



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Benton County

For the period January 1, 2021 through December 31, 2021

Published May 4, 2023

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

May 4, 2023

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

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TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Audit Findings and Responses.....	6
Schedule of Federal Award Findings and Questioned Costs.....	9
Summary Schedule of Prior Audit Findings	18
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 <i>Government Auditing Standards</i>	21
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	24
Independent Auditor's Report on the Financial Statements.....	28
Financial Section.....	32
Corrective Action Plan for Findings Reported Under Uniform Guidance	122
About the State Auditor's Office.....	125

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Benton County January 1, 2021 through December 31, 2021

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 basic financial statements of the governmental activities, the business-type 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 noted 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 deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the County’s compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
14.231	COVID-19 Emergency Solutions Grant Program
21.019	COVID-19 Coronavirus Relief Fund
21.023	COVID-19 Emergency Rental Assistance Program
21.027	COVID-19 Corona Virus State and Local Fiscal Recovery Funds
93.788	Opioid STR

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$952,605.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2021-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Findings 2021-002, 2021-003 and 2021-004.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Benton County January 1, 2021 through December 31, 2021

2021-001 The County did not have adequate internal controls ensuring accurate reporting of deferred revenues and infrastructure assets in its financial statements.

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.

The County prepares its financial statements in accordance with generally accepted accounting principles (GAAP).

Our audit identified deficiencies in internal controls over financial reporting, particularly for deferred revenue and infrastructure assets, which resulted in errors in the County's financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses in internal controls as a finding.

Description of Condition

The County typically receives grant funding on a reimbursement basis. However, during the audit period, the County received an advance of \$19,850,181 in Coronavirus State and Local Fiscal Recovery Funds (SLFRF). The County spent \$12,349,652 of the advance funding during fiscal year 2021 and reported the remaining unspent funds of \$7,500,529 as grant revenues on its financial statements. Our audit found the County did not have a process in place to evaluate the revenue recognition criteria for the unspent grant funds to ensure they were accurately reported.

Additionally the County reported infrastructure assets and related depreciation balances of \$95,824,523 on its financial statements. The County is responsible for keeping detailed information on each project type that comprises the total infrastructure amount reported on the financial statements. The County does not have a capital asset policy for determining the useful life estimates for assets, nor

does it keep supporting documentation for the useful life estimates it uses. Our audit found the County did not have a process for ensuring it accurately reported infrastructure assets on the financial statements.

We consider these deficiencies in internal controls to be a material weakness.

Cause of Condition

County management and staff did not consider that grant funding received in advance would need to be recorded differently than funding received as a reimbursement, and they did not research how to properly report the unspent portion of the SLFRF advance.

Further, the County had turnover in the public works department, which prevented staff from properly tracking and monitoring the infrastructure assets, including periodically assessing and reconciling their condition. The County also did not have a documented process for capitalizing infrastructure assets and determining their useful life.

Effect of Condition

As a result of these control deficiencies, our audit found the following misstatements in the financial statements submitted for audit:

- The County reported the unspent SLFRF funding of \$7,500,529 as a revenue instead of a liability.
- The County recorded all projects as capital assets without evaluating if they qualified as such. Our testing noted an overstatement of \$791,867.
- The County depreciates all infrastructure assets using a single composite rate based on the useful life of roads, which does not appear reasonable or appropriate for other types of infrastructure assets.

Recommendation

We recommend the County:

- Strengthen internal control processes to ensure it records unusual and significant transactions in accordance with GAAP
- Establish a written policy and procedures to ensure it records infrastructure assets correctly
- Implement controls to determine if it should capitalize or expense projects
- Strengthen its controls to track, monitor and evaluate infrastructure assets to identify ones that have been replaced, removed or no longer exist

- Implement controls to evaluate and analyze estimated useful lives for infrastructure assets by type

County's Response

The County respectfully concurs with the finding. Benton County takes financial reporting seriously with its responsibility to produce accurate financial statements. County management is committed to improving internal control processes and management oversight to review procedures over financial statement preparation to ensure accuracy.

The Benton County Public Works Department (Specifically the County Road Fund) has developed a draft capital asset policy and will work with the County Administration to adopt the policy.

Benton County agrees to implement the recommendations provided within this report to ensure the proper internal controls are in place. We want to thank the State Auditor's office for working with us throughout this audit.

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

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

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

Budgeting, Accounting and Reporting System (BARS) Manual, 3.1.3, Internal Control, and 3.3.11, Controls over Capital Assets, requires each local government to establish and maintain an effective system of internal controls that provides

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

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Benton County January 1, 2021 through December 31, 2021

2021-002 The County lacked adequate internal controls for ensuring compliance with suspension and debarment requirements.

Assistance Listing Number and Title:	21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	083738997 & 916001296
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$0

Description of Condition

The Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program provides direct payment to states, U.S. territories, tribal governments, metropolitan cities, counties, and (through states) non-entitlement units of local government.

In 2021, the County spent \$12,349,652 in program funds. The County used the funding to provide premium pay to employees who performed essential work during the COVID-19 public health emergency, and to provide government services to the extent COVID-19 caused a reduction in revenues collected in the County's most recent full fiscal year.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Federal requirements prohibit recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the County enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must

verify the contractors have not been suspended, debarred or otherwise excluded. The County may accomplish this verification by collecting a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The County must perform this verification before entering into the contract, and it must maintain documentation demonstrating compliance with this federal requirement.

Our audit found the County did not have internal controls for ensuring it verified the suspension and debarment status of contractors before entering into new contracts or purchases exceeding \$25,000, paid all or in part with federal funds. Specifically, the County did not verify that two contractors paid a total of \$265,982 were not suspended or debarred from participating in federal programs before contracting with them in 2021.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

The issue was not reported as a finding in the prior audit.

Cause of Condition

County employees responsible for these purchases do not typically manage federal awards, and they did not know about the federal requirements for suspension and debarment.

Effect of Condition

The County did not obtain written certifications, insert clauses into the contracts, or check SAM.gov before entering into the contracts to verify the contractors were not suspended or debarred.

Without this verification, the County increases its risk of providing federal funds to contractors that are excluded from participating in federal programs. Any payments made to an ineligible party would be unallowable, and the federal grantor could potentially recover them.

We subsequently verified the contractors were not suspended or debarred, therefore, we are not questioning costs.

Recommendation

We recommend the County establish internal controls to verify all contractors it expects to pay \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs.

County's Response

The County will establish internal controls to verify all contractors it expects to pay \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs.

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

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Benton County January 1, 2021 through December 31, 2021

2021-003 The County's internal controls were inadequate for ensuring compliance with suspension and debarment requirements.

Assistance Listing Number and Title:	21.023 – COVID-19 – Emergency Rental Assistance Program
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Washington State Department of Commerce
Pass-through Award/Contract Number:	21-4616C-102
Known Questioned Cost Amount:	\$0

Description of Condition

The purpose of Emergency Rental Assistance (ERA) program is to provide direct payments to eligible entities to award financial assistance to eligible households and provide housing stability services. ERA grantees may provide assistance directly to eligible households or landlords and utility providers on behalf of eligible households.

The County received an award from the Washington State Department of Commerce to provide financial assistance to eligible households, including payment of rent, utilities and other housing stability services. During fiscal year 2021, the County spent \$5,369,708 of its ERA award from Commerce.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Federal requirements prohibit recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the County enters into contracts or purchases goods or services that it

expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractors have not been suspended, debarred or otherwise excluded. The County may accomplish this verification by collecting a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The County must perform this verification before entering into the contract, and it must maintain documentation demonstrating compliance with this federal requirement.

Our audit found the County's internal controls were ineffective for ensuring it verified the suspension and debarment status of a contractor before entering into new contracts or purchases exceeding \$25,000, paid all or in part with federal funds. Specifically, the County did not verify that one contractor paid a total of \$163,532 was not suspended or debarred from participating in federal programs before contracting in 2021.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

The issue was not reported as a finding in the prior audit.

Cause of Condition

In 2021, the County updated its contract template to include the suspension and debarment clause. However, employees responsible for this contract used an older template, and they were not aware it did not include the suspension and debarment clause. Further, they did not use another method to verify the contractor's status before entering the contract, as federal regulations require.

Effect of Condition

The County did not obtain a written certification, insert a clause into the contract, or check SAM.gov before entering the contract to verify the contractor was not suspended or debarred.

Without this verification, the County increases its risks of providing federal funds to contractors that are excluded from participating in federal programs. Any payments made to an ineligible party would be unallowable, and the federal grantor could potentially recover them.

We subsequently verified the contractor was not suspended or debarred, therefore, we are not questioning costs.

Recommendation

We recommend the County establish internal controls to verify all contractors it expects to pay \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs.

County's Response

Internal controls will be improved by educating contracting staff on where the most current contract templates are saved to ensure any updates to the template are included in future contracting. The Human Services Manager will make note of the debarment language when reviewing contracts to ensure language is included. Staff will be instructed to check the SAM.gov website prior to contract execution to verify the contractor has not been debarred or suspended.

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

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Benton County January 1, 2021 through December 31, 2021

2021-004 The County did not have adequate internal controls for ensuring compliance with federal procurement requirements.

Assistance Listing Number and Title: 93.788 – Opioid STR
Federal Grantor Name: Department of Health and Human Services
Federal Award/Contract Number: K3904
Pass-through Entity Name: Washington Health Care Authority
Known Questioned Cost Amount: \$0

Description of Condition

During fiscal year 2021, the County spent \$712,035 in federal funding for the Opioid State Target Response program, which included \$98,574 that was paid to two contractors. The objective of the program is to address the opioid abuse crisis within such states, and recipients use funds to carry out activities that supplement actions taken by the state agency responsible for administering the Substance Abuse Prevention and Treatment Block Grant.

Federal regulations require recipients to establish and follow internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Federal regulations require recipients to follow their own documented procurement procedures, which must conform to the Uniform Guidance procurement standards found in 2 CFR § 200.318-327. The procedures must reflect the most restrictive of applicable federal requirements, state laws and local policies. When using federal funds to procure goods and services, governments must apply the more restrictive requirements by obtaining quotes or following a competitive procurement process, depending on the estimated cost of the procurement activity. For personal services, federal regulations require recipients to obtain price or rate quotations for services that have an estimated cost ranging between \$10,000 to \$250,000. County policy is less restrictive than federal regulations, and it allows employees to use the method

they deem best for the circumstances to obtain the highest quality service at the lowest cost.

Although the County has a written procurement policy, it does not conform to the most restrictive methods and thresholds for procuring personal services. In addition, the County did not retain documentation showing it obtained price or rate quotations, or evaluated the qualifications of contractors, before awarding two opioid coordinator personal service contracts as required. We consider these deficiencies in internal controls to be a material weakness that led to material noncompliance.

The issue was not reported as a finding in the prior audit.

Cause of Condition

Management and staff did not know about the requirements to update the County's written procurement policies and procedures to comply with federal regulations. The County's current policy has language stating if the appropriate and relevant federal or state requirements are more restrictive than its policy, such requirements must be followed, and staff said they thought this language was enough to comply with federal procurement standards.

Effect of Condition

Since the County did not update its written policies, it is at greater risk of noncompliance with the most restrictive procedures when procuring personal service contracts that will be paid fully or partially with federal funds. In addition, without documentation showing the process staff used to procure personal services, the County cannot demonstrate it followed federal procurement requirements, received the best price for the service, or selected the most qualified contractor.

Recommendation

We recommend the County:

- Update its written procurement policies to conform to Uniform Guidance (2 CFR § 200.318-327) for all procurement activities
- Retain records supporting the procurement process to show compliance with federal requirements

County's Response

The County will review and update the written procurement policy to conform to Uniform Guidance (2 CFR § 200.318-327) for all procurement activities utilizing federal funds, requiring rate quotations for services the County expects to pay from \$10,000 to \$250,000. The County will also establish internal controls to retain supporting documentation to show compliance with the federal requirements.

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

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR 200, Uniform Guidance, section 318 General procurement standards, establishes requirements for documented procurement procedures which reflect applicable state, local and federal laws and regulations.

Title 2 CFR 200, Uniform Guidance, section 319, Competition, establishes all procurement transactions are to be conducted in a manner providing full and open competition.

Title 2 CFR 200, Uniform Guidance, section 320, Methods of procurement to be followed, describes each allowable procurement method



Board of County Commissioners

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Benton County January 1, 2021 through December 31, 2021

This schedule presents the status of findings reported in prior audit periods.

Audit Period: 1/1/2020-12/31/2020	Report Ref. No.: 1029885	Finding Ref. No.: 2020-001
Finding Caption: 2020-001 The County's internal controls over preparing financial statements were inadequate for ensuring accurate financial reporting.		
<p>Background: The County prepares multi-fund financial statements in accordance with generally accepted accounting principles (GAAP). These financial statements are complex, and reporting requirements change frequently. Specifically, the County reported fiduciary activities under the most recent guidance of Governmental Accounting Standards Board Statement No. 84. The County is also required to report federal expenditures on the SEFA in accordance with the BARS manual. During our audit, we found the following deficiencies in internal controls:</p> <ul style="list-style-type: none"> • The County lacked adequate controls for ensuring it accurately reported and properly classified fiduciary activities in the financial statements. • County staff responsible for preparing the SEFA lacked a process for ensuring the amounts it reported on the SEFA were accurate and complete. <p>As a result of these control deficiencies, our audit found the following misstatements in the financial statements submitted for audit. The County:</p> <ul style="list-style-type: none"> • Understated the total deduction balance by \$85,592,998 in the fiduciary fund statements • Misclassified the deductions in the fiduciary fund statements • Did not report two grants on the SEFA for the Coronavirus Relief Fund (CFDA 21.019), which understated the SEFA by \$3,534,930 and required us to expand our audit work 		
Status of Corrective Action: (check one)		
<input checked="" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected
		<input type="checkbox"/> Finding is considered no longer valid

Corrective Action Taken:

The Accounting Division of the Benton County Auditor’s office has implemented processes to assure accurate reporting for fiduciary activities through training from the SAO and other resources. The accounting staff has also revised processes for reviewing for accuracy and completeness of grant reporting on the SEFA. The County will provide guidance to departments that report grant information to the Accounting Division. The 2020 Fiduciary statements were revised to reflect appropriate reporting.

Audit Period: 1/1/2020-12/31/2020	Report Reference No.: 1029885	Finding Ref. No.: 2020-002	CFDA Number(s): 93.788 – Opioid STR
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Federal Program Name and Granting Agency: Department of Health and Human Services	Pass-Through Agency Name: Washington Health Care Authority
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Finding Caption: 2020-002 The County had inadequate internal controls for ensuring compliance with federal requirements for suspension and debarment and subrecipient monitoring.

Background: Suspension and debarment The County did not obtain written certifications, insert a clause into the contracts, or check the EPLS to verify its subrecipients were not suspended or debarred before contracting. Without this verification, the County increases its risk of awarding federal funds to subrecipients that are excluded from participating in federal programs. Any payments the County made to an ineligible party would be unallowable, and the federal grantor could recover them. We subsequently verified the subrecipients were not suspended or debarred. Therefore, we are not questioning costs for these payments. Subrecipient monitoring The County did not verify that its subrecipients received a federal Single Audit when required. Without this verification, the County cannot ensure it is performing the proper level of monitoring and that subrecipients are complying with program requirement.

Status of Corrective Action: (check one)

- Fully Corrected
 Partially Corrected
 Not Corrected
 Finding is considered no longer valid

Corrective Action Taken:

Debarment language was added to the contract templates for the Human Services contracts and my staff check the agency status for debarment on the SAM website prior to entering into the contract. We print the status that says “No Matches Found” and attach it to the hard copy of the executed contract before filing it.

1 DEBARMENT

The CONTRACTOR certifies by signing these General Terms and Conditions that to the best of its knowledge and belief that they:

- a. *Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency.*
- b. *Have not within a three-year period preceding this Agreement, been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public or private agreement or transaction, violation of Federal or State antitrust statutes or commission of embezzlement, theft forgery, bribery, falsification or destruction of records, making false statements, tax evasion, receiving stolen property, making false claims, or obstruction of justice;*
- c. *Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph (1)(b) of federal Executive Order 12549; and*
- d. *Have not within a three-year period preceding the signing.*

INDEPENDENT AUDITOR'S REPORT

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

Benton County **January 1, 2021 through December 31, 2021**

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, the business-type activities, each major fund and the aggregate remaining fund information of Benton County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 25, 2023.

REPORT ON 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) as a basis for designing 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.

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.

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

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001 that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

COUNTY'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the findings identified in our audit and 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 style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

April 25, 2023

INDEPENDENT AUDITOR'S REPORT

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

Benton County January 1, 2021 through December 31, 2021

Board of Commissioners
Benton County
Prosser, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Benton County, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2021. The County's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the 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, 2021.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2021-002, 2021-003 and 2021-004 that we consider to be material weaknesses.

County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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

April 25, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Benton County **January 1, 2021 through December 31, 2021**

Board of Commissioners
Benton County
Prosser, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton County, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, County Road, Benton Franklin Juvenile Center, Human Services, 1/10 percent Criminal Justice , Rural County Capital Fund, Public Safety Tax and Capital Acquisition funds for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County’s ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2023 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 the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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 style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

April 25, 2023

Benton County
January 1, 2021 through December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

Management’s Discussion and Analysis – 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2021

Statement of Activities – 2021

Governmental Funds Balance Sheet – 2021

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2021

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – County Road – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Benton Franklin Juvenile Center – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Human Services – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – 1/10 Percent Criminal Justice Jail-Juvenile – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Rural County Capital – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Public Safety Tax Fund – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Capital Acquisition – 2021

Statement of Net Position – Proprietary Funds – 2021

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2021

Statement of Cash Flows – Proprietary Funds – 2021

Statement of Fiduciary Net Position – Fiduciary Funds – 2021
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2021
Notes to Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF I – 2021
Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, PSERS,
LEOFF 1, LEOFF 2 – 2021
Schedule of Employer Contributions – PERS 1, PERS 2/3, PSERS, LEOFF 1, LEOFF 2
– 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2021
Notes to the Schedule of Expenditures of Federal Awards – 2021

Benton County, Washington
Management's Discussion and Analysis

This section of the Benton County's Annual Report (AFR) presents a narrative overview and analysis of the financial activities of the primary government for the fiscal year ended December 31, 2021. Please read it in conjunction with the County's basic financial statements following this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all County assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference between the two representing net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial condition of the County.

The Statement of Activities presents information that indicates how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include administration of justice, county administration, health and human services, tax administration, parks, and roads and bridges. The County does not have any business-type activities.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County reports 47 governmental funds. Information is presented separately in the governmental fund balance

***Benton County, Washington
Management's Discussion and Analysis***

sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the major governmental funds. Data from other governmental funds are combined into a single aggregated presentation.

Proprietary funds are used for two purposes: Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County currently does not have Enterprise funds. Internal service funds are used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its rental and maintenance of County vehicles, central services (information technology), workers compensation, other risk management activities, and accumulated leave. 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 funds provide the same type of information as the government-wide financial statements, only in more detail. The County's internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Proprietary fund statements follow the governmental fund statements in this report.

In January 2017, GASB issued Statement No. 84, "Fiduciary Activities." This statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement also describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. GASB 95 delayed implementation of several standards. Benton County early implemented GASB 84 in 2019.

The County has two types of fiduciary funds: 1) custodial investment pool funds, which report the external portion of the County's investment pools that belong to other jurisdictions, and 2) custodial funds, which are clearing accounts for assets held by the County in its role as custodian until the funds are allocated to the agencies to which they belong. The 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.

Required Supplementary Information 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.

***Benton County, Washington
Management's Discussion and Analysis***

FINANCIAL HIGHLIGHTS

Government-wide

The total government-wide assets and deferred outflows of resources of the County exceeded the liabilities and deferred inflows of resources on December 31, 2021, by \$ 350,226,818. This is an increase of \$ 47,265,958 from the previous year when assets and deferred outflows of resources exceeds liabilities and deferred inflows of resources by \$ 302,960,860.

Total net position of the primary government is comprised of the following:

- (1) Net investment in capital assets of \$ 150,233,338 includes land, improvements, buildings, infrastructure, intangible assets, construction in progress, and other capital assets, net of accumulated depreciation/amortization, and is reduced by outstanding debt.
- (2) Net position of \$139,075,443 is restricted by constraints imposed from outside the County such as laws, regulations, or grant restrictions.
- (3) Unrestricted net position represents the portion available to meet ongoing obligations to citizens and creditors is \$60,918,037.

Governmental Fund Financial Statements

As of December 31, 2021, County governmental funds reported combined fund balances of \$179,722,334. This reflects an increase of \$ 28,414,078 from the previous fiscal year. The current year total consists of combined restricted fund balance of \$103,858,885, committed fund balance of \$15,280,487, assigned fund balance of \$29,725,729, and unassigned fund balances of \$30,857,233 for fiscal year 2021.

The General fund is the principal operating fund of Benton County. At the end of the fiscal year, the unassigned fund balance of the County's General Fund was \$30,857,233.

The nonmajor governmental funds had total combined fund balances of \$35,821,424 on December 31, 2021. Of this amount, \$21,991,860 is restricted and \$13,266,471 is committed for special revenue. For debt service, \$563,029 is committed.

Long-Term Debt

The County issues debt to finance an ongoing capital improvement program. Note 9 to the financial statements provides details of long-term debt.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$350,226,818 for fiscal year 2021 and \$302,960,860 for fiscal year 2020. Revenues exceeded expenses during the current year, increasing net position by \$47,265,958.

***Benton County, Washington
Management's Discussion and Analysis***

Condensed Statement of Net Position		
	2021	2020
Current & other assets	260,582,249	181,359,349
Capital assets (net of depr.)	154,881,187	159,001,486
Total assets	415,463,436	340,360,835
Deferred outflows of resources	4,209,804	4,410,759
Long-term liabilities	16,628,253	26,019,645
Other liabilities	20,002,219	11,154,446
Total Liabilities	36,630,472	37,174,091
Deferred inflows of resources	32,815,951	4,636,641
Net position:		
Net investment in capital assets	150,233,338	144,269,823
Restricted	139,075,443	92,276,259
Unrestricted	60,918,037	66,414,779
Total net position	350,226,818	302,960,860

The largest portion of the County's current fiscal year net position, \$150,233,338, is invested in capital assets (e.g., land, improvements, buildings, equipment, and infrastructure) less any related outstanding debt used to acquire those assets. The primary use of these capital assets is to provide services to citizens; therefore, 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 resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the County's current fiscal year net position, \$60,918,037, represents unrestricted net position, which is normally available to meet the County's ongoing unrestricted obligations to citizens and creditors. The remaining balance of net position represents resources that are subject to external restrictions on how they may be used. A large portion of the restricted net position, \$44,922,969 is for use for public safety activities including those funded by the Public Safety Sales Tax which the County Citizens approved in 2014. It is used for activities that substantially assist the criminal justice system, which may include circumstances where ancillary benefit to the civil justice system occurs, and which includes domestic violence services such as those provided by domestic violence programs, community advocates, and legal advocates. Restricted net position of \$26,202,870 is related to general governmental activities subject to restrictions on how it may be used with much of the balance dedicated to funding public facilities serving economic development purposes in rural counties and finance personnel in economic development. \$16,998,225 is restricted for providing mental health services, community services for people with developmental disabilities and housing assistance. The \$8,347,096 restricted balance for transportation is mainly from property tax levy. Road levy must be used for planning, constructing, altering, repairing, improving, and maintaining county roads, bridges, and other county road purposes including pedestrian and bicycle facilities. Other restrictions include \$6,116,933 for housing assistance and assistance to indigent veterans. \$743,239 is restricted for park development, maintaining paths and trails and the operations

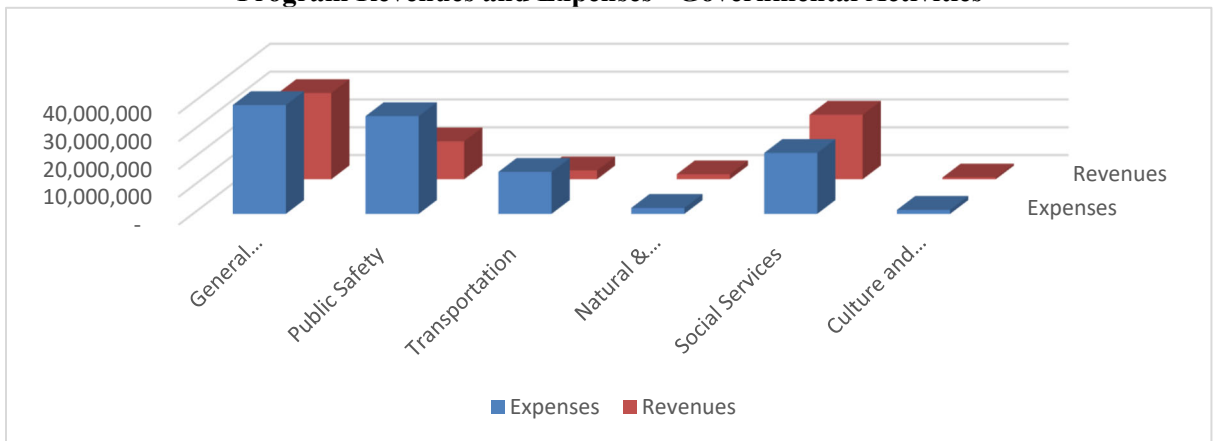
Benton County, Washington
Management's Discussion and Analysis

and maintenance of the local pest board.

The following table indicates changes in net position for governmental activities. The County does not have any business-type activities:

Condensed Statement of Activities		
	2021	2020
Revenues		
Program revenues:		
Charges for services	30,918,719	29,545,124
Operating grants and contrib.	40,012,739	28,534,876
Capital grants and contributions	2,578,142	6,012,021
General revenues:		
Taxes	85,433,186	73,776,418
Interest earning on invest.	3,413,373	3,191,007
Total revenues	162,356,157	141,059,446
Program Expenses		
General Government	39,105,266	48,874,420
Public Safety	35,152,277	44,212,792
Transportation	15,090,983	9,070,351
Natural & Economic Environment	2,148,428	2,998,815
Social Services	21,895,064	9,371,057
Culture and Recreation	1,451,243	1,156,141
Interest on Long Term Debt	246,939	279,850
Total expenses	115,090,199	115,963,426
Change in net position	47,265,958	25,096,020
Net position as of Jan 1	302,960,860	277,864,840
Net position as of Dec 31	350,226,818	302,960,860

Program Revenues and Expenses - Governmental Activities

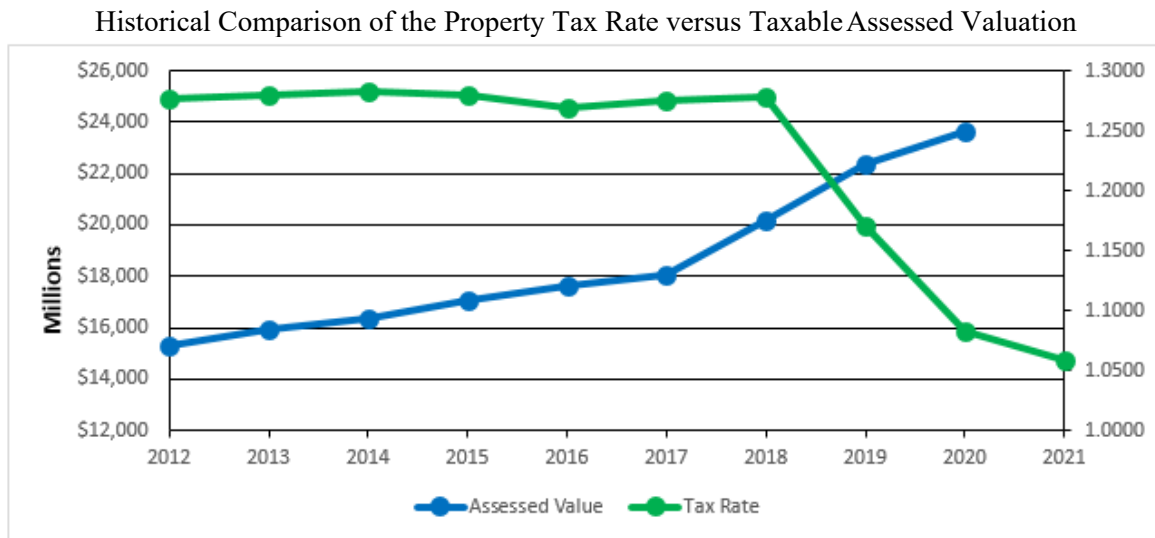


Benton County, Washington
Management's Discussion and Analysis

Revenues

For fiscal year ended December 31, 2021, revenues for the primary government totaled \$162,356,157.

Sales Taxes of \$39,928,233 is a large revenue source for general governmental activities and 31% of total revenues this is a \$8.26M increase from prior year taxes of \$31,672,555. Property Taxes increased by 4.2% from the prior year. The tax rate was \$1.0591 per \$1000 of assessed value for fiscal year 2021. The taxable assessed value increased in fiscal year 2021 to \$ 23,673,974,747 from the taxable assessed value in the prior fiscal year of 22,360,652,009.



Program revenues are derived from the program itself and reduce the cost of the function to the County. Total program revenues were \$73,509,599 or 45% of total revenues, which increased \$9,417,578 compared to the prior year. This increase is attributable to grants for Covid-19 mitigation efforts.

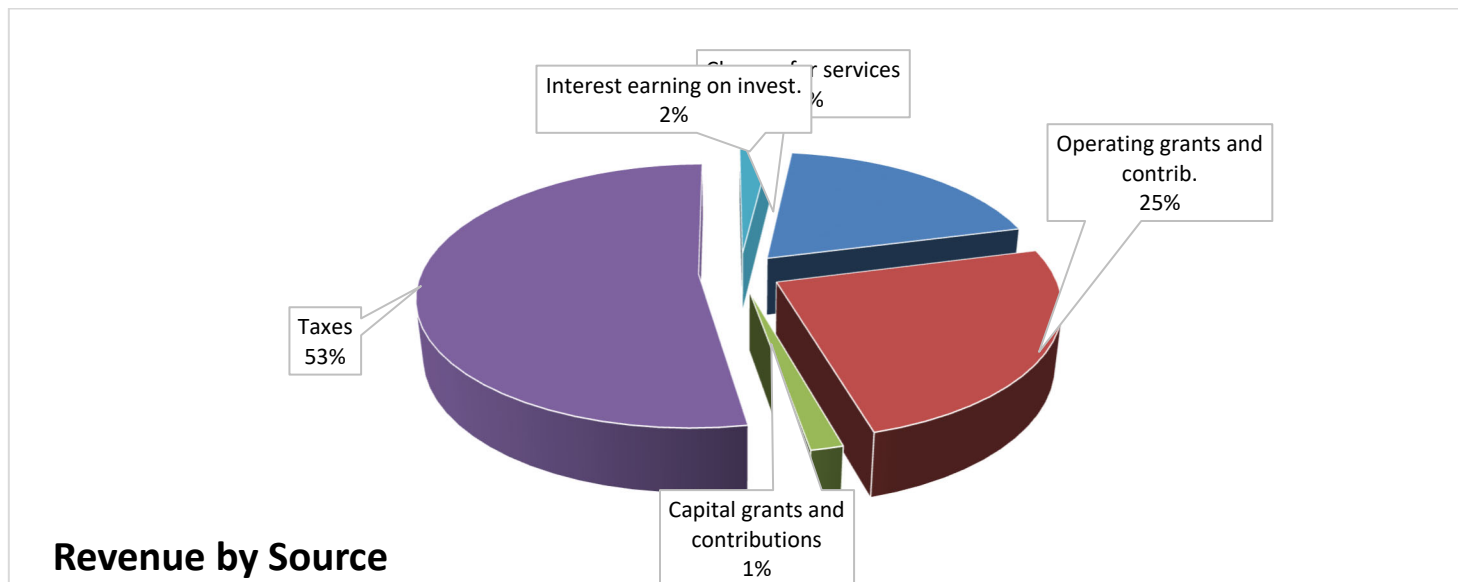
The largest portion of program revenues for 2021 is Operating Grants and Contributions of \$40,012,739. The County received \$19.78 million in Coronavirus Relief Funds for fiscal recovery and emergency rental assistance. Over \$14.7 million was received for Covid-19 emergency housing. More than \$700,000 was allocated to the County for opioid treatment networks.

The County received over \$30 million as Charges for Services. Of that \$16,641,278 is from governmental activities, which includes fees collected from filing and recording by the courts, fees collected by the tax collector and fees for automobile registrations and recording. Public Safety charges for services of \$11,277,125 includes payments from the local jurisdictions for housing inmates and other Sheriff services This is a decrease of over \$1.4 million from the prior year.

General revenues are revenues that cannot be assigned to a specific function. They consist of taxes (previously discussed), Earnings on Investments of \$ 3,413,373 (2.01% of total revenues), and other entitlements, impact and in-lieu payments of \$ 10,256,649 (6.04% of total revenues).

**Benton County, Washington
Management's Discussion and Analysis**

REVENUES BY SOURCE
Year ended December 31, 2021



Expenses

For fiscal year ended December 31, 2021, expenses for the primary government totaled \$114,914,298.

The County's largest governmental functions in 2021 are General Government, Public Safety and Social Services. Law enforcement and custody of prisoners encompasses the Public Safety expenditures. The Human Services department continues to be focused on eviction rental assistance due to the economic impact due to the pandemic.

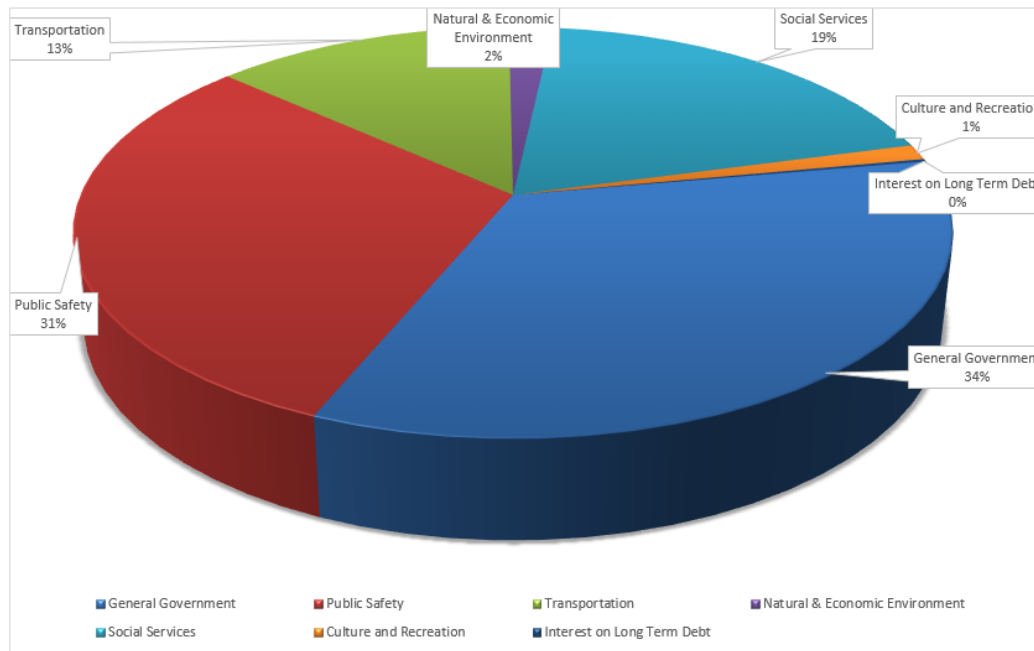
The expenses for the Roads and Bridges governmental activity's function were \$15,090,983 or 13.1% of total expenses. The County owns and maintains over 875 miles of roads and 52 bridges.

The Interest on long term debt was \$246,939 constituted 0.2% of total expenses and decreased \$32,911. The decrease can be contributed to the refunding of the 2018 Limited Tax General Obligation Refunding Bond.

The remaining governmental activities functions are Natural and Economic Environment and Culture and Recreation with expenses of \$3,599,671 which includes operation of the County parks, fairgrounds, economic development, animal and pest control and the local extension office to name a few. Because of the pandemic rentals of the Fairgrounds and buildings was put on hold which decreased the costs of maintenance.

Benton County, Washington
Management's Discussion and Analysis

EXPENSES BY FUNCTION
 Year ended December 31, 2021



FINANCIAL ANALYSIS OF MAJOR FUNDS

The General fund, County Road, Benton-Franklin Juvenile Center, Human Services, 1/10% Criminal Justice, Rural County Capital, and Public Safety Tax funds account for over 91% of all governmental fund revenue and 83% of all expenditures. The Capital Acquisition fund is considered a major fund by the merits of its total assets. 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 65% of total governmental fund balance.

The General fund is the principal operating fund of Benton County. At the end of the current fiscal year, unassigned fund balance of the General fund was \$38,357,762, which represents 63% of total General fund expenditures. The fund balance of General fund increased by \$11,101,034 during the current fiscal year. This increase is attributed to grant funding for Covid-19 Relief Fund activities.

The fund balance of the County Road special revenue fund increased by \$189,342 during the current fiscal year. Grant revenues increased by \$1,789,115.

The Public Safety Sales Tax fund balance decreased by \$563,784 or 3%. 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 deputies, corrections officers, prosecutors, the Metro Drug Task Force, gang and crime prevention efforts, and court and clerk programs including drug, mental health, and veterans' courts. The tax is scheduled to expire December 31, 2024. More specific information regarding this tax can be found on the County's website.

***Benton County, Washington
Management's Discussion and Analysis***

The County received an appropriation from the State of over \$800,000 to assist with one-time costs related to law enforcement and criminal justice related legislation. These funds were allocated to acquire body cameras for deputies. The County completed construction on the Administrative Services Building on the main campus allowing for continued growth and consolidation of several departments streamlining services to the public.

GENERAL FUND BUDGETARY HIGHLIGHTS

In 2020, Benton County adopted the budget for the 2021/2022 biennium. The following table shows the changes between the original and the final General Fund budget as of December 31, 2021.

**General Fund
Budgetary Comparison
For the Year Ended December 31, 2021**

	<u>Original Biennial Budget</u>	<u>Final Biennial Budget</u>	<u>Variance</u>
<i><u>Revenues</u></i>			
Taxes	\$ 79,160,603	\$ 79,160,603	\$ 0
Licenses and Permits	208,156	208,156	0
Intergovernmental Revenues	12,302,087	32,351,290	20,049,203
Charges for Services	39,807,675	39,807,675	0
Fines and Forfeitures	3,411,231	3,411,231	0
Miscellaneous Revenue	4,493,180	4,493,180	0
Total Revenues	<u>139,382,932</u>	<u>159,432,135</u>	<u>20,049,203</u>
<i><u>Expenditures</u></i>			
General Government Services	73,256,549	92,165,218	18,908,669
Public Safety	57,356,678	57,427,678	71,000
Natural & Economic Environment	3,188,189	3,681,053	492,864
Social Services	1,921,452	2,024,122	102,670
Culture and Recreation	1,131,251	1,131,251	0
Capital Outlay	40,000	514,000	474,000
Total Expenditures	<u>136,894,119</u>	<u>156,943,322</u>	<u>20,049,203</u>
Excess(Deficiency) of Revenues over Expenditures	<u>2,488,813</u>	<u>2,488,813</u>	<u>0</u>
<i><u>Other Financing Sources (Uses)</u></i>			
Sale of Capital Assets	75,000	75,000	0
Transfers In	2,830,000	2,830,000	0
Transfers Out	(5,399,422)	(22,698,122)	17,298,700
Total Other Financing Sources (Uses)	<u>(2,494,422)</u>	<u>(19,793,122)</u>	<u>(17,298,700)</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	<u>(5,609)</u>	<u>(17,304,309)</u>	<u>(17,298,700)</u>
Fund Balance, January 1	<u>4,785,000</u>	<u>4,785,000</u>	<u>0</u>
Fund Balance, December 31	<u>\$ 4,779,391</u>	<u>\$ (12,519,309)</u>	<u>\$ (17,298,700)</u>

***Benton County, Washington
Management's Discussion and Analysis***

As mentioned previously, Benton County adopts a biennial budget. The year ended December 31, 2021, marks the completion of the first year of the County's 2021/2022 biennial budget cycle.

Seven budget adjustments were made to the County's budget during 2021. Adjustments were made for the Cash Carry Forward per the budget policy and to allow for expenditures associated with grants received after the initial budget was adopted. These grants included distributions related to Covid Response and Relief. The budgetary comparison statement for the general fund provides both the original adopted and adjusted biennial budget for the general fund.

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.

**General Fund Budget to Actual Variances
For the Year Ended December 31, 2021**

	Final 2021 Biennial Budget	2021 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>			
Taxes	\$ 79,160,603	\$ 43,099,480	\$ (36,061,123)
Licenses and Permits	208,156	164,660	(43,496)
Intergovernmental Revenues	32,351,290	19,472,827	(12,878,463)
Charges for Services	39,807,675	15,739,848	(24,067,827)
Fines and Forfeitures	3,411,231	1,763,361	(1,647,870)
Miscellaneous Revenue	4,493,180	3,313,259	(1,179,921)
Total Revenues	159,432,135	83,553,437	(75,878,698)
<u>Expenditures</u>			
General Government Services	92,165,218	30,502,198	(61,663,021)
Public Safety	57,427,678	26,906,190	(30,521,488)
Natural & Economic Environment	3,681,053	1,754,568	(1,926,485)
Social Services	2,024,122	962,098	(1,062,024)
Culture and Recreation	1,131,251	534,189	(597,062)
Capital Outlay	514,000	249,956	(264,044)
Total Expenditures	156,943,322	60,909,198	(96,034,124)
Excess(Deficiency) of Revenues over Expenditures	2,488,813	22,644,239	20,155,426
<u>Other Financing Sources (Uses)</u>			
Sale of Capital Assets	75,000	103,975	28,975
Transfers In	2,830,000	1,395,000	(1,435,000)
Transfers Out	(22,698,122)	(20,387,015)	(2,311,107)
Total Other Financing Sources (Uses)	(19,793,122)	(18,888,040)	(905,082)
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	(17,304,309)	3,756,199	21,060,508
Fund Balance, January 1	4,785,000	27,101,034	22,316,034
Fund Balance, December 31	\$ (12,519,309)	\$ 30,857,233	\$ 43,376,542

***Benton County, Washington
Management's Discussion and Analysis***

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. Benton County's investment in capital assets as of December 31, 2021, amounts to \$154,881,186 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, highways, and bridges.

Benton County's Capital Assets		
(net of depreciation)		
	2021	2020
Land	16,859,592	16,313,641
Rights and Easements	2,792,304	890,250
Construction in progress	1,258,480	10,020,294
Quarries	56,663	56,663
Buildings	35,185,706	21,911,781
Improvements	2,232,004	2,459,322
Intangibles	222,211	262,890
Machinery and equipment	12,930,116	13,091,696
Infrastructure	83,344,111	84,999,033
	154,881,186	150,005,571

The County's investment in capital assets increased 3%. The completion of the administration building, and acquisition of law enforcement and road maintenance equipment was the most significant capital purchases completed this year.

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 \$3,540,000. 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 \$795,000 during the current fiscal year. This year the County issued a refunding of the 2018 Limited Tax General Obligation Refunding Bond for an approximate savings of \$450,000. The County has a continuing goal to sustain the County's debt rating. As of December 31, 2021, the bond rating services of Moody's Investors Service, Inc., and Standard & Poor's Ratings Services assigned the County long term bond ratings of AA+ and AA+, respectively.

See note 9 for further information about long term debt.

OTHER SIGNIFICANT MATTERS

In early 2021 the County was awarded approximately \$40 million in funds from the American Rescue Plan Act of 2021 (ARPA). The first installment of \$20 million was received in May 2021 and a second distribution is expected early 2023. Eligible uses of these funds include:

- Revenue replacement for the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, relative to revenues collected in the most recent fiscal

***Benton County, Washington
Management's Discussion and Analysis***

- year prior to the emergency,
- COVID-19 expenditures or negative economic impacts of COVID-19, including assistance to small businesses, households, and hard-hit industries, and economic recovery,
- Premium pay for essential workers,
- Investments in water, sewer, and broadband infrastructure.

The County is currently evaluating how best to use this additional funding to best ensure the long-term value of these resources.

The Human Services department has received over \$17 million in federal and state funding to mitigate evictions by paying past due, current and future rent and utilities for people impacted by the pandemic.

REQUEST 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

BENTON COUNTY, WASHINGTON

Statement of Net Position

December 31, 2021

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<i>ASSETS</i>	
Cash/Cash Equivalents and Equity in Pooled Investments	\$ 199,260,136
Receivables	10,070,931
Due From Other Governments	7,771,672
Inventories, prepaids and other assets	2,496,274
Joint Ventures	4,584,155
Capital Assets:	
Non-Depreciable	20,910,375
Depreciated, Net	133,970,812
Restricted Net Pension Asset	36,399,081
 Total Assets	 <u>415,463,435</u>
 <i>DEFERRED OUTFLOWS OF RESOURCES</i>	
 Related to Pensions	 4,055,427
Related to OPEB	154,377
Total Deferred Outflows of Resources	<u>4,209,804</u>
 Total Assets and Deferred Outflows of Resources	 \$ <u>419,673,239</u>
 <i>LIABILITIES</i>	
Accounts Payable and Other Current Liabilities	\$ 7,596,771
Accrued Liabilities	4,904,919
Unearned Revenue	7,500,529
Long-Term Liabilities:	
Due within one year	1,402,936
Due in more than one year	6,698,855
Total OPEB liability	5,690,549
Net pension liability	2,835,913
Total Liabilities	<u>36,630,472</u>
 <i>DEFERRED INFLOWS OF RESOURCES</i>	
Deferred Inflows Related to Pensions	32,815,951
Total Deferred Inflows of Resources	<u>32,815,951</u>
 Total Liabilities and Deferred Inflows of Resources	 \$ <u>69,446,423</u>
 <i>NET POSITION</i>	
Net Investment in Capital Assets	\$ 150,233,338
Restricted for:	
General Government	26,202,870
Public Safety	44,922,969
Transportation	8,347,096
Economic Environment	5,461,962
Mental & Health Services	16,998,225
Culture & Recreation	743,239
Pensions	36,399,081
Unrestricted	
Total Net Position	<u>60,918,037</u>
	\$ <u>350,226,818</u>

BENTON COUNTY, WASHINGTON

Statement of Activities

Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Primary Government:					Primary Government
Governmental Activities:					Governmental Activities
General Government	\$ 39,105,265	\$ 16,641,278	\$ 14,381,329	\$ 0	\$ (8,082,658)
Public Safety	35,152,277	11,277,125	2,361,046	0	(21,514,105)
Transportation	15,090,983	334,858	262,600	2,578,142	(11,915,383)
Natural & Economic Environment	2,148,428	1,628,913	205,243	0	(314,272)
Social Services	21,895,064	401,722	22,802,521	0	1,309,179
Culture and Recreation	1,451,243	634,822	0	0	(816,421)
Interest on Long Term Debt	246,939	0	0	0	(246,939)
Total Governmental Activities	115,090,199	30,918,718	40,012,739	2,578,142	(41,580,600)
Total Primary Government	\$ 115,090,199	\$ 30,918,718	\$ 40,012,739	\$ 2,578,142	(41,580,600)

General Revenues

Taxes:

Property

32,299,920

Sales

39,928,233

Entitlements, Impact & In-lieu Payments

10,256,649

Excise Taxes

2,115,006

Penalties & Interest on Delinquent Taxes

833,378

Interest and Investment Earnings

3,413,373

Total General Revenues

88,846,559

Change in Net Position

47,265,958

Net Position as of January 1

302,960,860

Net Position as of December 31

\$ 350,226,818

Balance Sheet
 Governmental Funds
 December 31, 2021

	Major Funds				
	General Fund	County Road	Benton Franklin Juvenile Center	Human Services	1/10% Criminal Justice Fund
<i>ASSETS</i>					
Cash and Pooled Investments	\$ 38,184,163	\$ 7,766,720	2,141,790	\$ 9,371,555	\$ 19,601,535
Taxes Receivable	3,226,805	133,414	0	0	1,062,817
Accounts Receivable	492,229	10,995	0	15	0
Assessments Receivable	0	0	0	0	0
Interest Receivable	0	14,199	0	0	0
Due From Other Funds	20,964	30,203	0	2,697	0
Prepayments	10,536	0	0	0	319,400
Due From Other Gvnmntl Units	2,335,695	1,216,665	278,464	3,100,647	0
Total Assets	\$ 44,270,393	\$ 9,172,196	\$ 2,420,254	\$ 12,474,913	\$ 20,983,752
<i>LIABILITIES</i>					
Accounts/Vouchers Payable	\$ 1,170,772	\$ 265,508	105,682	\$ 1,560,183	\$ 0
Warrants Payable	224,601	73,819	28,866	936,071	0
Due To Other Funds	598,509	59,393	98,615	1,279	0
Due To Other Governmental Units	0	0	0	215,963	0
Accrued Wages Payable	3,156,550	267,733	416,768	79,527	0
Customer Deposits	0	40,300	0	0	0
Unearned Revenue	7,500,529	0	0	0	0
Total Liabilities	12,650,961	706,753	649,930	2,793,023	0
<i>DEFERRED INFLOWS</i>					
Unavailable Rev. - Property Tax	421,479	122,955	319,400	0	0
Unavailable Rev. - Court Judgments	340,720	0	0	0	0
Total Deferred Inflows of Resources	762,199	122,955	319,400	0	0
<i>FUND BALANCES</i>					
Restricted	0	8,342,488	0	9,681,890	20,983,752
Committed	0	0	1,450,923	0	0
Assigned	0	0	0	0	0
Unassigned	30,857,233	0	0	0	0
Total Fund Balances	30,857,233	8,342,488	1,450,923	9,681,890	20,983,752
Total Liabilities, Fund Balances and Deferred Inflows of Resources	\$ 44,270,393	\$ 9,172,196	\$ 2,420,254	\$ 12,474,913	\$ 20,983,752

Balance Sheet
 Governmental Funds
 December 31, 2021

	Major Funds			Other Governmental Funds	Total
	Rural County Capital Fund	Public Safety Tax Fund	Capital Acquisition		
<i>ASSETS</i>					
Cash and Pooled Investments	\$ 21,895,273	\$ 19,552,059	\$ 31,423,953	\$ 35,091,943	\$ 185,028,991
Taxes Receivable	955,073	1,762,184	0	174,224	7,314,518
Accounts Receivable	0	0	56,957	231,003	791,198
Assessments Receivable	0	0	0	5,205	5,205
Interest Receivable	0	36,124	0	26,583	76,906
Due From Other Funds	0	0	92,082	752	146,697
Prepayments	0	0	0	12,945	342,881
Due From Other Gvmntl Units	0	0	6,662	833,540	7,771,672
Total Assets	\$ 22,850,346	\$ 21,350,366	\$ 31,579,653	\$ 36,376,195	\$ 201,478,068
<i>LIABILITIES</i>					
Accounts/Vouchers Payable	\$ 0	\$ 198,380	\$ 993,598	\$ 167,755	\$ 4,461,879
Warrants Payable	0	669,439	830,789	85,348	2,848,934
Due To Other Funds	0	45,588	1,810	67,862	873,055
Due To Other Governmental Units	0	0	0	0	215,963
Accrued Wages Payable	0	428,411	27,727	213,867	4,590,582
Customer Deposits	0	0	0	0	40,300
Deferred Revenue	0	0	0	0	7,500,529
Total Liabilities	0	1,341,818	1,853,924	534,832	20,531,241
<i>DEFERRED INFLOWS</i>					
Unavailable Rev. - Property Tax	0	0	0	19,939	883,773
Unavailable Rev. - Court Judgments	0	0	0	0	340,720
Total Deferred Inflows of Resources	0	0	0	19,939	1,224,493
<i>FUND BALANCES</i>					
Restricted	22,850,346	20,008,548	0	21,991,860	103,858,885
Committed	0	0	0	13,829,563	15,280,487
Assigned	0	0	29,725,729	0	29,725,729
Unassigned	0	0	0	0	30,857,233
Total Fund Balances	22,850,346	20,008,548	29,725,729	35,821,424	179,722,334
Total Liabilities, Fund Balances and Deferred Inflows of Resources	\$ 22,850,346	\$ 21,350,366	\$ 31,579,653	\$ 36,376,196	\$ 201,478,069

BENTON COUNTY, WASHINGTON

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2021

Total fund balances as shown on the Governmental Fund Balance Sheet:	\$ 179,722,334
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.	282,752,973
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.	(129,911,482)
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds.	38,266,008
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.	4,045,134
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.	(31,338,061)
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.	22,955,611
Long-term liabilities that are not due and payable in the current period and are not reported in the funds.	(16,265,698)
Total Net Position, as reflected on the Statement of Net Position:	\$ 350,226,818

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended December 31, 2021

	Major Funds				
	General Fund	County Roads	Benton Franklin Juvenile Center	Human Services	1/10% Criminal Justice Fund
<u>Revenues</u>					
Property Taxes	\$ 24,798,420	\$ 6,419,824	\$ 0	\$ 0	\$ 0
Sales and Use Taxes	17,197,062	0	0	0	6,130,667
Other Taxes	1,103,999	138,590	0	0	0
Licenses and Permits	164,660	22,000	0	0	0
Intergovernmental	19,472,827	5,465,005	1,409,306	22,816,421	0
Charges for Services	15,739,848	167,152	2,128,650	604,517	0
Fines and Forfeits	1,763,361	0	0	0	0
Interest Earnings	2,852,863	105,151	0	0	0
Donations	890	0	0	0	0
Other Revenues	459,506	338,111	1,190	0	633,899
Total Revenues	<u>83,553,437</u>	<u>12,655,833</u>	<u>3,539,146</u>	<u>23,420,938</u>	<u>6,764,567</u>
<u>Expenditures</u>					
Current:					
General Governmental Services	30,502,198	0	0	0	0
Public Safety	26,906,190	0	6,935,947	0	290,967
Transportation	0	11,168,408	0	0	0
Natural & Economic Environment	1,754,568	0	0	0	0
Social Services	962,098	0	0	18,902,626	0
Culture and Recreation	534,189	0	0	0	0
Debt Service:					
Principal	0	197,748	0	0	0
Interest	0	3,955	0	0	0
Capital Outlay	249,956	1,096,763	69,933	0	24,229
Total Expenditures	<u>60,909,198</u>	<u>12,466,874</u>	<u>7,005,880</u>	<u>18,902,626</u>	<u>315,196</u>
Excess (Deficit) Revenues Over Expenditures	<u>22,644,239</u>	<u>188,959</u>	<u>(3,466,734)</u>	<u>4,518,312</u>	<u>6,449,371</u>
<u>Other Financing Sources (Uses)</u>					
Refunding Bonds Issued	0	0	0	0	0
Premiums on Bonds Issued	0	0	0	0	0
Payments to bond refunding escrow	0	0	0	0	0
Proceeds of Capital Assets	103,975	0	3,638	0	0
Transfers In	1,395,000	383	3,660,774	0	0
Transfers Out	(20,387,015)	0	0	0	(3,139,374)
Total Other Financing Source (Uses)	<u>(18,888,040)</u>	<u>383</u>	<u>3,664,412</u>	<u>0</u>	<u>(3,139,374)</u>
Net Change in Fund Balance	3,756,199	189,342	197,678	4,518,312	3,309,997
Fund Balance-January 1	27,101,034	8,153,146	1,253,245	5,163,579	17,673,756
Fund Balance-December 31	<u>\$ 30,857,233</u>	<u>\$ 8,342,488</u>	<u>\$ 1,450,923</u>	<u>\$ 9,681,890</u>	<u>\$ 20,983,752</u>

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended December 31, 2021

	Major Funds			Other Governmental Funds	Total
	Rural County Capital Fund	Public Safety Tax Fund	Capital Acquisition		
<u>Revenues</u>					
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 859,799	\$ 32,078,043
Sales and Use Taxes	5,600,885	10,162,520	0	837,099	39,928,233
Other Taxes	0	0	0	1,705,795	2,948,384
Licenses and Permits	0	0	0	1,080,766	1,267,427
Intergovernmental	0	0	1,221,359	1,274,837	51,659,756
Charges for Services	0	0	50,551	6,770,955	25,461,673
Fines and Forfeits	0	0	0	3,230	1,766,592
Interest Earnings	0	217,590	0	137,213	3,312,817
Donations	0	0	0	1,383	2,273
Other Revenues	0	200	99,899	1,101,217	2,634,023
Total Revenues	<u>5,600,885</u>	<u>10,380,310</u>	<u>1,371,810</u>	<u>13,772,295</u>	<u>161,059,221</u>
<u>Expenditures</u>					
Current:					
General Governmental Services	807,000	4,177,101	1,624,240	2,956,348	40,066,888
Public Safety	0	5,385,737	994,835	1,712,635	42,226,311
Transportation	0	0	0	0	11,168,408
Natural & Economic Environment	80,000	133,765	0	524,514	2,492,846
Social Services	0	0	0	2,108,635	21,973,359
Culture and Recreation	0	0	0	661,643	1,195,833
Debt Service:					
Principal	0	0	0	396,557	594,306
Interest	0	0	0	242,984	246,939
Capital Outlay	0	119,924	10,890,195	441,237	12,892,237
Total Expenditures	<u>887,000</u>	<u>9,816,527</u>	<u>13,509,271</u>	<u>9,044,554</u>	<u>132,857,126</u>
Excess (Deficit) Revenues Over Expenditures	<u>4,713,885</u>	<u>563,784</u>	<u>(12,137,461)</u>	<u>4,727,740</u>	<u>28,202,095</u>
<u>Other Financing Sources (Uses)</u>					
Refunding Bonds Issued	0	0	0	3,885,000	3,885,000
Premiums on Bonds Issued	0	0	0	544,217	544,217
Payments to bond refunding escrow	0	0	0	(4,335,000)	(4,335,000)
Proceeds of Capital Assets	0	0	2,000	7,002	116,615
Transfers In	0	0	16,824,108	2,317,066	24,197,331
Transfers Out	0	0	0	(670,942)	(24,197,331)
Total Other Financing Source (Uses)	<u>0</u>	<u>0</u>	<u>16,826,108</u>	<u>1,747,343</u>	<u>210,832</u>
Net Change in Fund Balance	4,713,885	563,784	4,688,647	6,475,083	28,412,926
Fund Balance-January 1	18,136,462	19,444,764	25,037,082	29,346,340	151,309,408
Fund Balance-December 31	<u>\$ 22,850,346</u>	<u>\$ 20,008,548</u>	<u>\$ 29,725,729</u>	<u>\$ 35,821,423</u>	<u>\$ 179,722,334</u>

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, 2021

Net change in fund balances as shown on Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance:	\$ 28,412,926
Internal Service Fund Interest, Misc Rev/Exp and Proceeds From Capital Asset Sales and Transfers	361,408
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.	(773,436)
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.	1,405,953
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.	1,044,305
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	877,943
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.	15,936,859
Change in Net Position, as reflected on the Statement of Activities	\$ 47,265,959

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, 2021

	Original Biennial Budget	Final Biennial Budget	2021 Actual	Variance with Final Budget Over (Under)
<i>Revenues</i>				
Taxes	\$ 79,160,603	\$ 79,160,603	\$ 43,099,480	\$ (36,061,123)
Licenses and Permits	208,156	208,156	164,660	(43,496)
Intergovernmental Revenues	12,302,087	32,351,290	19,472,827	(12,878,463)
Charges for Services	39,807,675	39,807,675	15,739,848	(24,067,827)
Fines and Forfeitures	3,411,231	3,411,231	1,763,361	(1,647,870)
Miscellaneous Revenue	4,493,180	4,493,180	3,313,259	(1,179,921)
Total Revenues	139,382,932	159,432,135	83,553,437	(75,878,698)
<i>Expenditures</i>				
General Government Services	73,256,549	92,165,218	30,502,198	(61,663,021)
Public Safety	57,356,678	57,427,678	26,906,190	(30,521,488)
Natural & Economic Environment	3,188,189	3,681,053	1,754,568	(1,926,485)
Social Services	1,921,452	2,024,122	962,098	(1,062,024)
Culture and Recreation	1,131,251	1,131,251	534,189	(597,062)
Capital Outlay	40,000	514,000	249,956	(264,044)
Total Expenditures	136,894,119	156,943,322	60,909,198	(96,034,124)
Excess(Deficiency) of Revenues over Expenditures	2,488,813	2,488,813	22,644,239	20,155,426
<i>Other Financing Sources (Uses)</i>				
Sale of Capital Assets	75,000	75,000	103,975	28,975
Transfers In	2,830,000	2,830,000	1,395,000	(1,435,000)
Transfers Out	(5,399,422)	(22,698,122)	(20,387,015)	(2,311,107)
Total Other Financing Sources (Uses)	(2,494,422)	(19,793,122)	(18,888,040)	(905,082)
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	(5,609)	(17,304,309)	3,756,199	21,060,508
Fund Balance, January 1	4,785,000	4,785,000	27,101,034	22,316,034
Fund Balance, December 31	\$ 4,779,391	\$ (12,519,309)	\$ 30,857,233	\$ 43,376,542

BENTON COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (GAAP Basis) and Actual

County Road

Year Ended December 31, 2021

	Original Biennial Budget	Final Biennial Budget	2021 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>				
Property Taxes	\$ 12,551,662	\$ 12,551,662	\$ 6,419,824	\$ (6,131,838)
Excise and Other Taxes	260,000	260,000	138,590	(121,410)
Total Taxes	<u>12,811,662</u>	<u>12,811,662</u>	<u>6,558,414</u>	<u>(6,253,248)</u>
Licenses and Permits	7,500	7,500	22,000	14,500
Intergovernmental Revenues	13,557,306	13,557,306	5,465,005	(8,092,301)
Charges for Services	160,000	160,000	167,152	7,152
Interest Earnings	0	0	105,151	105,151
Miscellaneous Revenues	719,384	719,384	338,111	(381,273)
Total Revenues	<u>27,255,852</u>	<u>27,255,852</u>	<u>12,655,833</u>	<u>(14,600,019)</u>
<u>Expenditures</u>				
General Governmental Services	252,000	252,000	0	(252,000)
Transportation	25,919,671	25,824,449	11,168,408	(14,656,041)
Debt Service:				
Principal	395,500	395,500	197,748	(197,752)
Interest	6,922	6,922	3,955	(2,967)
Capital Outlay	11,262,369	11,357,591	1,096,763	(10,260,828)
Total Expenditures	<u>37,836,462</u>	<u>37,836,462</u>	<u>12,466,874</u>	<u>(25,369,588)</u>
Excess (Deficiency) of Revenues over Expenditures	(10,580,610)	(10,580,610)	188,959	10,769,569
<u>Other Financing Sources (Uses)</u>				
Proceeds of Capital Assets	3,400	3,400	0	(3,400)
Transfers In	6,318,169	6,318,169	383	6,317,786
Total Other Financing Sources (Uses)	<u>6,321,569</u>	<u>6,321,569</u>	<u>383</u>	<u>6,314,386</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(4,259,041)	(4,259,041)	189,342	4,448,383
Fund Balance, January 1	6,000,000	6,000,000	8,153,146	2,153,146
Fund Balance, December 31	<u>\$ 1,740,959</u>	<u>\$ 1,740,959</u>	<u>\$ 8,342,488</u>	<u>\$ 6,601,529</u>

BENTON COUNTY, WASHINGTON

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Benton Franklin Juvenile Center
Year Ended December 31, 2021**

	Original Biennial Budget	Final Biennial Budget	2021 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>				
Intergovernmental Revenues	2,659,193	2,659,193	1,409,306	(1,249,887)
Charges for Services	4,817,542	4,817,542	2,128,650	(2,688,892)
Donations	30,000	30,000	0	(28,810)
Miscellaneous Revenues	2,400	2,400	1,190	3,536,746
Total Revenues	<u>7,509,135</u>	<u>7,509,135</u>	<u>3,539,146</u>	<u>(430,843)</u>
<u>Expenditures</u>				
Public Safety	15,887,470	15,887,470	6,935,947	(8,951,523)
Capital Outlay	80,000	80,000	69,933	(10,067)
Total Expenditures	<u>15,967,470</u>	<u>15,967,470</u>	<u>7,005,880</u>	<u>(8,961,590)</u>
Excess (Deficiency) of Revenues over Expenditures	(8,458,335)	(8,458,335)	(3,466,734)	4,991,601
<u>Other Financing Sources (Uses)</u>				
Proceeds of Capital Assets	0	0	3,638	3,638
Transfers In	7,665,593	7,665,593	3,660,774	4,004,819
Total Other Financing Sources (Uses)	<u>7,665,593</u>	<u>7,665,593</u>	<u>3,664,412</u>	<u>4,008,457</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(792,742)	(792,742)	197,678	990,420
Fund Balance, January 1	2,800,000	2,800,000	1,253,245	(1,546,755)
Fund Balance, December 31	<u>\$ 2,007,258</u>	<u>\$ 2,007,258</u>	<u>\$ 1,450,923</u>	<u>\$ (556,335)</u>

BENTON COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (GAAP Basis) and Actual

Human Services

Year Ended December 31, 2021

	Original Biennial Budget	Final Biennial Budget	2021 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>				
Intergovernmental Revenues	5,394,031	5,394,031	22,816,421	17,422,390
Charges for Services	966,000	966,000	604,517	(361,484)
Miscellaneous Revenues	1,000	1,000	0	(1,000)
Total Revenues	<u>6,361,031</u>	<u>6,361,031</u>	<u>23,420,938</u>	<u>17,059,907</u>
<u>Expenditures</u>				
Social Services	10,642,703	31,589,285	18,902,626	(12,686,659)
Debt Service:				
Principal	245,328	245,328	0	(245,328)
Total Expenditures	<u>10,888,031</u>	<u>31,834,613</u>	<u>18,902,626</u>	<u>(12,931,987)</u>
Excess (Deficiency) of Revenues over Expenditures	(4,527,000)	(25,473,582)	4,518,312	29,991,894
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(4,527,000)	(25,473,582)	4,518,312	29,991,894
Special item - Reserve transfer	0	2,237,237	(2,237,237)	(4,474,474)
Fund Balance, January 1	4,557,000	4,557,000	5,163,579	606,579
Fund Balance, December 31	<u>\$ 30,000</u>	<u>\$ (18,679,345)</u>	<u>\$ 7,444,653</u>	<u>\$ 26,123,998</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, 2021

	Original Biennial Budget	Final Biennial Budget	2021 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>				
Taxes	\$ 10,100,000	\$ 10,100,000	\$ 6,130,667	\$ (3,969,333)
Miscellaneous	0	0	633,899	633,899
Total Revenues	<u>10,100,000</u>	<u>10,100,000</u>	<u>6,764,567</u>	<u>(3,335,433)</u>
<u>Expenditures</u>				
Public Safety	1,797,650	1,797,650	290,967	(1,506,683)
Capital Outlay	2,057,850	2,057,850	24,229	(2,033,621)
Total Expenditures	<u>3,855,500</u>	<u>3,855,500</u>	<u>315,196</u>	<u>(3,540,304)</u>
Excess (Deficiency) of Revenues over Expenditures	6,244,500	6,244,500	6,449,371	204,871
<u>Other Financing Sources (Uses)</u>				
Transfers Out	(6,790,000)	(6,790,000)	(3,139,374)	3,650,626
Total Other Sources (Uses)	<u>(6,790,000)</u>	<u>(6,790,000)</u>	<u>(3,139,374)</u>	<u>3,650,626</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(545,500)	(545,500)	3,309,997	3,855,497
Fund Balance as of January 1	14,200,000	14,200,000	17,673,756	(24,457,508)
Fund Balance as of December 31	<u>\$ 13,654,500</u>	<u>\$ 13,654,500</u>	<u>\$ 20,983,752</u>	<u>\$ (20,602,011)</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, 2021

	Original Biennial Budget	Final Biennial Budget	2021 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>				
Taxes	\$ 9,225,600	\$ 9,225,600	\$ 5,600,885	\$ (3,624,715)
Total Revenues	<u>9,225,600</u>	<u>9,225,600</u>	<u>5,600,885</u>	<u>(3,624,715)</u>
<u>Expenditures</u>				
General Government Services	22,814,935	22,814,935	807,000	(22,007,935)
Natural & Economic Environment	800,000	800,000	80,000	(720,000)
Total Expenditures	<u>23,614,935</u>	<u>23,614,935</u>	<u>887,000</u>	<u>(22,727,935)</u>
Excess (Deficiency) of Revenues over Expenditures	(14,389,335)	(14,389,335)	4,713,885	19,103,220
<u>Other Financing Sources (Uses)</u>				
Transfers Out	(3,425,402)	(3,425,402)	0	3,425,402
Total Other Sources (Uses)	<u>(3,425,402)</u>	<u>(3,425,402)</u>	<u>0</u>	<u>3,425,402</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(17,814,737)	(17,814,737)	4,713,885	22,528,622
Fund Balance as of January 1	17,814,737	17,814,737	18,136,462	321,725
Fund Balance as of December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,850,346</u>	<u>\$ 22,850,346</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, 2021

	Original Biennial Budget	Final Biennial Budget	2021 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>				
Taxes	\$ 16,500,000	\$ 16,500,000	\$ 10,162,520	\$ (6,337,480)
Interest Earnings	547,900	547,900	217,590	(330,310)
Miscellaneous	0	0	200	200
Total Revenues	<u>17,047,900</u>	<u>17,047,900</u>	<u>10,380,310</u>	<u>(6,667,590)</u>
<u>Expenditures</u>				
General Government Services	12,824,737	12,289,927	4,177,101	(8,112,826)
Public Safety	12,349,124	11,831,679	5,386,737	(6,444,942)
Natural & Economic Environment	545,682	545,682	133,765	(411,917)
Capital Outlay	299,500	1,351,755	119,924	(1,231,831)
Total Expenditures	<u>26,019,043</u>	<u>26,019,043</u>	<u>9,817,527</u>	<u>(16,201,516)</u>
Excess (Deficiency) of Revenues over Expenditures	(8,971,143)	(8,971,143)	562,784	9,533,927
<u>Other Financing Sources (Uses)</u>				
Sale of Fixed Assets	0	0	1,000	1,000
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>1,000</u>	<u>1,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(8,971,143)	(8,971,143)	563,784	9,534,927
Fund Balance as of January 1	18,500,000	18,500,000	19,444,764	944,764
Fund Balance as of December 31	<u>\$ 9,528,857</u>	<u>\$ 9,528,857</u>	<u>\$ 20,008,548</u>	<u>\$ 10,479,691</u>

BENTON COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget (GAAP Basis) and Actual

Capital Acquisition

Year Ended December 31, 2021

	Original Biennial Budget	Final Biennial Budget	2021 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 1,221,359	\$ 1,221,359
Charges for Services	65,500	65,500	50,551	(14,949)
Miscellaneous Revenues	30,000	30,000	99,899	69,899
Total Revenues	<u>95,500</u>	<u>95,500</u>	<u>1,371,810</u>	<u>1,276,310</u>
<u>Expenditures</u>				
General Government	623,255	2,107,389	1,624,240	(483,149)
Public Safety	0	1,181,050	994,835	(186,215)
Capital Outlay	24,558,055	21,892,871	10,890,195	(11,002,676)
Total Expenditures	<u>25,181,310</u>	<u>25,181,310</u>	<u>13,509,271</u>	<u>(11,672,039)</u>
Excess (Deficiency) of Revenues over Expenditures	(25,085,810)	(25,085,810)	(12,137,461)	12,948,349
<u>Other Financing Sources (Uses)</u>				
Proceeds of Capital Assets	0	0	2,000	2,000
Transfers In	2,085,810	2,085,810	16,824,108	14,738,298
Transfers Out	0	0	0	(2,475,608)
Total Other Financing Sources (Uses)	<u>2,085,810</u>	<u>2,085,810</u>	<u>16,826,108</u>	<u>12,264,690</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(23,000,000)	(23,000,000)	4,688,647	25,213,039
Fund Balance as of January 1	23,500,000	23,500,000	25,037,082	31,262,811
Fund Balance as of December 31	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>0 29,725,729</u>	<u>\$ 56,475,851</u>

BENTON COUNTY, WASHINGTON

Statement of Net Position

Proprietary Funds

December 31, 2021

	Governmental Activities
	<u>Internal Service Funds</u>
<i>ASSETS</i>	
<u>Current Assets</u>	
Cash and Pooled Investments	\$ 14,231,145
Accounts Receivable	25,250
Interest Receivable	21,249
Due From Other Funds	742,612
Inventories/Prepayments	2,153,393
Total Current Assets	<u>17,173,649</u>
<u>Noncurrent Assets</u>	
Capital Assets	
Land	221,020
Buildings	6,663,760
Improvements Other Than Buildings	91,393
Machinery and Equipment	11,628,108
Less Accumulated Depreciation	(11,980,428)
Construction In Progress	0
Net Pension Asset	1,194,169
Total Noncurrent Assets	<u>7,818,022</u>
<u>Deferred Outflows of Resources</u>	
Deferred Outflows Related to Pensions	164,670
Total Deferred Outflows of Resources	<u>164,670</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 25,156,341</u>
<i>LIABILITIES AND NET POSITION</i>	
<u>Current Liabilities</u>	
Accounts/Vouchers Payable	\$ 200,652
Warrants Payable	85,307
Due To Other Funds	16,254
Accrued Wages Payable	251,026
Total Current Liabilities	<u>553,239</u>
<u>Noncurrent Liabilities</u>	
Compensated Absences	169,602
Total Noncurrent Liabilities	<u>169,602</u>
Total Liabilities	<u>722,841</u>
<u>Deferred Inflows of Resources</u>	
Deferred Intflows Related to Pensions	1,477,890
Total Deferred Inflows of Resources	<u>1,477,890</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 2,200,731</u>
<u>Net Position</u>	
Investment in Capital Assets	\$ 7,818,022
Unrestricted	15,137,589
Total Net Position	<u>\$ 22,955,611</u>

BENTON COUNTY, WASHINGTON

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

Proprietary Funds

Year Ended December 31, 2021

	Governmental Activities
	<u>Internal Services</u>
<i><u>Operating Revenues</u></i>	
Net Charges for Services	\$ 11,052,159
Other Operating Revenue	41,437
Total Operating Revenues	<u>11,093,597</u>
<i><u>Operating Expenses</u></i>	
Personal Services	2,943,252
Contractual services	3,855,146
Other Supplies and Expenses	945,231
Depreciation	1,015,159
Payment to Claimants	928,856
Total Operating Expenses	<u>9,687,642</u>
Operating Income (Loss)	<u>1,405,954</u>
<i><u>Non-Operating Revenue (Expenses)</u></i>	
Interest Revenue	124,073
Gain (Loss) on Disposition of Capital Assets	69,969
Other Non-Operating Revenues (Expenses)	167,366
Total Non-Operating Revenue (Expenses)	<u>361,408</u>
Income (Loss) before Transfers	1,767,362
Change in Net Position	<u>1,767,362</u>
Net Position as of January 1	21,188,248
Net Position as of December 31	<u>\$ 22,955,611</u>

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2021

	Governmental Activities
	<u>Internal Services</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from Customers	\$ 3,316
Receipts from Interfund Services Provided	10,957,060
Miscellaneous Receipts	41,471
Payments to Employees	(3,300,609)
Payments to Suppliers	(6,693,537)
Payments for Interfund Services Used	(89,904)
Net cash provided (used) by operating activities	<u>917,797</u>
<u>Cash Flows From Noncapital Financing Activities:</u>	
Miscellaneous Receipts	<u>25,000</u>
Net cash provided (used) by noncapital financing activities	<u>25,000</u>
<u>Cash Flows From Capital And Related Financing Activities</u>	
Proceeds from sale of capital assets	71,028
Purchases of capital assets	<u>(1,101,409)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,030,382)</u>
<u>Cash Flows From Investing Activities:</u>	
Interest Earnings	<u>126,395</u>
Net Cash Provided by Investing Activities	<u>126,395</u>
Net Increase (Decrease) in Cash & Cash Equivalents	38,810
Balances as of January 1	<u>14,192,336</u>
Balances as of December 31	<u>\$ 14,231,147</u>

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2021

	Governmental Activities Internal Services
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>	
Operating Income/(Loss)	\$ <u>1,405,954</u>
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>	
Depreciation Expense	1,015,159
Other Non-Cash Revenue/Expense	(273,882)
<u>Changes in assets and liabilities:</u>	
Receivables, net	(549,660)
Inventories	(22,199)
Accounts and other payables	<u>(657,575)</u>
Net Cash Provided by Operating Activities	\$ <u><u>917,796</u></u>

BENTON COUNTY, WASHINGTON
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021

	Custodial Funds	External Investment Pool
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 222,612,495	\$ 399,815,770
Receivables:		
Taxes for Other Governments	3,690,872	-
Special Assessments for Other Governments	<u>333,422</u>	<u>-</u>
Total current assets	<u>226,636,790</u>	<u>399,815,770</u>
TOTAL ASSETS	<u><u>226,636,790</u></u>	<u><u>399,815,770</u></u>
LIABILITIES		
Current liabilities:		
Warrants payable	<u>13,025,636</u>	<u>-</u>
Total current liabilities	<u>13,025,636</u>	<u>-</u>
TOTAL LIABILITIES	<u>13,025,636</u>	<u>-</u>
NET POSITION		
Restricted	<u>213,611,154</u>	<u>399,815,770</u>
TOTAL NET POSITION	<u><u>\$ 226,636,790</u></u>	<u><u>\$ 399,815,770</u></u>

BENTON COUNTY, WASHINGTON
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
for the Year Ended December 31, 2021

	Custodial Funds	External Investment Pool
ADDITIONS		
Investment Earnings:		
Net increase (decrease) in fair value of investments	-	2,469,327
Interest, dividends, and other	2,773,995	-
Total investment earnings	<u>2,773,995</u>	<u>2,469,327</u>
Property tax collected for other governments	224,786,644	-
Sales tax collected for other governments	2,352,440	-
Other taxes and fees collected for other governments	77,962,853	-
Contributions by pool participants	-	80,145,902
Other additions	631,611,197	-
Total additions	<u>939,487,130</u>	<u>82,615,229</u>
DEDUCTIONS		
Property taxes distributed to other governments	6,553,303	-
Sales taxes distributed to other governments	2,350,579	-
Taxes and fees distributed to other governments	172,697,916	-
Deductions by pool participants	-	65,002,530
Payments to employees and vendors	713,080,731	-
Bond principal and interest	45,379,293	-
Other deductions	2,785,405	-
Total deductions	<u>942,847,228</u>	<u>65,002,530</u>
Net increase (decrease) in fiduciary net position	<u>(3,360,098)</u>	<u>17,612,699</u>
Net Position - beginning	229,996,885	382,203,071
Net Position - ending	<u>\$ 226,636,787</u>	<u>\$ 399,815,770</u>

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 13, 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.

Fiduciary funds are excluded from the government-wide presentation of the 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. The custodial 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

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

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 *Benton Franklin Juvenile Services Fund*, funded with state and federal grants and assistance and charges for services. The Benton-Franklin Counties Juvenile Court and its Juvenile Justice Center is a branch of the Superior Court.
- 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.
- *Fiduciary Funds* include External Investment Pool Funds and Custodial Funds. Fiduciary fund reporting is used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. Custodial External Investment Pool Funds are used to report the external portion of investment pools managed by the County on behalf of legally separate entities such as special districts and public authorities that are not part of the County's reporting entity. Custodial Funds are used to report resources held by the County in a purely custodial capacity.

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

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 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.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 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.

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, 2021, the County Treasurer was holding \$399,392,712 in investments of surplus cash as reported on the Benton County Treasurer's investment activity report. The County's portion of this amount, \$199,260,136 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 2021 were approximately \$25,714,659.

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. Receivables

Taxes receivable consists of property taxes and related interest and penalties (See Note 4) 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, 2021, \$5,442 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.

3. Amounts Due to and from Other Funds

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

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

other funds.” A schedule of Interfund receivables and payables (Due To/From) is included in Note 11.

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.

4. 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).

5. Capital Assets - See Note 5

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, improvements and intangible assets is computed using the straight-line method. Infrastructure is depreciated using a composit 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 - 40 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 Financial Statements
For the Year Ended December 31, 2021

6. Other Property and Investments - See Note 3.

7. 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).

8. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

9. Long-Term Debt - See Note 8.

10. 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. Reported assets include grant resources received in advance.

11. 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 accrual basis of accounting.

12. Fund Balance Classifications

In February, 2009, the GASB issued Statement no. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The County implemented GASB Statement 54 beginning in fiscal year 2011, including a reclassification of ending fund balances from the previous fiscal year ending December 31, 2010.

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

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

13. 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 13% of appropriated expenditures.
- Capital Projects. A fund balance of at least \$5,000,000.
- Central Services. A fund balance of at least \$350,000.
- 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 Financial Statements
For the Year Ended December 31, 2021

14. Detailed Fund Balance Constraints

Fund Balances:	Major Governmental Funds			Nonmajor Governmental Funds	Total
	General Fund	Special Revenue Funds	Capital Projects		
Restricted for:					
Public Safety		20,008,548			20,008,548
Detention and/or Correction		20,983,752		3,885,003	24,868,755
Education				113,038	113,038
Financial and Records Services				1,975,996	1,975,996
Housing & Community Dev				5,039,429	5,039,429
Judicial				841,798	841,798
Juvenile Services				45,665	45,665
Legal				534,732	534,732
Mental & Health Services		9,681,890		7,316,335	16,998,225
Park Facilities				630,202	630,202
Planning & Community Dev		22,850,346		527,552	23,377,898
Transportation		8,342,488		4,608	8,347,096
Veterans Services				1,077,504	1,077,504
Committed to:					
Central services				2,555,342	2,555,342
Cultural & Recreational Facilities				613,915	613,915
Debt Service				563,092	563,092
Detention and/or Correction				319,194	319,194
Solid Waste				1,605,238	1,605,238
Housing & Community Dev				1,610,180	1,610,180
Judicial				689,853	689,853
Juvenile Services		1,450,923			1,450,923
Law Enforcement				1,216,188	1,216,188
Legislative				883,744	883,744
Transportation				3,772,816	3,772,816
Assigned to:					
Capital Projects			29,725,729		29,725,729
Unassigned					
General Fund	30,857,233				30,857,233
	30,857,233	83,317,947	29,725,729	35,821,424	179,722,333

15. 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.

16. 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. For the purpose of calculating the restricted net position related to the net pension asset, the County includes the net pension asset and the related deferred outflows and inflows.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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	\$ 883,773
Unavailable Revenue – Court Judgements	340,720
Interest Earned, unavailable for >90 days	104,612
Restricted Net Pension Asset	35,204,912
A/R Superior & District Courts, Treasurers O&M	<u>1,731,992</u>
 Net Adjustment to Increase Total Governmental Funds to Arrive At Net Position Governmental Funds	 <u>\$ 38,266,009</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	\$ (3,540,000)
Special Assessment Debt	(462,777)
Long-Term Loans	(593,245)
Compensated Absences	(2,981,053)
Less Internal Service Funds Amount	<u>169,602</u>
Net Compensated Absences	(2,811,451)
Interest Payable	(23,010)
OPEB Liability	(5,999,302)
Net Pension Liability	<u>(2,835,913)</u>
 Net Adjustment to Reduce - Total Governmental Funds to Arrive at Net Position – Governmental Activities	 <u>\$(16,265,698)</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.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

The details of this difference is as follows:

Costs of Capital Assets	\$ 12,892,237
Donated Capital Assets	922,387
Change in Joint Venture Equity	(129,154)
Depreciation	(8,532,064)
Others Capital Outlay (Disposed, Int. Service funds & Misc)	<u>(5,926,842)</u>
Net Adjustment to Increase Net Changes in Fund Balance -	
Total Governmental Funds to Arrive at Changes in Net	
Position of Governmental Activities	<u>\$ (773,436)</u>

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:

Principal Payments:	
General Obligation Debt	<u>1,044,305</u>
Net Adjustment to Increase Net Changes in Fund Balances	
Total Governmental Funds to Arrive at Changes in Net	
Position of Governmental Activities	<u>\$ 1,044,305</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:

Accrual for Superior Court A/R	\$ 136,672
Accrual for District Court A/R	(525,344)
State of Washington Contribution to LEOFF 2	222,329
Change in Interest Receivable between 2019 & 2020	(23,517)
Deferred Tax Inflow 2020	221,877
Donations of Capital Assets	922,386
Other accrued revenue adjustment	<u>(76,460)</u>
Net Adjustment to Increase Net Changes in Fund Balance -	
Total Governmental Funds to Arrive at Changes in Net	
Position of Governmental Activities	<u>\$ 877,943</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:

Pension expenses	\$ 6,849,689
Change in Pension	11,989,668
OPEB expense	(442,080)
Accrued interest expense	4,089
Compensated absences adjustment	(195,398)
Other full accrual adjustments	<u>(2,269,110)</u>
Net Adjustment to Increase Net Changes in Fund Balance -	
Total Governmental Funds to Arrive at Changes in Net	
Position of Governmental Activities	<u>\$ 15,936,859</u>

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 3 - 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. The County's Investment Policy has been reviewed and 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. 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 FHN Financial Main Street Advisors, LLC ("FHN"). FHN will make specific recommendations to the investment strategy and investments, provide periodic review of internal controls, market analysis, portfolio analysis and reporting. FHN 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 County's investment software, Sympro, as provided by Bank of New York Mellon, the County's safekeeper. Quarterly fair market values are prepared by the County's financial advisor FHN, 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 (GAAP), 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.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

On December 31, 2021, 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
U.S. government & agency securities	305,385,110	-0-	305,385,110	-0-
Total Debt Securities	\$305,385,110	-0-	305,385,110-	-0-

As of December 31, 2021, the County had the following investments:

BENTON COUNTY ALL FUNDS

Investment Type	Weighted Average Maturity Years	Fair Value of County's Investments		Total
Federal Agricultural Mortgage Corporation	2.52	\$44,170,560.00	\$	44,170,560
Federal Farm Credit Bank	1.75	\$74,948,660.00	\$	74,948,660
Federal Home Loan Bank	2.84	\$27,241,660.00	\$	27,241,660
Federal Home Loan Mortgage Corporation	1.56	\$11,887,650.00	\$	11,887,650
Federal National Mortgage Association	2.32	\$38,166,980.00	\$	38,166,980
Treasuries	2.86	\$108,969,600.00	\$	108,969,600
State Pool	1.00	\$94,007,602.26	\$	94,007,602
GRAND TOTAL		\$ 399,392,712	\$	399,392,712

The amounts listed in the above table as the County's investments (stated at market) also include idle agency fund monies invested by the County upon which the County earns interest.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with 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 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 2021 for each type of investment of which the Primary Government participates.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

<u>Investment Type</u>	<u>Minimum Rating*</u>	<u>Year-End Rating*</u>
Treasury and Agency Securities	N/A	N/R
Certificates of Deposit	N/A	N/A
State Local Government Investment Pool	N/R	N/R
Municipal Bonds	AA2	N/A

*Ratings from Moody's

Management intends to hold the time deposits and securities until maturity. In accordance with GAAP 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, all investment transactions conducted by the County are done on a delivery versus payment ("DVP") basis. In accordance with RCW43.250, the State Finance Committee provides oversight over the LGIP pool portfolio. 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 portfolio is managed in a manner generally consistent with SEC regulated Rule 2a-7 money market funds such LGIP investment guidelines are spelled out in the LGIP Investment Policy. Accordingly, participants' balances in the LGIP have minimal interest rate risk, as the weighted average maturity of the portfolio will not exceed 60 days. 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 for withdrawals and deposits.

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 25 participants involving 165 funds in 2021. The TIP has been well received by all participants.

*Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021*

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, 2021.

BENTON COUNTY TREASURER'S INVESTMENT POOL

BENTON COUNTY TREASURERS INVESTMENT POOL			
Investment Type	Weighted Average Maturity Years	Fair Value of County's Investments	Total
Federal Agricultural Mortgage Corporation	2.52	\$44,170,560.00	\$ 44,170,560
Federal Farm Credit Bank	1.75	\$74,948,660.00	\$ 74,948,660
Federal Home Loan Bank	2.84	\$27,241,660.00	\$ 27,241,660
Federal Home Loan Mortgage Corporation	1.56	\$11,887,650.00	\$ 11,887,650
Federal National Mortgage Association	2.32	\$38,166,980.00	\$ 38,166,980
Treasuries	2.86	\$108,969,600.00	\$ 108,969,600
State Pool	1.00	\$94,007,602.26	\$ 94,007,602
GRAND TOTAL		\$ 399,392,712	\$ 399,392,712

BENTON COUNTY TREASURERS INVESTMENT POOL

Investment Type	FMV	PRINCIPLE AMOUNT	INTEREST RATE RANGE	MATURITY RANGE
TREASURIES & AGENCIES	305,385,110	302,500,327	0.25%-3.05%	1/1/2022-10/31/2026
STATE POOL	94,007,602	94,000,000	0.09%	12/31/2021
TOTAL	399,392,712	396,500,327	0.09%-3.05%	1/1/2022-12/31/2026

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 12/31/2021 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, or at <http://www.tre.wa.gov>

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. 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, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

BENTON COUNTY TREASURER’S INVESTMENT POOL
CONDENSED STATEMENT OF NET POSITION

Assets	
Cash, Cash Equivalents & Pooled Investments	\$399,392,712
Receivables	-0-
Total Assets	<u>\$399,392,712</u>
 Liabilities	
Total Liabilities	-0-
Net Position Held in Trust for Pool Participants	<u>\$399,392,712</u>

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

Net Position Beginning of Year	\$391,526,102
Net Change in Investments by Pool Participants	+7,866,610
Net Position Year-End	<u>\$399,392,712</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%
 - Federal Agricultural Mortgage Corporation 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%

*Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021*

Presented below are investments in any one issuer in which the Primary Government participated as of December 31, 2021:

BENTON COUNTY INVESTMENT CONCENTRATION			
INVESTMENT	% Of County Investments	% of Other Districts	Total
Federal Agricultural Mortgage Corporation	11.06%	0.00%	11.06%
Federal Farm Credit Bank	18.77%	0.00%	18.77%
Federal Home Loan Bank	6.82%	0.00%	6.82%
Federal Home Loan Mortgage Corporation	2.98%	0.00%	2.98%
Federal National Mortgage Association	9.56%	0.00%	9.56%
Treasuries	27.28%	0.00%	27.28%
State Pool	23.54%	0.00%	23.54%
GRAND TOTAL	100.00%	0.00%	100.00%

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 4 - 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

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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, 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 2021, the County levied the following property taxes:

Purpose of Levy	Per \$1,000	Levy Amount
General Government (A)	\$ 1.0228	\$ 24,213,253
County Roads (B)	1.3379	6,980,063
Human Services (A)	0.0250	591,849
Veterans' Assistance (A)	0.0113	266,332
Totals	\$ 2.3970	\$ 32,051,497

(A) assessed value of \$ 23,673,974,737

(B) assessed value of \$ 5,217,108,183

NOTE 5 – CAPITAL AND INTANGIBLE ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 16,313,641	\$ 545,950	\$ 0	\$ 16,859,592
Rights and Easements	890,250	1,902,054	0	2,792,304
Construction in progress	10,020,293	10,241,908	19,003,722	1,258,480
Total capital assets, not being depreciated	27,224,184	12,689,912	19,003,722	20,910,375
Capital assets, being depreciated:				
Quarries	81,941	0	0	81,941
Buildings	101,208,532	17,361,865	0	118,570,397
Improvements	4,588,168	0	0	4,588,168
Intangibles	1,436,318	36,365	0	1,472,683
Machinery and equipment	29,198,237	1,974,416	1,968,217	29,204,436
Infrastructure	120,631,947	1,393,704	80,555	121,945,096
Total capital assets being depreciated	257,145,143	20,766,350	2,048,772	275,862,722
Less accumulated depreciation for:				
Quarries	25,278	0	0	25,278
Buildings	79,296,750	4,087,940	0	83,384,690
Improvements	2,128,845	227,318	0	2,356,163
Intangibles	1,173,427	77,044	0	125,471
Machinery and equipment	16,106,542	2,124,548	1,956,769	16,274,321
Infrastructure	35,632,914	3,048,627	80,555	38,600,986
Total accumulated depreciation	134,363,756	9,565,477	2,037,324	141,891,909
Total capital assets being depreciated, net	122,781,387	11,200,873	11,448	133,970,811
Governmental activities capital assets, net	\$ 150,005,570	\$ 43,021,741	\$ 23,089,817	\$ 154,881,186

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

Depreciation expense was charged to functions as follows:

General Government	\$ 4,007,002
Public Safety	834,527
Transportation	3,248,657
Natural & Economic Environment	100,522
Social Services	65,355
Culture and Recreation	<u>276,000</u>
Total Depreciation - Governmental Activities	<u>\$ 8,532,063</u>
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.	<u>1,033,414</u>
Total governmental activities depreciation expense	<u>\$ 9,565,477</u>

NOTE 6 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts – All Plans	
Pension liabilities	(2,835,913)
Pension assets	36,399,081
Deferred outflows of resources	4,055,427
Deferred inflows of resources	(32,815,951)
Pension expense/expenditures	(7,422,617)

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%
July – December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	10.25%	6.00%

* 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

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%

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

The county's actual PERS plan contributions were \$1,532,262 to PERS Plan 1 and \$ 2,026,145 to PERS Plan 2/3 for the year ended December 31, 2021.

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:

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor and Cannabis 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 2021 were as follows:

PSERS Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2021		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.25%	7.20%
July – December 2021		
PSERS Plan 2	6.50%	6.50%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.39%	6.50%

The county’s actual plan contributions were \$ 459,839 to PSERS Plan 2 and \$ 1,532,262 to PERS Plan 1 for the year ended December 31, 2021.

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.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 2021. 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 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 state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2021		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%
Ports and Universities	8.59%	8.59%
Administrative Fee	0.18%	
Total	8.77%	8.59%
July – December 2021		
State and local governments	5.12	8.53%
Administrative Fee	0.18%	

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

Total	5.30%	8.53%
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	
Total	8.71%	8.53%

The county's actual contributions to the plan were \$ 326,478 for the year ended December 31, 2021.

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, 2021, the state contributed \$78,170,320 to LEOFF Plan 2. The amount recognized by the county as its proportionate share of this amount is \$ 222,329.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, 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 developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

Discount Rate

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 was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA’s assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 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 OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA’s) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA’s and their target asset allocation to simulate future investment returns at various future times.

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, 2021 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	4,831,138	2,835,913	1,095,871
PERS 2/3	(6,598,812)	(23,163,431)	(36,804,401)
PSERS 2	(372,633)	(2,376,753)	(3,962,918)
LEOFF 1	(73,548,193)	(81,696,228)	(88,745,659)
LEOFF 2	(6,332,451)	(10,041,935)	(13,079,262)

Pension Plan Fiduciary Net Position

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

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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

At June 30, 2021, the county's reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	(2,835,913)
PERS 2/3	23,163,431
PSERS 2	2,376,753
LEOFF 1	816,962
LEOFF 2	10,041,935

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's were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	(816,962)	(10,041,935)
State's proportionate share of the net pension asset associated with the employer	(5,525,913)	(6,478,144)
TOTAL	(6,342,875)	(16,520,079)

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.232150 %	0.232217 %	(0.000067)%
PERS 2/3	0.226934%	0.232527%	0.005593%
PSERS 2	1.206079%	1.034545%	(0.171534)%
LEOFF 1	0.024500%	0.023849%	(0.000651)%
LEOFF 2	0.178863%	0.172886%	(0.005977)%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 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 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). 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 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

Pension Expense

For the year ended December 31, 2021, the county recognized pension expense as follows:

	Pension Expense
PERS 1	(521,485)
PERS 2/3	(5,446,544)
PSERS 2	(103,666)
LEOFF 1	(109,485)
LEOFF 2	(1,241,438)
TOTAL	(7,422,617)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the county reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	0	(3,146,914)
Net difference between projected and actual investment earnings on pension plan investments	0	0
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	657,124	0
TOTAL	657,124	(3,146,914)

Pers 2 & 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,125,014	(283,961)
Net difference between projected and actual investment earnings on pension plan investments	0	(19,359,195)
Changes of assumptions	33,849	(1,644,987)
Changes in proportion and differences between contributions and proportionate share of contributions	90,723	(722,131)
Contributions subsequent to the measurement date	896,332	0
TOTAL	2,145,919	(22,010,274)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	243,885	(9,394)
Net difference between projected and actual investment earnings on pension plan investments	0	(1,702,475)
Changes of assumptions	370	(243,030)
Changes in proportion and differences between contributions and proportionate share of contributions	\$10,038	60,539)
Contributions subsequent to the measurement date	225,474	0
TOTAL	479,767	(2,015,438)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	0	0
Net difference between projected and actual investment earnings on pension plan investments	0	(249,632)
Changes of assumptions	0	0

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

Changes in proportion and differences between contributions and proportionate share of contributions	0	0
Contributions subsequent to the measurement date	0	0
TOTAL	0	(249,632)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	455,464	(53,071)
Net difference between projected and actual investment earnings on pension plan investments	0	(4,788,067)
Changes of assumptions	4,341	(477,595)
Changes in proportion and differences between contributions and proportionate share of contributions	147,535	(74,961)
Contributions subsequent to the measurement date	165,278	0
TOTAL	772,618	(5,393,693)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,824,363	(346,426)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(29,246,283)
Changes of assumptions	38,560	(2,365,612)
Changes in proportion and differences between contributions and proportionate share of contributions	248,296	(857,631)
Contributions subsequent to the measurement date	1,944,208	0
TOTAL	4,055,427	(32,815,951)

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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2 & 3	PSERS2	LEOFF 1	LEOFF 2
2022	(833,618)	(5,497,336)	(450,097)	(66,311)	(1,273,518)
2023	(763,897)	(5,149,515)	(427,789)	(60,654)	(1,186,430)
2024	(722,296)	(4,887,722)	(406,201)	(57,233)	(1,120,630)
2025	(827,103)	(5,170,793)	(450,098)	(65,435)	(1,262,329)
2026	0	(77,203)	(7,956)	0	(13,710)
Thereafter	0	21,882	(19,004)	0	70,263

NOTE 7A - 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

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Twenty-six counties were participating in the Pool as of year-end 2021.

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 coverage limits are \$20 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 2020, Benton County selects a per-occurrence deductible of \$100,000.

Members make an annual contribution to fund the Pool. The Pool acquires excess and reinsurance for further protection from larger losses. For the first \$10,000,000 of coverage, the Pool acquires reinsurance. The reinsurance agreements are written with self-insured retentions (“SIRs”) equal to the amount of the layer of coverage below. For 2020-21, the Pool’s SIR was \$2,000,000. The reinsurance agreements respond up to the applicable policy limits and the agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$30 million (lowest reinsured layer), and \$50 million (second layer). The Pool purchases excess coverage for the additional \$10,000,000 with an aggregate limit of \$100,000,000. Since the Pool is a cooperative program, there is a joint liability among the participating members. Sixteen of the Pool’s 26 member counties group purchase an additional \$5,000,000 policy in excess of the pooled \$20,000,000.

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 2020-21, 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. The Pool carries a \$100,000 per claim deductible, while each participating county is responsible for paying their selected deductible within the Pool’s 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 carries a \$100,000 per claim SIR, while participating member counties do not have deductibles.

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.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 \$100,000, 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

During 2019-20, the WCRP's assets increased to \$61 million while its liabilities decreased to \$36.3 million. The Pool's net position was \$24.7 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, 2021 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

NOTE 7B - 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 12/31/2019	\$ -0-
Claims incurred	37,578
Claims paid	<u>(37,578)</u>
Claims liability at 12/31/2020	-0-
Claims incurred	41,395
Claims paid	<u>(41,395)</u>
Claims liability at 12/31/2021	<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 12/31/2019	\$ 687,861
Claims incurred	628,800
Claims paid	(805,722)
Claims adjustments	<u>(9,394)</u>
Claims liability at 12/31/2020	<u>501,545</u>
Claims incurred	1,184,843

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

Claims paid	(703,687)
Claims adjustments	<u>-0-</u>
Claims liability at 12/31/2021	<u>\$982,701</u>

NOTE 7C - 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 protection, to the Workers' Compensation Fund, \$100,000 in cash reserves. Workers' Compensation Fund reserves, at December 31, 2021, were \$2,830,839.

NOTE 8 - 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 \$215,963. 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
2022	197,748	2,966	200,714
2023	197,748	1,978	199,726
2024	197,748	989	198,737
Totals	\$ 593,244	\$ 5,933	\$ 599,177

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 \$1,142 in delinquent special assessment receivables on December 31, 2021.

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 \$3,838 in delinquent special assessment receivables on December 31, 2021.

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 \$5,442.22 in

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

delinquent special assessment receivables on December 31, 2021.

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 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
2022	51,558	17,736	69,294
2023	51,558	15,760	67,318
2024	51,557	13,822	65,379
2025	51,557	11,808	63,365
2026	51,558	9,832	61,390
2026-2030	204,990	19,585	224,575
Totals	\$462,778	\$ 88,543	\$ 551,321

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 January 5, 2022, determined that there were no requirements to report anything to the IRS as of that date.

On July 22, 2021 Benton County issued a \$3,885,000 Limited Tax General Obligation Refunding Bond to refinance the 2018 Limited Tax General Obligation Refunding Bond. This bond has a variable interest rate of 3.0% to 4.0% with maturity in December 2031. Anticipated The principal outstanding on December 31, 2021 is \$ 3,540,000.

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

Years	Health Building 2021 refunding	CRID21 Special Assessment Debt 2016	Public Works Trust Fund Loan	Total Debt Payments
2022	434,650	69,294	200,714	\$ 704,658
2023	430,350	67,318	199,726	\$ 697,394
2024	435,900	65,379	198,737	\$ 700,016
2025	436,000	63,365	-0-	\$ 499,365
2026	432,400	61,390	-0-	\$ 493,790
2027-2030	1,704,400	224,575	-0-	\$ 1,928,975
2031-2034	401,700	-0-	-0-	\$ 401,700
Totals	\$ 4,275,400	\$ 551,321	\$ 599,177	\$ 5,425,898

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

General Obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
Health Building (refunded 2021)	Variable 3% to 4%	3,540,000
Total		\$ 3,540,000

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

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
2022	310,000	124,650	434,650
2023	315,000	115,350	430,350
2024	330,000	105,900	435,900
2025	340,000	96,000	436,000
2026	350,000	82,400	432,400
2027-2031	1,895,000	211,100	2,106,100
Totals	\$ 3,540,000	\$ 735,400	\$ 4,275,400

At December 31, 2021, the County has \$170,551.62 available in Debt Service funds to service the general obligation bonded debt.

The County is meeting debt service requirements. The County has sufficient assets in a variety of different funds to meet current and future debt service payments. At December 31, 2021, the County had \$562,483 available in reserve in governmental debt service funds to service general obligation and assessment debt. The County's general obligation debt, as noted above, will be funded by cash balances and future revenue streams.

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 \$355,109,620 with \$351,569,620 still available. The legal voted debt limit with 3/5 vote is \$591,849,370 with \$588,309,370 still available.

NOTE 9 – LEASES

Operating Leases

The County leases office machines, equipment and office space under non-cancelable operating leases. Total cost for such leases was \$244,386 for the year ended December 31, 2021. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2022	\$ 220,629
2023	204,462
2024	185,216
2025	151,416
2026	16,066
2027-2031	-0-
Total	\$ 777,788

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 10 – CHANGES IN GENERAL LONG-TERM LIABILITIES

During the year ended December 31, 2021, the following changes occurred in Long-Term Liabilities:

Description	Balance 01/01/21	Additions	Reductions	Balance 12/31/21	Due Within One Year
Employee Leave Benefits*	\$ 3,142,060	4,173,370	4,334,377	2,981,053	\$ 534,877
DSHS Working Advances	252,235		36,272	215,963	0
Economic Development Loan	790,993		197,748	593,244	197,748
2016 CRID21 Special Assessment	514,335		51,557	462,777	51,557
BF Health District Bldg Refunding 2018	4,335,000		4,335,000	0	0
BF Health District Bldg Refunding 2021	0	3,885,000	345,000	3,540,000	310,000
KS StateBank Elections Equipment	51,828		51,828	0	0
Total OPEB Liability	5,844,970	442,080	287,748	5,999,302	308,753
Net Pension Liability	11,908,505		9,072,592	2,835,913	0
Total Debt	\$26,839,926	\$ 8,500,450	\$18,712,122	\$16,628,254	\$1,402,935

*Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$169,602 of internal service funds are included in compensated absences. Compensated absence liabilities for governmental funds are typically liquidated by the fund in which the employee is being compensated reports his/her time. Additionally, the County liquidates and funds past and future pension and OPEB obligations through employee and employer paid pension and medical benefit obligations.

*Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021*

NOTE 11 - 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, 2021, is as follows:

Due To	Due From	Amount
General Fund	Benton Franklin Juvenile Justice Cntr	4,313
	Public Safety Tax Fund	16,651
	Sub-total	20,964
County Road Fund	General Fund	11,746
	NonMajor Governmental funds	18,457
	Sub-total	30,203
Human Services	NonMajor Governmental Funds	2,697
	Sub-total	2,697
Capital Fund	General fund	92,082
	Sub-total	92,082
NonMajor Governmental Funds	General Fund	752
	Sub-total	752
Internal Service Funds	General Fund	493,929
	County Road	59,393
	Human Services	1,279
	Public Safety Tax Fund	28,937
	Benton Franklin Juvenile Justice Cntr	94,302
	NonMajor Governmental Funds	46,709
	Internal Service Funds	16,253
	Capital Fund	1,809
	Sub-total	742,611
Totals		\$ 889,309

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 assessments for the workers compensation fund of approximately \$706,836. Other interfund transactions include legal fees, administrative charges and vehicle maintenance charges.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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, 2021 are as follows:

Transferring In Fund	Transferring Out Fund	Amount
General Fund	1/10% Criminal Justice Tax Fund	\$ 1,395,000
	Sub-total	1,395,000
County Roads	NonMajor Governmental Funds	383
	Sub-total	383
BF Juvenile Justice Cntr	General Fund	1,916,400
	1/10% Criminal Justice Tax Fund	1,744,374
	Sub-total	3,660,744
Capital Projects Fund	General Fund	16,313,700
	NonMajor Capital Project fund	510,408
	Sub-total	16,824,108
NonMajor Governmental Funds	General Fund	2,156,915
	NonMajor Governmental Funds	160,151
	Sub-total	2,317,066
Total		\$ 24,197,331

For the year ended December 31, 2021, the following transfers were significant or of a nonroutine nature:

- \$16.8 million transferred to the Capital Project fund for a budgetary adjustment.
- Benton Franklin Juvenile Center to fund operations, consisting of the following: \$1.9 million from the General Fund and \$1.7 million from the 1/10% Criminal Justice Jail-Juvenile Fund.
- \$1.4 million from 1/10% Criminal Justice Jail-Juvenile Fund to the General Fund for maintenance and operation of the adult and juvenile jails.

NOTE 12 – RESTRICTED NET POSITION

The government-wide statement of net position reports \$139,075,443 of restricted net position, of which \$139,075,443 is restricted by enabling legislation.

NOTE 13 - JOINT VENTURES

A. Benton County Emergency Services (BCES)

BCES was formed January 1, 1997 through an interlocal agreement entered into by the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton 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. An Executive Board oversees the operations of BCES and consists of the City Managers (or designee) from the Cities of Kennewick, Pasco and Richland, City Administrators from Prosser and West Richland, a Council member from Benton City, a Benton County Commissioner, a Franklin County Commissioner and a single representative collectively representing Benton County Fire Protection Districts. The City of Richland serves as the operating jurisdiction providing all the necessary administrative support services and reporting for BCES. The total amount paid by BCES in 2021 for these services was \$485,848. No distributions of income to the City are expected since charges are assessed only to recover anticipated expenses.

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

1. SECOMM

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

The Southeast Communications Center provides public safety communications services to the Cities of Kennewick, Richland, Pasco and the Counties of Benton and Franklin. Each owns an equal share of SECOMM's net assets. Financial participation is allocated among the five participants based on equal shares of capital expenses, predetermined fixed costs, direct costs and percentages of use. SECOMM also provides service through contracts to the Cities of West Richland and Prosser, Connell and the Benton and Franklin County Fire Protection Districts, Port of Pasco, Walla Walla Fire District #5 and the North Franklin County Hospital district. Service contract agencies are assessed on a cost per capita or cost per call basis. Benton County's equity interest in SECOMM as of December 31, 2021 was \$1,166,064 which is reported as an asset in the government-wide Statement of 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 assets will be shared equitably among the participants.

2. 800 MHz Radio

The 800 MHz Radio Project fund provides communication infrastructure and technology for the dispatching of public safety agencies throughout Benton County. The Cities of Kennewick, Richland and Benton County each owns a share of 800 MHz's net assets. User agencies are Benton County's Sheriff Office, Jail, Juvenile Justice Center, Public Utility District, and Animal Control; the Cities of Richland, Kennewick, Prosser, Pasco and West Richland, as well as PNNL, DEA, and the Areva Corporation. Radios are charged an annual fee per radio to generate the funds to maintain and upgrade the system. Benton County's equity interest in 800 MHz as of December 31, 2021 was \$1,482,753 which is reported as an asset in the government-wide Statement of Net Position. 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.

3. BCEM

Benton County Emergency Management provides disaster response planning, exercise coordination, response assistance and disaster recovery for Benton County and its political subdivisions per RCW 38.52. Four grant programs fund BCEM: Radiological Emergency Preparedness, DOE Emergency Preparedness, State Homeland Security Program and Emergency Management Program. The six (6) participating jurisdictions are the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County participate in the grant programs through the Interlocal 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. Benton County's equity interest in BCEM as of December 31, 2021 was \$25,057, which is reported as an asset in the government-wide Statement of Net Assets. The change in equity is reflected under Public Safety in the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

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 owns an equal share of Microwave's net assets. Benton County's equity interest in Microwave as of December 31, 2021 was \$52,310 which is reported as an asset in the government-wide Statement of Net Position. 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.

Complete and separate financial statements for BCES may be obtained from the City of Richland, 625 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,

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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. 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 \$84,381 on June 30, 2020. 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 and 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 2021, for these transactions were \$46,437.

BI-PIN is currently in the process of implementing a new RMS/JMS system as well as upgrading all supporting infrastructure. The County's equity interest in BI-PIN was \$1,773,590 on December 31, 2021. 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 BI-PIN since charges are assessed only to recover anticipated expenses.

Complete and separate financial statements for BI-PIN may be obtained at the City of Kennewick, 210 West Sixth Avenue, Kennewick, Washington, 99336.

NOTE 14 – 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 2021:

OPEB liabilities	\$ 5,999,302
Deferred outflows of resources	\$ 154,377
OPEB expenses/expenditures	\$ 442,080

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

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

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, 2021, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	-0-
Active employees	-0-
Total	12

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, 2021 benefit payments made by the county were \$146,933.

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 \$5,999,302 was measured as of June 30, 2021 with a valuation date of June 30, 2021. 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: 3.87% beginning of measurement year, 3.50% end of measurement year
- Healthcare cost trend rate: for medical costs, 6.0% decreasing to 5.0% in 2020’s; 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%.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

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	\$5,435,922	\$5,999,302	\$6,650,337

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 (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB Liability	\$6,703,606	\$5,999,302	\$5,405,142

Changes in the Total OPEB Liability

Total OPEB Liability at 01/01/2021	\$ 5,844,970
Service cost	0
Interest	126,012
Changes in Experience Data and Assumptions	316,068
Benefit payments	(287,748)
Total OPEB Liability at 12/31/2021	\$ 5,999,302

At December 31, 2021, the county reported deferred outflows of resources only for deferred outflows subsequent to the measurement date in the amount of \$154,377. This will be recognized as expense in the period ending December 31, 2022. Other changes in the total OPEB liability will be expensed immediately.

NOTE 15– DEFERRED COMPENSATION PLAN

The County maintains an Internal Revenue Code (IRC) Section 457 plan for all permanent employees. Section 457 requires that the assets and income of the plans be held in trust for the exclusive benefit of participants and their beneficiaries. Monthly contributions to the plan are deducted from the wages of employees who choose to participate as prescribed by federal law and regulations. The contributions are deposited with a third party in the County's name and in trust on behalf of the County's employees. The County has little administrative involvement and does not perform investing functions for this plan, therefore, this plan is not shown in the County's financial statements.

In January 2019 the County began matching contributions for the members of the Deputy Sheriff's Guild. The County will match employee contributions up to 2.50% of the employees base wage into the County sponsored International City/County Management Association (ICMA) 457 plan.

In April 2021 the County began matching contributions for the members of the Fraternal Order of Police, representing Corrections Lieutenants. The County will match employee contributions up to 2.0% of the employees base wage into the County sponsored International City/County Management Association (ICMA) 457 plan.

The County recognized \$110,387 in contribution expense for 2021. The year end liability for the employer contributions is \$8,771.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 16 – TERMINATION BENEFITS

Termination benefits are provided as an inducement to hasten the termination of services, or through voluntary termination, or a consequence of involuntary termination.

Voluntary Early Retirement Program

In response to the public health emergency described in Note 20, the Board implemented a Voluntary Early Retirement Program (VERP) for eligible County employees.

Program Description

The VERP provides an employer funded health reimbursement account to participants for payment of allowable medical, dental and other similar expenses. Participants are provided a lump sum payment based on years of service with the County. Participants must relinquish their rights to continued and future employment with the County in exchange for benefits and are not eligible for rehire by the County in a position providing health benefit coverage. Employees must have applied to participate in VERP prior to February 1, 2021 and terminate their employment with the County no later than March 31, 2021. Payments to participants were made in the period of their final paycheck with the County. The VERP automatically terminates after all payments have been made to participants.

Eligibility

Eligible employees must meet the following minimum qualifications:

1. Employee is in an active employment status; and,
2. Employee is at least 60 years old with a minimum of five (5) years of continuous County employment; or,
3. Employee has at least 20 years of continuous County employment and is of any age.

In addition, employees who are on approved leaves of absences and otherwise meet the applicable eligibility criteria above are eligible to participate.

The following are not eligible to participate:

1. Contract employees or time as a contract employee in any eligibility calculations;
2. Part-time, extra help or temporary employees;
3. Bi-County employees;
4. Elected officials.

Benefits

Participants in VERP received from \$10,000 to \$20,000 depending upon years of service with the County.

Years of Service with County	Lump Sum Payment
5, 6, 7, 8, 9 or 10 years	\$10,000
11 years or more	\$10,000 plus \$1,000 additional per year starting with the 11 th year to a maximum benefit off \$20,000

The lump sum payment is based on years of service as of the last day of employment, with a maximum benefit off \$20,000. Partial year credit will not apply.

Participants and Cost of Benefits

The number of participants and the cost of benefits are identified below:

Year	Number of Participants	Cost of Benefits
2021	11	193,000

NOTE 17 – TAX ABATEMENT

The State of Washington has several tax abatements. The information provided by Washington State is based upon calendar 2020 as a proxy for fiscal year 2021. The State Department of Revenue provides this information. There are two programs which affect Benton County sales and use tax received. RCW 82.32.585(4) prohibits disclosure of information by jurisdiction when there are less than three taxpayers within a county.

The High Unemployment Deferral for Manufacturing Facilities exemption under RCW 82.60 is intended to promote

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

economic stimulation and new employment opportunities in distress areas. The tax abated for this program cannot be disclosed.

The High Technology sales and use tax deferral program under RCW 82.63, which was available to entities that qualified to start new research and development or pilot scale manufacturing operations, or expand or diversify a current operation by expanding, renovating or equipping an existing facility anywhere in Washington. The tax abated for this program is \$16,113.

NOTE 18- JOINTLY GOVERNED ORGANIZATIONS

Public Facilities District

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 City Library Capital Facility Area

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.

NOTE 19 – ACCOUNTING AND REPORTING CHANGES

Change in Accounting Estimate

The County changed the estimated useful life of infrastructure from 75 to 40 years. This change increased 2021 depreciation expense by approximately \$1.9 million.

NOTE 20 – HEALTH EMERGENCY

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions. While it is still too early to estimate the financial impact of this emergency, the full extent of the financial impact on the County is unknown at this time.

NOTE 21 – CONTINGENCIES AND LITIGATIONS

Blake Legal Financial Obligation Refunds. In *State v. Blake*, 197 Wn.2d 170, 173 (2021), the Washington Supreme Court invalidated Washington's simple drug possession statute. The effect of this decision is to render void all such convictions dating back to 1971. Under due process, all penalties, fines and restitution ("legal financial obligations" or "LFOs") ordered in connection with simple possession convictions must be refunded. Shortly after the Blake decision, a putative class action was filed by the Civil Survival Project ("CSP") against King County, Snohomish County and the State of Washington seeking a refund of LFOs and other unspecified damages. The court authorized plaintiff to amend its complaint to add all Washington counties, including Benton County, as defendants. The obligation to refund LFOs is not disputed, but the question of whether refunds are the responsibility of the County or the State is in dispute. The counties believe that this is exclusively a state liability. The Blake decision invalidates in excess of 7,000 convictions in superior court dating back to 1971 and likely implicates in excess of \$8 million in refunds of LFOs related to criminal convictions for simple drug possession obtained for the State of Washington out of Benton County. The State of Washington has rejected a tender of the CSP matter from the counties. In Fall 2021, the CSP class action lawsuit was dismissed with prejudice. Plaintiffs have filed an appeal that is unlikely to be resolved until 2023. Benton County and numerous counties along with the Washington Association of Counties has filed suit against the State to both enforce the tender of any Blake-related suits and to ensure that Blake-related liabilities belong

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2021

to the State, not the counties. The Washington Legislature has provided ample funding thus far for the County to process vacations and refund LFOs on behalf of the state, including additional funding for FY 2023 and proviso language that suggests an ongoing state responsibility.

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 22 – SUBSEQUENT EVENTS

The American Rescue Plan Act (ARPA) was signed into law by President Biden on March 11, 2021, and includes \$65.1 billion in direct aid to all counties in America. Benton County was allocated \$39.70 million in pandemic response and recovery funding, and received half of the funds, \$19.85 million, on May 19, 2021. The second half will be received in early 2023. Unspent funds at year-end have been classified as unearned revenue.

BENTON COUNTY, WASHINGTON

Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF I OPEB
December 31, 2021

	<u>2021</u>	<u>2020</u>
Total OPEB liability		
Interest	\$ 126,012	\$ 190,111
Changes of assumptions or other inputs	316,068	369,902
Benefit payments	(287,748)	(291,081)
Net change in total OPEB liability	<u>154,332</u>	<u>268,932</u>
Total OPEB liability beginning	<u>5,844,970</u>	<u>5,576,038</u>
Total OPEB liability ending	<u>\$ 5,999,302</u>	<u>\$ 5,844,970</u>
Covered payroll	-0-	-0-
Total OPEB liability as a percentage of covered employee payroll	N/A	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:

2020	2.21%
2021	2.16%

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, 2021

PERS 1	2015	2016	2017	2018	2019	2020	2021
County's proportion of the net pension liability	0.28293%	0.26817%	0.25909%	0.24765%	0.24003%	0.23215%	0.26817%
County's proportionate share of the net pension liability	14,800,079	14,401,992	12,294,212	11,060,223	9,230,006	8,196,149	14,401,992
Covered payroll	26,067,012	25,793,355	25,841,359	25,676,056	25,931,757	27,030,630	28,275,586
County's proportionate share of the net pension liability as a percentage of covered payroll	56.78%	55.84%	2969.49%	43.08%	35.59%	30.32%	50.93%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%
PERS 2/3	2015	2016	2017	2018	2019	2020	2021
County's proportion of the net pension liability	0.28778%	0.26863%	0.25710%	0.24143%	0.23413%	0.22693%	0.26863%
County's proportionate share of the net pension liability	10,282,615	13,525,459	8,932,996	4,122,117	2,274,218	2,902,357	13,525,459
Covered payroll	25,516,578	25,372,621	25,427,342	25,263,741	25,506,428	26,584,403	27,938,515
County's proportionate share of the net pension liability as a percentage of covered payroll	40.30%	53.31%	35.13%	16.32%	8.92%	10.92%	48.41%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%
PSERS	2015	2016	2017	2018	2019	2020	2021
County's proportion of the net pension liability	1.88636%	1.86007%	1.82325%	1.73610%	1.56281%	1.20608%	1.88636%
County's proportionate share of the net pension liability (asset)	344,299	790,492	357,229	21,510	(203,227)	(165,956)	790,492
Covered payroll	5,547,129	6,093,742	6,553,730	6,851,830	7,236,368	7,414,477	6,987,402
County's proportionate share of the net pension liability (asset) as a percentage of covered payroll	6.21%	12.97%	5.45%	0.31%	-2.81%	-2.24%	11.31%
Plan fiduciary net position as a percentage of the total pension liability	95.08%	90.41%	96.26%	99.79%	101.85%	101.68%	123.67%
LEOFF 1	2015	2016	2017	2018	2019	2020	2021
County's proportion of the net pension liability	0.02497%	0.02524%	0.02492%	0.02415%	0.02413%	0.02450%	0.02524%
County's proportionate share of the net pension liability (asset)	(300,908)	(260,013)	(378,137)	(438,426)	(476,976)	(462,685)	(260,013)
State's proportionate share of the net pension liability (asset) associated with the county	(2,035,331)	(1,758,723)	(2,557,708)	(2,965,500)	(3,226,254)	(3,129,588)	(1,758,723)
Total proportionate share of the net pension liability (asset)	(2,336,239)	(2,018,737)	(2,935,844)	(3,403,926)	(3,703,230)	(3,592,273)	(2,018,737)
Covered payroll	n/a	n/a	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	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability	127.36%	123.74%	135.96%	144.42%	148.78%	146.88%	187.45%
LEOFF 2	2015	2016	2017	2018	2019	2020	2021
County's proportion of the net pension liability	0.17139%	0.17223%	0.17648%	0.18134%	0.17723%	0.17886%	0.17223%
County's proportionate share of the net pension liability	(1,761,526)	(1,001,718)	(2,449,012)	(3,681,496)	(4,105,782)	(3,648,544)	(1,001,718)
State's proportionate share of the net pension liability (asset) associated with the county	(1,164,722)	(653,047)	(1,588,628)	(2,383,699)	(2,688,737)	(2,332,968)	(653,047)
Total proportionate share of the net pension liability (asset)	(2,926,249)	(1,654,766)	(4,037,641)	(6,065,195)	(6,794,520)	(5,981,512)	(1,654,765)
Covered payroll	4,993,231	5,257,450	5,621,494	5,907,341	6,135,498	6,660,778	6,509,849
County's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	-35.28%	-19.05%	-43.57%	-62.32%	-66.92%	-54.78%	-15.39%
Plan fiduciary net position as a percentage of the total pension liability	111.67%	106.04%	113.36%	118.50%	119.43%	115.83%	142.00%

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

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

BENTON COUNTY, WASHINGTONRequired Supplementary Information
Schedule of Employer Contributions
December 31, 2021

PERS 1	2015	2016	2017	2018	2019	2020	2021
Statutorily or contractually required contributions	1,406,030	1,562,495	1,609,072	1,677,341	1,715,849	1,701,837	2,052,789
Contributions in relation to the statutorily or contractually required contributions	1,406,030	1,562,495	1,609,072	1,677,341	1,715,849	1,701,837	2,052,789
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	25,728,973	25,788,875	25,634,910	25,517,381	26,593,375	27,488,847	28,580,332
Contributions as a percentage of covered payroll	5.46%	6.06%	409.30%	6.57%	6.45%	6.19%	7.18%
PERS 2/3	2015	2016	2017	2018	2019	2020	2021
Statutorily or contractually required contributions	1,423,247	1,575,575	1,734,116	1,882,303	2,019,210	2,146,316	2,026,145
Contributions in relation to the statutorily or contractually required contributions	1,423,247	1,575,575	1,734,116	1,882,303	2,019,210	2,146,316	2,026,145
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	25,294,162	25,329,385	25,241,784	25,097,445	26,153,140	27,099,922	28,361,118
Contributions as a percentage of covered payroll	5.63%	6.22%	6.87%	7.50%	7.72%	7.92%	7.14%
PSERS	2015	2016	2017	2018	2019	2020	2021
Statutorily or contractually required contributions	373,961	422,449	440,221	478,811	529,660	528,941	459,839
Contributions in relation to the statutorily or contractually required contributions	373,961	422,449	440,221	478,811	529,660	528,941	459,839
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	5,771,264	6,364,883	6,613,047	6,987,494	7,425,690	7,346,373	6,722,366
Contributions as a percentage of covered payroll	6.48%	6.64%	6.66%	6.85%	7.13%	7.20%	6.84%
LEOFF 1	2015	2016	2017	2018	2019	2020	2021
Statutorily or contractually required contributions	-	-	-	-	-	-	-
Contributions in relation to the statutorily or contractually required contributions	-	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Contributions as a percentage of covered payroll	-	-	-	-	-	-	-
LEOFF 2	2015	2016	2017	2018	2019	2020	2021
Statutorily or contractually required contributions	256,406	276,631	299,483	324,373	334,023	354,342	326,478
Contributions in relation to the statutorily or contractually required contributions	256,406	276,631	299,483	324,373	334,023	354,342	326,478
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	5,077,340	5,475,673	5,686,374	6,066,931	6,351,432	6,707,871	6,219,646
Contributions as a percentage of covered payroll	5.05%	5.05%	5.27%	5.35%	5.26%	5.28%	5.25%

Notes: GASB 68 was implemented for the 2015 financial statements so only seven 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, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	School Breakfast Program	10.553	N/A	9,846	-	9,846	-	1
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	National School Lunch Program	10.555	N/A	20,302	-	20,302	-	1
Total Child Nutrition Cluster:				30,148	-	30,148	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	COVID 19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	WA 19-62210-002	46,601	-	46,601	43,101	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	COVID 19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	WA 20-6221C-103	164,250	-	164,250	157,900	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	COVID 19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	WA 21-62210-002	25,011	-	25,011	25,011	1

Benton County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via WA State Dept of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	17-62210-019	32,500	-	32,500	-	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via WA State Dept of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-62210-029	15,060	-	15,060	-	1
			Total ALN 14.228:	283,422	-	283,422	226,012	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	COVID 19 - Emergency Solutions Grant Program	14.231	20-4613C-102	1,471,322	-	1,471,322	1,329,818	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Continuum of Care Program	14.267	WA0072LOT01 2013	-	10,274	10,274	5,865	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Continuum of Care Program	14.267	WA0072L0T011 912	-	86,617	86,617	68,307	1
			Total ALN 14.267:	-	96,891	96,891	74,172	

The accompanying notes are an integral part of this schedule.

Benton County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OJP BUREAU OF JUSTICE ASSISTANCE, JUSTICE, DEPARTMENT OF (via Department of Justice)	COVID 19 - Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX- 0753	18,892	-	18,892	-	1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	SFY 2021 V/W Assistance Grant	53,825	-	53,825	-	1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via City of Kennewick)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	(JAG) 2020- H8175-WA-DJ	6,418	-	6,418	-	1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Office of Public Defense)	Edward Byrne Memorial Competitive Grant Program	16.751	GRT21004	37,500	-	37,500	-	1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	STOP School Violence	16.839	BJA-2019- 15117	-	54,513	54,513	-	1
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	RSO 21-22	-	2,112	2,112	-	1
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	STPR-A039 (004) / LA-9826	13,501	-	13,501	-	1

Benton County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	HSIP-000S (556) / LA-9839	11,889	-	11,889	-	1
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	TAP-3509 (008) / LA-9830	620,528	-	620,528	-	1
Total Highway Planning and Construction Cluster:				645,918	-	645,918	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	2021-HVE-4455 -Region 14 Target Zero Task Force	1,723	-	1,723	-	1
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	2021-AG-4090	1,435	-	1,435	-	1
Total Highway Safety Cluster:				3,158	-	3,158	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Benton-Franklin Health District)	COVID 19 - Coronavirus Relief Fund	21.019	N/A	1,314	-	1,314	1,314	1
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Benton-Franklin Health District)	COVID 19 - Coronavirus Relief Fund	21.019	N/A	4,802	-	4,802	1,074	1

Benton County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Administrative Office of the Courts)	COVID 19 - Coronavirus Relief Fund	21.019	N/A	83,111	-	83,111	-	1
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA State Dept of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	21-4614C-102	1,526,240	-	1,526,240	1,191,221	1
			Total ALN 21.019:	1,615,467	-	1,615,467	1,193,609	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - Emergency Rental Assistance Program	21.023	1505-0266	-	6,126,221	6,126,221	964,051	1
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	COVID 19 - Emergency Rental Assistance Program	21.023	21-4616C-102	5,369,708	-	5,369,708	1,199,299	1
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - Emergency Rental Assistance Program	21.023	1505-0270	-	1,760,032	1,760,032	-	1
			Total ALN 21.023:	5,369,708	7,886,253	13,255,961	2,163,350	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	083738997/916 001296	-	12,349,652	12,349,652	-	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)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	WA 1763-94242	6,871	-	6,871	6,362	1

The accompanying notes are an integral part of this schedule.

Benton County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Benton-Franklin Health District)	COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	N/A	13,573	-	13,573	-	1
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Benton-Franklin Health District)	COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	N/A	45,897	-	45,897	45,897	1
			Total ALN 93.323:	59,470	-	59,470	45,897	
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	260,637	-	260,637	-	1, 2, 3
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	440,147	-	440,147	-	1, 2, 3
			Total ALN 93.563:	700,784	-	700,784	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Opioid STR	93.788	HCA contract K4879 & K5680	583,000	-	583,000	-	1

The accompanying notes are an integral part of this schedule.

Benton County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Opioid STR	93.788	HCA contract K4823	25,000	-	25,000	-	1
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Opioid STR	93.788	K3904-4	96,831	-	96,831	-	1
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Opioid STR	93.788	K3904-4	7,204	-	7,204	-	1
Total ALN 93.788:				712,035	-	712,035	-	
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	K3904-4	140,793	-	140,793	134,699	1

Benton County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
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	K3904-4	21,221	-	21,221	19,649	1
			Total ALN 93.959:	162,014	-	162,014	154,348	
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	LE: MLE1152	13,502	-	13,502	-	1
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4481-DR -WA / D20-790	173,623	-	173,623	-	1
			Total Federal Awards Expended:	11,364,077	20,389,421	31,753,498	5,193,568	

BENTON COUNTY, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2021

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.



Board of County Commissioners

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Benton County January 1, 2021 through December 31, 2021

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).

<p>Finding ref number: 2021-001</p>	<p>Finding caption: The County did not have adequate internal controls ensuring accurate reporting of deferred revenues and infrastructure assets in its financial statements.</p>
<p>Name, address, and telephone of County contact person: Aileen Coverdell, CPA Accounting Services Division, Benton County Auditor’s Office 7122 W. Okanogan Place, Suite E120 Kennewick, WA 99336, (509) 736-2727</p>	
<p>Corrective action the auditee plans to take in response to the finding: <i>The accounting staff will review the reporting requirements of grant funds received in advance. The Benton County Public Works Department (Specifically the County Road Fund) has developed a draft capital asset policy and will work with the County Administration to adopt the policy.</i></p>	
<p>Anticipated date to complete the corrective action: March 1 – May 1, 2023</p>	

Finding ref number: 2021-002	Finding caption: The County lacked adequate internal controls for ensuring compliance with suspension and debarment requirements.
Name, address, and telephone of County contact person: Linda Ivey, 509-222-3727, P.O. Box 190 Prosser WA 99350	
Corrective action the auditee plans to take in response to the finding: <i>The County will increase internal control by adding a clause or condition into the ARPA/SLFRF contract that states the contractor is not suspended or debarred, and will check for exclusion records at SAM.gov. If the internal control is a check for exclusion records at SAM.gov, a copy of the SAM.gov exclusion will be kept in the ARPA/SLFRF Project file for each Contractor.</i>	
Anticipated date to complete the corrective action: completed 12/2022	

Finding ref number: 2021-003	Finding caption: The County's internal controls were inadequate for ensuring compliance with suspension and debarment requirements.
Name, address, and telephone of the County contact person: Kyle Sullivan, 7102 W. Okanogan Place, Suite. 201 Kennewick, WA 99336, (509)737-3909	
Corrective action the auditee plans to take in response to the finding: <i>Internal controls will be improved by educating contracting staff on where the most current contract templates are saved to ensure any updates to the template are included in future contracting. The Human Services Manager will make note of the debarment language when reviewing contracts to ensure language is included. Staff will be instructed to check the SAM.gov website prior to contract execution to verify the contractor has not been debarred or suspended.</i>	
Anticipated date to complete the corrective action: December 2022	

Finding ref number: 2021-004	Finding caption: The County did not have adequate internal controls for ensuring compliance with federal procurement requirements.
Name, address, and telephone of the County contact person: Robert Blain, 7102 W. Okanogan Place, Suite. 301 Kennewick, WA 99336, (509)736-2704 Kyle Sullivan, 7102 W. Okanogan Place, Suite. 201 Kennewick, WA 99336, (509)737-3909	
Corrective action the auditee plans to take in response to the finding <i>Internal controls will be improved by educating contracting staff on retaining supporting documentation to show compliance with the federal requirements. The County will review and update the written procurement policy to conform to Uniform Guidance (2 CFR § 200.318-327) for all procurement activities utilizing federal funds, requiring rate quotations for services the County expects to pay from \$10,000 to \$250,000.</i>	
Anticipated date to complete the corrective action: June 2023	

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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