflation
- Discount Rate: 3.58% beginning of measurement year, 3.87% end of measurement year
- Healthcare cost trend rate: for medical costs, 12.0% decreasing to 5.0% in 2080; for long-term care, 4.5%; Medicare Part B premiums vary, approximately 5%.

The source of the discount rate is the Bond Buyer General Obligation 20- Bond Municipal Index. Mortality rates were based on the RP-2000 report's "+1 year Healthy Table" and "-2 years Disabled Table" published by the Society of Actuaries. The Washington State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. The Age Setback was based on the Blended 50%/50% Healthy/Disabled table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime. Medicare participation is assumed at 100%.

**Sensitivity of the Total OPEB Liability**

The following table presents the total OPEB liability of the County calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8 percent) or 1-percentage point higher (7.8 percent) than the current rate.

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
Total OPEB Liability	\$ 5,393,414	\$ 5,989,187	\$ 6,683,053

The following table presents the total OPEB liability of the County calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5 percent) or 1-percentage point higher (4.5 percent) than the current rate.

	1% Decrease	Current Discount	1% Increase
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**Benton County, Washington**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2018**

	(2.5%)	Rate (3.5%)	(4.5%)
Total OPEB Liability	\$ 672,203	\$ 5,989,187	\$ 5,370,017

**Changes in the Total OPEB Liability**

<b>Total OPEB Liability at 01/01/2018</b>	<b>\$ 6,227,569</b>
Service cost	0
Interest	218,321
Changes in Experience Data and Assumptions	(195,999)
Benefit payments	(260,704)
<b>Total OPEB Liability at 12/31/2018</b>	<b>\$ 5,989,187</b>

The county reported \$22,322 as OPEB expense for the calendar year 2018.

At December 31, 2018, the county reported deferred outflows of resources only for deferred outflows subsequent to the measurement date in the amount of \$141,181. This will be recognized as expense in the period ending December 31, 2019.

**NOTE 17 – TAX ABATEMENT**

State of Washington Tax Abatements: The information here is provided by the Washington State Department of Revenue and is based upon Calendar Year 2017 as a proxy for Fiscal Year 2018.

- Property tax estimates use the established tax rate for each taxing district and levy.
- Most excise tax estimates include information provided by taxpayers on the annual survey/report.
- Additional data will not be available until September 2019 for Calendar Year 2018.

The Department cannot disclose tax information for less than three taxpayers for either state or local estimates. Those estimates that cannot be disclosed show a "D" as the taxpayer savings.

Special Notes: Property Tax Estimates

- For the property tax estimates, the state amounts shown as "taxpayer savings" shift to other property owners.
- For the local property tax estimates, depending on property tax levy limitations, part of the shown amount may shift and part may represent lost revenue to the local jurisdiction.

For year ended December 31, 2018, Benton County tax revenues were reduced by a total of \$21,495 under agreements entered into by the State of Washington that include the following:

High Unemployment County Sales & Use Tax Deferral for Manufacturing Facilities [RCW 82.60]

- Benton County ...D
- Benton County – PTBA ...D

High-Technology Sales and Use Tax Deferral [RCW 82.63]

- Benton County ...\$ 21,495

**NOTE 18 – OTHER DISCLOSURES**

A. Related Organizations

In 2002 Benton County established a Public Facilities District as provided by RCW 36.100. The district was established to account for the receipting and disbursing of cash for the development of a regional center convention, conference and/or special events center) at a cost of at least \$10 million.

The County has reviewed the District as a potential component unit. It is a legally separate entity. Although the District's board members are appointed by the Benton County Commissioners, the County receives no financial benefit and assumes no financial responsibility, whatsoever, for the District.

*Benton County, Washington*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

The Benton County Commissioners, by statute, are the governing board for the Benton City Library Capital Facility Area BCLCFA). However, it is a separate quasi-municipal corporation and management and supervision of the project to build a library in Benton City were contractually transferred to the Building Committee for construction and the Mid-Columbia Library District for acquiring equipment, furnishings and collections and administering the finances of the BCLCFA.

**B. Prior Period Adjustments**

During 2016 the Capital Projects fund sold the newly constructed Kennewick Shop building to the Equipment Rental and Revolving ER&R) fund as the ER&R fund did not have the resources to directly fund the cost of construction. A long term interfund loan was established for the principal amount of \$3,541,084 with an interest rate based on the 5year Daily Treasury Yield rate, fixed for one year and adjusted annually each December 31 based on the current rate. The loan is for a period of 20 years, maturing in 2036. Previously, the interfund loan receivable had not been presented in the governmental financial statements. The accounting for this interfund loan was evaluated in 2018 and it was determined that the appropriate accounting reporting treatment is to show the receivable for the loan in the fund statements for the Capital Projects fund. The principal amount of this loan at December 31, 2018 is \$2,735,953. This interfund loan is eliminated within the Government-Wide Statement of activities along with other immaterial adjustments of \$244,750.

The County in 2018 began recording the accrual of sales tax and other miscellaneous taxes. Prior to 2018, these taxes were recognized in the financial statements when received. In 2018, the County changed to recognizing the taxes in the period in which they were collected from taxpayers, which in some cases could be a two-month interval between taxpayer collection and remittance to the County. This change in recognition required a prior period adjustment for the 2017 taxes receivable that would have been recognized if the County's new recognition method had been applied to years prior to 2018. The prior period adjustment for 2017 taxes receivable that would have been recognized under the new method was \$1,990,076 for the General Fund, \$794,078 for the 1/10% Jail-Juvenile Fund, \$720,809 for the Rural County Capital Fund, \$1,324,097 for the Public Safety Sales Tax Fund, and \$87,424 for the Vitrification Impact Fund. The total prior period adjustment is \$4,916,484.

The County Road fund received a refund of prior years rental charges from the Equipment Rental and Revolving fund in the amount of \$35,891. A reclassification of prior year capital outlay occurred between the Fairgrounds Operating and Capital Project funds netting to \$150,543.

**C. Accounting and Reporting Changes**

For the fiscal year ended December 31, 2018, the county implemented the following GASB pronouncement:

- GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Effective for fiscal years beginning after June 15, 2017. See Note 16 for implementation. As part of this implementation, the county recorded a \$4,497,225 as a cumulative change in accounting principle.

**BENTON COUNTY, WASHINGTON**

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Required Supplementary Information  
Schedule of Changes in Total OPEB Liability and Related Ratios  
LEOFF I OPEB  
December 31, 2018

Total OPEB liability	<u><b>2018</b></u>
Interest	\$ 218,321
Changes of assumptions or other inputs	(195,999)
Benefit payments	(260,704)
Net change in total OPEB liability	<u>(238,382)</u>
Total OPEB liability beginning	<u>6,227,569</u>
Total OPEB liability ending	<u>\$ 5,989,187</u>
Covered employee payroll	-0-
Total OPEB liability as a percentage of covered employee payroll	N/A

Notes to schedule

1. Changes of assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.  
The following are the discount rates used in each period:

2017	3.58%
2018	3.87%

2. The County implemented GASB 75 in 2018, therefore no data is presented before then. Eventually, ten years of data will be presented.

3. All participants in the plan are retired; therefore, there is no covered payroll or service cost.

**BENTON COUNTY, WASHINGTON**

## Required Supplementary Information

## Schedule of Proportionate Share of the Net Pension Liability

June 30, 2018

<b>PERS 1</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
County's proportion of the net pension liability	0.29735%	0.28293%	0.26817%	0.25909%	0.24765%
County's proportionate share of the net pension liability	14,979,348	14,800,079	14,401,992	12,294,212	11,060,223
County's covered payroll	907,863	550,434	420,734	414,017	412,314
County's proportionate share of the net pension liability as a percentage of covered payroll	1649.96%	2688.80%	3423.06%	2969.49%	2682.47%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%	57.03%	61.24%	63.22%
<b>PERS 2/3</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
County's proportion of the net pension liability	0.29831%	0.28778%	0.26863%	0.25710%	0.24143%
County's proportionate share of the net pension liability	6,030,003	10,282,615	13,525,459	8,932,996	4,122,117
County's covered payroll	25,762,131	25,516,578	25,372,621	25,427,342	25,263,741
County's proportionate share of the net pension liability as a percentage of covered payroll	23.41%	40.30%	53.31%	35.13%	16.32%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%	85.82%	90.97%	95.77%
<b>PSERS</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
County's proportion of the net pension liability	1.96396%	1.88636%	1.86007%	1.82325%	1.73610%
County's proportionate share of the net pension liability	(284,401)	344,299	790,492	357,229	21,510
County's covered payroll	5,337,783	5,547,129	6,093,742	6,553,730	6,851,830
County's proportionate share of the net pension liability as a percentage of covered payroll	-5.33%	6.21%	12.97%	5.45%	0.31%
Plan fiduciary net position as a percentage of the total pension liability	105.01%	95.08%	90.41%	96.26%	99.79%
<b>LEOFF 1</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
County's proportion of the net pension liability	0.02600%	0.02497%	0.02524%	0.02492%	0.02415%
County's proportionate share of the net pension liability	(315,277)	(300,908)	(260,013)	(378,137)	(438,426)
State's proportionate share of the net pension liability (asset) associated with the county	(2,132,527)	(2,035,331)	(1,758,723)	(2,557,708)	(2,965,500)
Total proportionate share of the net pension liability (asset)	(2,447,804)	(2,336,239)	(2,018,737)	(2,935,844)	(3,403,926)
County's covered payroll	n/a	n/a	n/a	n/a	n/a
County's proportionate share of the net pension liability as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability	126.91%	127.36%	123.74%	135.96%	144.42%
<b>LEOFF 2</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
County's proportion of the net pension liability	0.17353%	0.17139%	0.17223%	0.17648%	0.18134%
County's proportionate share of the net pension liability	(2,302,858)	(1,761,526)	(1,001,718)	(2,449,012)	(3,681,496)
State's proportionate share of the net pension liability (asset) associated with the county	(1,504,643)	(1,164,722)	(653,047)	(1,588,628)	(2,383,699)
Total proportionate share of the net pension liability (asset)	(3,807,502)	(2,926,249)	(1,654,766)	(4,037,641)	(6,065,195)
County's covered payroll	4,806,782	4,993,231	5,257,450	5,621,494	5,907,341
County's proportionate share of the net pension liability as a percentage of covered payroll	-47.91%	-35.28%	-19.05%	-43.57%	-62.32%
Plan fiduciary net position as a percentage of the total pension liability	116.75%	111.67%	106.04%	113.36%	118.50%

Notes: GASB 68 was implemented for the 2015 financial statements so only five years of data is available.

Up to ten years of history will be presented over time as the data is generated.

**BENTON COUNTY, WASHINGTON**

## Required Supplementary Information

## Schedule of Employer Contributions

December 31, 2018

<b>PERS 1</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Statorily or contractually required contributions	1,322,963	1,406,030	1,562,495	1,609,072	1,677,341
Contributions in relation to the statorily or contractually required contributions	1,322,963	1,406,030	1,562,495	1,609,072	1,677,341
Contribution deficiency (excess)	-	-	-	-	-
Covered County payroll	759,161	434,811	459,490	393,126	419,937
Contributions as a percentage of covered County payroll	174.27%	323.37%	340.05%	409.30%	399.43%
<b>PERS 2/3</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Statorily or contractually required contributions	1,281,288	1,423,247	1,575,575	1,734,116	1,882,303
Contributions in relation to the statorily or contractually required contributions	1,281,288	1,423,247	1,575,575	1,734,116	1,882,303
Contribution deficiency (excess)	-	-	-	-	-
Covered County payroll	25,652,424	25,294,162	25,329,385	25,241,784	25,097,445
Contributions as a percentage of covered County payroll	4.99%	5.63%	6.22%	6.87%	7.50%
<b>PSERS</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Statorily or contractually required contributions	346,045	373,961	422,449	440,221	478,811
Contributions in relation to the statorily or contractually required contributions	346,045	373,961	422,449	440,221	478,811
Contribution deficiency (excess)	-	-	-	-	-
Covered County payroll	5,462,130	5,771,264	6,364,883	6,613,047	6,987,494
Contributions as a percentage of covered County payroll	6.34%	6.48%	6.64%	6.66%	6.85%
<b>LEOFF 1</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Statorily or contractually required contributions	-	-	-	-	-
Contributions in relation to the statorily or contractually required contributions	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-
Covered County payroll	n/a	n/a	n/a	n/a	n/a
Contributions as a percentage of covered County payroll	-	-	-	-	-
<b>LEOFF 2</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Statorily or contractually required contributions	247,278	256,406	276,631	299,483	324,373
Contributions in relation to the statorily or contractually required contributions	247,278	256,406	276,631	299,483	324,373
Contribution deficiency (excess)	-	-	-	-	-
Covered County payroll	4,896,575	5,077,340	5,475,673	5,686,374	6,066,931
Contributions as a percentage of covered County payroll	5.05%	5.05%	5.05%	5.27%	5.35%

Notes: GASB 68 was implemented for the 2015 financial statements so only five years of data is available.

Up to ten years of history will be presented over time as the data is generated.

**Benton County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
<b>Child Nutrition Cluster</b>								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSP)	School Breakfast Program	10.553	N/A	15,042	-	15,042	-	1
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSP)	National School Lunch Program	10.555	N/A	29,690	-	29,690	-	1
	<b>Total Child Nutrition Cluster:</b>			<b>44,732</b>	<b>-</b>	<b>44,732</b>	<b>-</b>	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	WA 17-62210-002	42,492	-	42,492	38,992	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	WA 18-62210-002	27,398	-	27,398	27,398	1
	<b>Total CFDA 14.228:</b>			<b>69,890</b>	<b>-</b>	<b>69,890</b>	<b>66,390</b>	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Continuum of Care Program	14.267	WA 0072L0T011609	-	85,404	85,404	74,736	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Continuum of Care Program	14.267	WA 0072L0T011710	-	17,085	17,085	11,953	1
	<b>Total CFDA 14.267:</b>			<b>-</b>	<b>102,489</b>	<b>102,489</b>	<b>86,689</b>	

OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce - Community Services and Housing Division)	Crime Victim Assistance	16.575	SFY 2018	78,205	-	78,205	-	1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	State Criminal Alien Assistance Program	16.606	2019-AP-BX-0279	-	42,808	42,808	-	1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via City of Kennewick)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	(JAG) 2017-H2217-WA-DJ	8,087	-	8,087	-	1
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	WA003000000	-	2,053	2,053	-	1
<b>Highway Planning and Construction Cluster</b>								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State DOT - Highways & Local Programs)	Highway Planning and Construction	20.205	STPR-A039(003)	2,045,973	-	2,045,973	-	1
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via FHWA-Highway Safety Improvement Program)	Highway Planning and Construction	20.205	TAP-3509(005)	12,000	-	12,000	-	1
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via FHWA-Highway Safety Improvement Program)	Highway Planning and Construction	20.205	HSIP-000S(499)	1,262	-	1,262	-	1
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via FHWA-Highway Safety Improvement Program)	Highway Planning and Construction	20.205	HSIP-000S(500)	23,117	-	23,117	-	1
<b>Total Highway Planning and Construction Cluster:</b>				<b>2,082,352</b>	-	<b>2,082,352</b>	-	
<b>Highway Safety Cluster</b>								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via FHWA-Highway Safety Improvement Program)	State and Community Highway Safety	20.600	MOU WA Traffic Safety Commission	1,677	-	1,677	-	1

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	2018-HVE-2222-Benton County Sheriff's Office	4,124	4,124	-	1
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	2019-HVE-3229-REGION	2,279	2,279	-	1
<b>Total CFDA 20.616:</b>				<b>6,403</b>	<b>6,403</b>	-	-
<b>Total Highway Safety Cluster:</b>				<b>8,080</b>	<b>8,080</b>	-	-
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services)	Child Support Enforcement	93.563	2110-80578 / 75-1501-0-1-609	314,066	314,066	-	1, 2, 3
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services - Division of Child Support)	Child Support Enforcement	93.563	2110-80578	520,848	520,848	-	1, 2, 3
<b>Total CFDA 93.563:</b>				<b>834,914</b>	<b>834,914</b>	-	-
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services - Juvenile Rehabilitation Administration)	Foster Care Title IV-E	93.658	1661-68908	1,964	1,964	-	1
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services - Division of Alcohol & Substance Abuse)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	WA 1763-94242 Amendment 1 & 2	14,612	14,612	-	13,034

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services - Division of Alcohol & Substance Abuse)	93.959	Block Grants for Prevention and Treatment of Substance Abuse	WA 1763-94242	47,461	-	47,461	47,460	1, 2
			<b>Total CFDA 93.959:</b>	<b>62,073</b>	<b>-</b>	<b>62,073</b>	<b>60,494</b>	
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks and Recreation Commission)	97.012	Boating Safety Financial Assistance	3317FAS170153	16,670	-	16,670	-	1
			<b>Total Federal Awards Expended:</b>	<b>3,206,967</b>	<b>147,350</b>	<b>3,354,317</b>	<b>213,573</b>	

**BENTON COUNTY, WASHINGTON**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2018**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the County's financial statements. The County uses the modified accrual basis of accounting.

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 County's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or 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.

NOTE 3 - INDIRECT COST RATE

The County has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Total indirect costs billed to programs were \$75,214.



**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER  
UNIFORM GUIDANCE**

**Benton County  
January 1, 2018 through December 31, 2018**

This schedule presents the corrective action planned by the County 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).

<b>Finding ref number:</b> 2018-001	<b>Finding caption:</b> The County’s internal controls over financial reporting were inadequate to ensure accurate reporting.
<b>Name, address, and telephone of County contact person:</b> Aileen Coverdell, Chief Accountant P.O Box 470 Prosser, WA 99350	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>Accounting staff continues to work toward increasing technical knowledge and understanding of the reporting requirements for financial statement preparation ensuring that we are reporting accurate, timely and complete financial information in accordance with GAAP and other regulatory entities. Staff training should also enable sufficient time for a thorough and proper review of financial data prior to preparing the financial statements. We continue to improve processes and are working towards implementing a process for a review of the statements prior to submitting them for audit. The County will increase its internal controls during implementation of new GASB standards and revisit previous significant implementations to ensure proper adherence to the standards. To clarify questions regarding GASB standards, the County has access to the technical helpdesks of GASB, GFOA and the Office of the Washington State Auditor.</i>	
<b>Anticipated date to complete the corrective action:</b> 01/01/2020	

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>