Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

Benton County

Audit Period
January 1, 2013 through December 31, 2013

Report No. 1012293

Issue Date
July 31, 2014

Washington State Auditor
Troy Kelley
Independence • Respect • Integrity

Washington State Auditor
Troy Kelley

July 31, 2014

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,

TROY KELLEY
STATE AUDITOR

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Benton County
January 1, 2013 through December 31, 2013

Federal Summary

Benton County
January 1, 2013 through December 31, 2013

The results of our audit of Benton County are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements of the governmental activities, each major fund and the aggregate remaining fund information.

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 no deficiencies that we consider to be material weaknesses.

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

CFDA No.	Program Title
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction
93.959	Block Grants for Prevention and Treatment of Substance Abuse

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $300,000.

The County qualified as a low-risk auditee under OMB Circular A-133.

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

Benton County
January 1, 2013 through December 31, 2013

Board of Commissioners
Benton County
Prosser, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 8, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

COMPLIANCE AND OTHER MATTERS

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

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

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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

July 8, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Benton County
January 1, 2013 through December 31, 2013

Board of Commissioners
Benton County
Prosser, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Benton County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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 OMB Circular A-133. 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

July 22, 2014

Independent Auditor’s Report on Financial Statements

Benton County
January 1, 2013 through December 31, 2013

Board of Commissioners
Benton County
Prosser, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements as listed on page 11.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, County Road, Human Services, 1/10 Percent Criminal Justice-Jail and Rural County Capital funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 27, information on postemployment benefits other than pensions on page 84 and infrastructure modified approach information on pages 85 through 88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

July 8, 2014

Financial Section

Benton County
January 1, 2013 through December 31, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Benton County's discussion and analysis offers readers of the County's financial statements a narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and in the financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

- The total assets of Benton County exceeded its liabilities at December 31, 2013 by over $213.6 million dollars. Net position invested in capital assets (net of depreciation and related debt) account for 50% of this amount, with a value of approximately $106.4 million. Of the remaining net position, $67.3 million may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.

- Fund balance for the General Fund was over $12.5 million at December 31, 2013.

- Fund balance for the County Road fund was over $4.2 million at December 31, 2013.

- Fund balance for the Human Services fund was over $6.2 million at December 31, 2013.

- Fund balance for the 1/10% Criminal Justice fund was over $9.8 million at December 31, 2013.

- Fund balance for the Rural County Capital fund was over $10.2 million at December 31, 2013.

- Fund balance for the Capital Acquisition fund was over $21.2 million at December 31, 2013.

- Benton County's total long-term debt at December 31, 2013 was over $22.0 million, with a remaining capacity for non-voted debt at over $210 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Benton County's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

There are two government-wide financial statements, which are designed to provide readers with a broad overview of Benton County's finances in a manner similar to a private-sector business. Classical government-wide financial statements distinguish functions of a governmental entity that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as enterprise "business-type activities").

Benton County does not have any enterprise “business-type activities”, therefore, its government-wide financial statements reflect only “governmental activities”. The governmental activities of Benton County include a full range of local government services provided to the public, such as law enforcement and public safety; the superior, juvenile, and district court systems; legal prosecution and indigent defense; jails and corrections; road construction and maintenance; animal control; community planning and development; parks and open space preservation; and care and welfare of the disadvantaged and mentally ill. In addition, other general government services are provided, such as elections, property assessment, tax collection, and the issuance of licenses.

The statement of net position presents information on all of Benton County’s assets and liabilities, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. However, this is just one indicator of financial health of the County. Other indicators include the condition of the County's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the County.

The statement of activities presents information showing how the government's net position changed during 2013. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received in 2013, and earned but unused vacation leave, are included in the statement of activities as revenue and expense, even though the cash associated with these items was not received or distributed in 2013.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Benton County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Benton County can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds. Governmental Funds are used to account for most, if not all, of a government's tax-supported activities. Proprietary Funds are used to account for a government's internal business activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those in county governmental operations who benefit from the activities. Fiduciary Funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

Governmental Funds

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the

General Fund, Road Fund, 1/10% Criminal Justice Fund, Rural County Capital Fund and the Capital Acquisition Fund, all of which are considered to be major funds, based on criteria established by GASB Statement No. 34. GASB Statement No. 34 defines a major fund as a fund who's assets, liabilities, revenues or expenditures comprise 1) at least 10% of the total dollar amount of the same category within either all government or all enterprise funds, as appropriate, and 2) at least 5% of the total dollar amount of all governmental and enterprise funds combined for the same category. Benton County has also elected to present the Human Services Fund as a major fund because of its public interest to financial statement users. Data from the remaining governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found immediately following the government-wide financial statements. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements, outside of the basic financial statements

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

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare 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 balances provide reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

The County maintains budgetary controls over its operating funds. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level, except for the General Fund, which is adopted on a department level. Capital outlays are approved on an item-by-item basis or project basis. A budgetary comparison statement is provided for the General Fund and all special revenue and capital funds, to demonstrate compliance with the budget.

Proprietary Funds

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

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

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

Fiduciary Funds

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

Benton County has one type of fiduciary fund: Agency Funds (which are clearing accounts for assets held by Benton County in its role as custodian until the funds are identified for use by the private parties, organizations, or government agencies to which they belong). The basic fiduciary fund financial statements can be found following the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Benton County's net position totals $213,683,833 at December 31, 2013. Benton County's net position has increased in comparison to total net position of $204,525,089 at December 31, 2012. This net increase of $9,158,744 is discussed in the following paragraphs. The following table reflects the condensed Government-Wide Statement of Net Position for 2013 and the previous year comparable data.

Benton County's Net Position

	2013	2012
Current and Other Assets	$ 119,672,609	$ 114,529,273
Capital Assets and Construction In Progress (Net of Depreciation)	128,427,471	126,972,927
Total Assets	248,100,081	241,502,200
Long-Term Liabilities	26,615,368	29,005,311
Other Liabilities	7,800,880	7,971,800
Total Liabilities	34,416,248	36,977,111
Net Position:		
Net Investment in Capital Assets	106,452,919	102,434,308
Restricted	39,944,872	36,382,172
Unrestricted	67,286,042	65,708,609
Total Net Position	$ 213,683,833	$ 204,525,089

Benton County's total assets stand at over $248 million as of December 31, 2013 (up from over $241 million at December 31, 2012). Of this amount, over $128.4 million is accounted for by capital assets (up from $126.9 million in 2012), which includes infrastructure and construction in progress. Historically, infrastructure (roads, bridges, drainage systems, etc.) has not been included in capital asset reporting for governmental activities. GASB Statement No. 34 requires that all capital assets, including infrastructure, be reported. Out of the $128.4 million in net capital assets reported at December 31, 2013, $5.3 million, or 4.2%, (up from $4.1 million in 2012) is accounted for by infrastructure acquisitions and construction in progress during 2013 (including the right-of-way land associated with these projects).

Of the remaining County assets, over $104.0 million were accounted for in cash, cash equivalents, equity in pooled investments and other investments (up from $98.1 million in 2012), over $8.7 million in accounts receivable (down from $9.4 million in 2012), and over $6.8 million spread among miscellaneous assets and joint ventures (compared to $6.9 million in 2012). At December 31, 2013, cash/cash equivalents, equity in pooled investments and other investments accounted for 85.7% (up from 83.7% in 2012) of current and other assets, while accounts receivable accounted for 7.3% (down from 8.2% in 2012).

At December 31, 2013, the County had outstanding liabilities of over $34.4 million (down from $36.9 million in 2012), with over $23.5 million in long-term liabilities (a decrease from over $29.0 million in 2012). Of the long-term liabilities, over $2.7 million was due within a year, with the remainder due over an extended period of time. Refer to the notes to the financial statements (Note 9.) for a more in depth discussion of long term debt.

Included in other liabilities in the table are approximately $2.0 million in accounts payable and over $5.7 million in accrued liabilities. These liabilities of $7.8 million are down 2.1% from the total at December 31, 2012 ($7.97 million). Over 69% of the $5.74 million balance of other liabilities is due to accrued liabilities for wages payable and the various trust accounts.

Over half of the County’s net position (49.8%) reflects its investment in capital, less any outstanding related debt used to acquire those assets. The County's capital assets are used to provide services to citizens. Consequently, investments in capital are not available for future spending. Although the County’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A little over $39.9 million of the County's net position are subject to restrictions on how they may be used. The balance of over $67.2 million (unrestricted net position), represents the amount that may be used to meet the County’s ongoing obligations.

At December 31, 2013, Benton County reports positive balances in all categories of net position, for the government as a whole. There are no significant restrictions or other commitments that will impact the availability of fund resources for future use.

Statement of Changes in Net Position

The County's total net position increased by over $9.1 million in 2013. Key elements in changes in net position are shown in the following table.

Benton County Changes in Net Position

Revenues:	2013 Governmental Activities	2012 Governmental Activities
Program Revenues		
Charges for Services	$29,816,896	$29,361,482
Operating Grants and Contributions	11,010,414	8,915,961
Capital Grants and Contributions	2,147,880	1,803,065
General Revenues		
Taxes	50,626,102	49,973,131
Interest Earnings on Investments	1,377,128	1,224,082
Total Revenues	94,978,420	91,277,721
Program Expenses:		
General Government	28,682,607	27,015,010
Public Safety	35,837,432	35,027,971
Transportation	7,971,222	7,910,646
Natural & Economic Environment	3,380,606	3,927,527
Social Services	7,893,886	6,358,009
Culture and Recreation	975,448	1,127,892
Interest on Long-Term Debt	1,078,475	1,208,315
Total Expenses	85,819,675	82,575,371
Excess (Deficiency) of Revenues Over (Under) Expenses	9,158,745	8,702,350
Change in Net Position	9,158,745	8,702,350
Net Position as of January 1	204,525,088	195,822,739
Net Position as of December 31	$213,683,833	$204,525,089

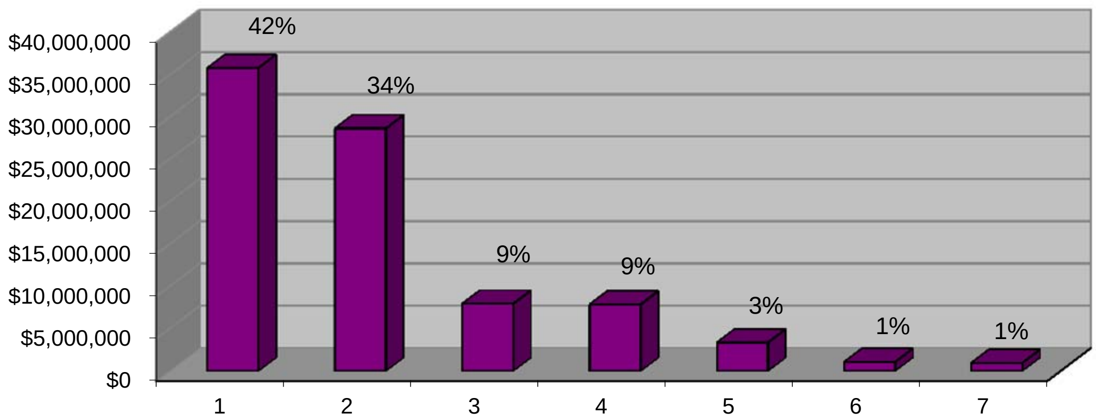
Total revenues for Benton County were over $94.9 million, a 4.0% increase ($3.7 million) from 2012 total revenues. Program revenues increased 7.2% ($2.8 million) and accounted for 45.2% of total revenue sources. The major increase in program revenues was in the area of Transportation due to a significant increase in contributed property from developers and an increase in grant funding. General Government sales tax revenues are recovering from the earlier soft economy. Within governmental activities, tax revenue increased $0.6 million and accounted for approximately 53.3% of total revenue sources. The remaining 1.4% of revenues was provided by interest income (up $0.1 million due to reduced interest rates resulting from the recession and actions of the Federal Reserve).

Total expenses for the County were over $85.8 million, an increase of over $3.2 million from 2012 (a 3.9% increase). Governmental activities with the largest program expenses were in the areas of Public Safety, General Government, Transportation and Social Services respectively. These four programs accounted for 93.7% of total government-wide expenses. General Government

Services expenses increased by 6.2% (approximately $1.6 million). Public Safety increased 2.3% (approximately $0.8 million) attributable to an increased jail population and Social Services expenses increased 24.2% (over $1.5 million) compared to 2012. In the prior year, Social Services experienced substantial reductions due to the distribution of outpatient dollars by the administrating entity going directly to providers rather than through the Social Services department and then to the providers as recorded expenditures for the County.

The following illustrates, by program, where funds were spent in 2013.

Program Expenses - Government-wide



Legend
1. Public Safety
2. General Government
3. Transportation
4. Social Services
5. Natural & Economic Env.
6. Interest on Long Term Debt
7. Culture and Recreation

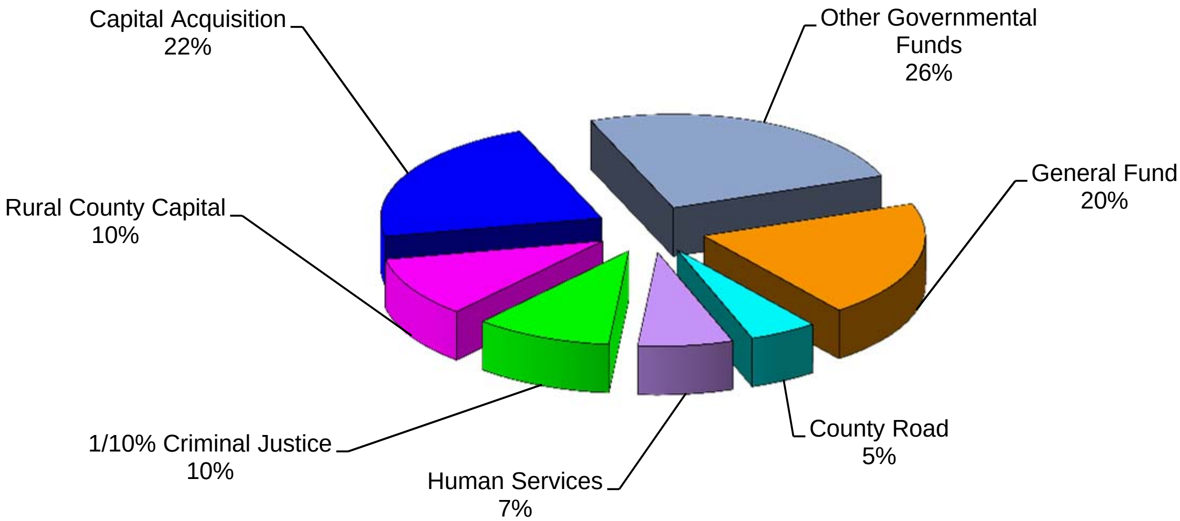
FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Benton County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Following are financial analyses of the County's governmental and proprietary funds.

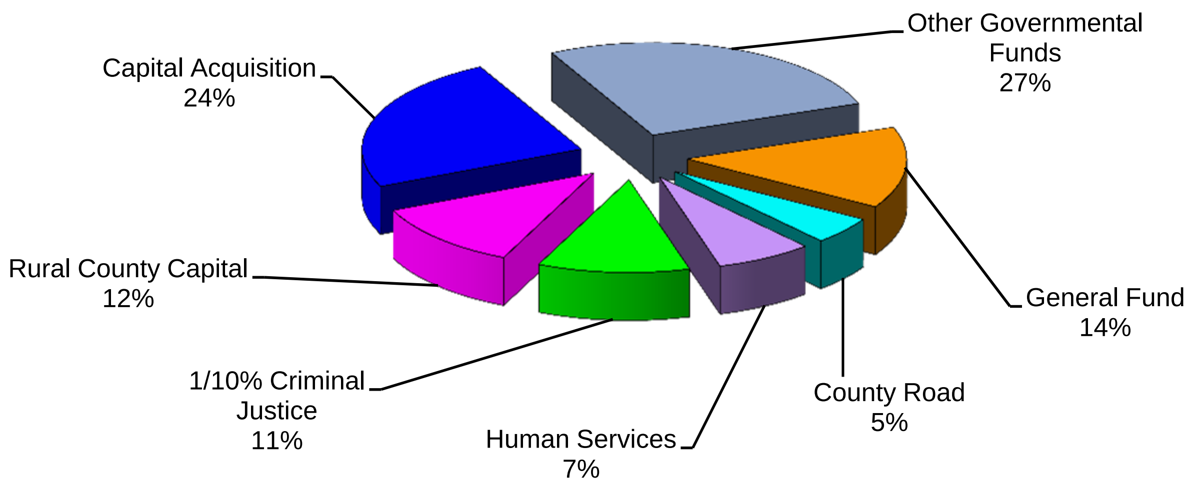
Governmental Funds Balance Sheet Analysis

The General fund, County Road fund, 1/10% Criminal Justice fund, Rural County Capital fund, Human Services fund and Capital Acquisition fund were the County’s major funds in 2013. Together these funds accounted for 74.4% of total governmental fund assets and 72.9% of total governmental fund balance.

Total Assets – Governmental Funds



Fund Balance – Governmental Funds

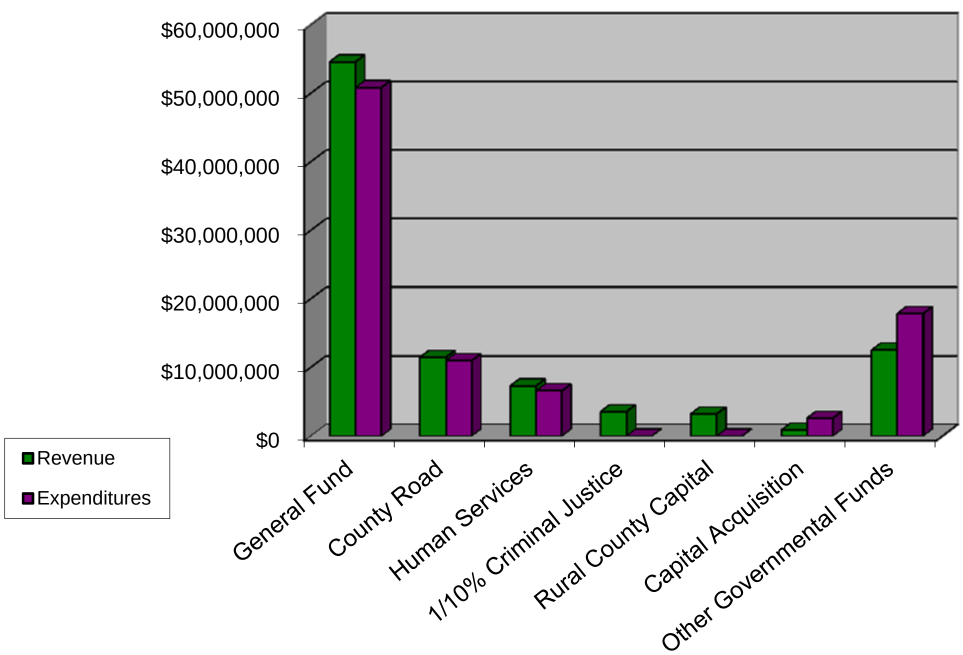


The focus of Benton County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of December 31, 2013, the county's governmental funds reported combined fund balances of over $88.3 million. All of this amount is available for spending within the designated funds. The $88.3 million compares to a combined ending fund balance of $83.8 million in 2012, an increase of over $4.5 million. In comparison to the prior year, revenues are up 2.7% and expenditures increased 3.6%; however, current year revenues exceeded expenditures by over $4.4 million. Of the major governmental funds Human Services revenues exceeded expenditures over $0.7 million while the other governmental funds had an excess of revenues over expenditures for an approximate total of $3.9 million. Proceeds from the sale of capital assets brought in $55,927 and net transfers produced a deficit of $241,198.

The General Fund is the chief operating fund of Benton County. On December 31, 2013, total fund balance of the General Fund was over $12.5 million, an increase of over $2.1 million from 2012 all of which was unassigned. Total assets in the General Fund amounted to over $19.3 million, accounting for 19.7% of total governmental fund assets. General Fund total assets were up over $2.2 million when compared to total assets of $17.2 million at the end of 2012. Cash, cash equivalents, deposits with fiscal agents and investments increased by $2.2 million compared to 2012 and liabilities decreased by $1.4 million.

Governmental Funds Revenue/Expenditure Analysis

The following chart shows the revenue and expenditure amounts for the four major governmental funds and for all other governmental funds.



The revenue indicators in the chart do not include one-time only financing sources or uses such as transfers (in and out), proceeds from new debt or the sale of assets. The General fund, County Road, Human Services, 1/10% Criminal Justice and Rural County Capital funds account for 85.7% of all governmental fund revenue and 77.0% of all expenditures. The Capital Acquisition fund is considered a major fund by the merits of its total assets. In 2013, the Capital Acquisition fund received $837,345 in revenue with most of this coming from intergovernmental resources and miscellaneous revenues. This year the 1/10% Criminal Justice fund and Rural County Capital fund were classified as major funds by the virtue of their asset values.

The net change in fund balance for the General fund in 2013 was an increase of over $2.1 million. This increase is largely due to decreased transfers out ($7.3 million less than 2012). 2013 general fund revenues increased .9% ($0.4 million) and interest earnings rose slightly by $0.2 million. Other revenue classifications were changed for 2013 due to the State Auditors Budget and Accounting Reporting System restructure project, therefore comparisons of some revenue classifications for current year to prior year are not presented. General fund expenditures increased by 1.8% or 0.9 million at the end of 2013. The Road fund had a net increase in fund balance of over $0.7 million reflecting efficient utilization of resources while procuring additional funding from state and federal support programs. The Human Services fund had a net increase in fund balance of over $0.7 million due to efficient management of resources during a period of changing requirement for administering flow-through funding to service providers. The Capital Acquisition fund had a net decrease in fund balance of over $1.7 million, mainly due to planned upgrades to facility infrastructures. Other governmental funds, including the 1/10% Criminal Justice and Rural County Capital funds, had an overall positive net change in fund balance of over $2.4 million for 2013.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Changes in Budget

In 2012, Benton County adopted a budget for the 2013/2014 biennium. The following table shows the changes between the original and the final General Fund budget as of December 31, 2013.

Benton County, Washington
General Fund Changes in Budget
As of December 31, 2013

	2013/2014		
Revenues	Original Budget	Final Budget	Changes Over (Under)
Taxes	$ 58,240,559	$ 58,240,559	$ 0
Licenses and Permits	136,975	136,975	0
Intergovernmental	8,265,717	8,513,721	248,004
Charges For Services	32,641,036	32,641,036	0
Fines and Forfeits	7,188,195	7,188,195	0
Miscellaneous Revenues	3,209,388	3,209,811	423
Total Revenues	109,681,870	109,930,297	248,427
Expenditures			
General Governmental Services	50,161,947	50,248,637	63,690
Public Safety	51,087,284	51,168,500	81,216
Utilities	0	0	0
Transportation	0	0	0
Natural & Economic Environment	2,002,233	2,003,430	1,197
Social Services	1,663,840	1,663,840	0
Culture and Recreation	943,813	943,813	0
Capital Outlay	109,775	199,043	89,268
Total Expenditures	105,968,892	106,227,263	235,371
Excess (Deficit) Revenues Over Expenditures	3,712,978	3,703,034	13,056
Other Financing Sources (Uses)			
Sale of Capital Assets	3,000	3,000	0
Transfers In	3,875,558	3,875,558	0
Transfers Out	(7,644,874)	(7,657,930)	(13,056)
Total Other Financing Sources (Uses)	(3,766,316)	(3,779,372)	(13,056)
Excess (Deficit) Resources Over Uses	(53,338)	(76,338)	0
Fund Balance, January 1	7,300,000	7,300,000	0
Fund Balance, December 31	$ 7,246,662	$ 7,223,662	$ 0

Budgeted expenditure increases combined with transfer activity equaled budgeted revenue increases combined with transfers in.

The 2013 General Fund revenue and expenditure budgets were increased in the areas of:

The Sheriff Patrol budget was supplemented with several grants, donations and contractual changes for a total of $136,216. The Prosecuting Attorney’s Office budget was supplemented by a $112,211 grant from the state for DUI Rush Filing for repeat offenders.

Transfers out of the General Fund were made to the following funds: Juvenile, Jail Depreciation, Protective Inspection Services, Human Services and to the Road fund in the amounts of $3,323,402, $122,914, $24,681, $2,752, and $13,056 respectively.

General Fund Budget to Actual

The following table shows the changes between the final budget of the General Fund and actual revenues and expenditures of the General Fund during 2013.

Benton County, Washington
General Fund – Budget vs. Actual
As of December 31, 2013

	2013/2014		
Revenues	Final Budget 2013/2014	Actual Thru 12/31/2013	Variance Over (Under)
Taxes	$ 58,240,559	$ 29,738,984	($28,501,575)
Licenses and Permits	136,975	102,799	(34,176)
Intergovernmental	8,513,721	4,437,502	(4,076,219)
Charges For Services	32,641,036	15,274,888	(17,366,148)
Fines and Forfeits	7,188,195	3,490,117	(3,698,078)
Miscellaneous Revenues	3,209,811	1,556,280	(1,653,531)
Total Revenues	109,930,297	54,600,571	(55,329,726)
Expenditures			
General Governmental Services	50,248,637	23,314,402	(26,934,235)
Public Safety	51,168,500	25,145,053	(26,023,447)
Utilities	0	0	0
Transportation	0	0	0
Natural & Economic Environment	2,003,430	1,000,941	(1,002,489)
Social Services	1,663,840	796,744	(867,096)
Culture and Recreation	943,813	456,120	(487,693)
Capital Outlay	199,043	141,223	(57,820)
Total Expenditures	106,227,263	50,854,483	(55,372,780)
Excess (Deficit) Revenues Over Expenditures	3,703,034	3,746,088	43,054
Other Financing Sources (Uses)			
Sale of Capital Assets	3,000	2,676	(324)
Transfers In	3,875,558	1,922,314	(1,953,244)
Transfers Out	(7,657,930)	(3,486,805)	(4,171,125)
Total Other Financing Sources (Uses)	(3,779,372)	(1,561,815)	(2,217,557)
Excess (Deficit) Resources Over Uses	(76,338)	2,184,273	2,260,611
Fund Balance, January 1	7,300,000	10,350,453	3,050,453
Fund Balance, December 31	$ 7,223,662	$ 12,534,726	$ 5,311,064

A biennial budget cycle was implemented in 2010 (for the 2011/2012 biennium). The above table compares the two year budget against the actual figures recognized in the first year of that budget for the current biennium. Comparing only one year of actual expenditures to a two year budget explains why variances are large. Revenues increased by approximately $0.4 million which can be accounted for by the strengthening of the economy. However, a soft economy incurs higher expenditures to maintain governmental services. The Counties expenditures experienced an increase of over $0.9 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Benton County's total investment in capital assets, including construction in progress, for its governmental activities as of December 31, 2012, amounts to over $128 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, infrastructure, and construction in progress on buildings and systems. The County has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the County expenses certain maintenance and preservation costs and does not report depreciation expense. Information about infrastructure assets is found in the Required Supplementary Information (RSI) section of the CAFR. Major capital asset events during the current year included the following:

- The infrastructure target is that no more than 20% of the arterial road pavements shall be rated below "Good". Benton County has taken a proactive approach to improve the condition of its roads. This is in part due to overlay and crack sealing programs. Assessments are performed on a biannual basis; the last assessment in 2013 had 97% of the arterial road pavements rated as "Good", exceeding the target.

- Infrastructure budgeted expenditures to maintain roads and bridges for 2013 were $5.4 million. Actual expenditures were over $5.1 million. Preservation accounted for $1.6 million of the expenditures.

- A contract with Tapani, Inc. was completed with a scope of work consisting of improvement of 3.16 miles of Travis Road from Sellards Road north to Henson Road by clearing, grubbing, pulverizing the existing pavement, excavation, embankment, culvert pipe installation, crushed surfacing, paving with HMA Cl ½ inch PG 70-28, erosion control, pavement markings and other work. Construction engineering and the construction contract totaled $1.7 million..

- The Piert Road project, SR 397 to Bowles Road, was completed in 2013. Construction engineering and the remainder of the construction contract totaled $1.4 million.

- A continuing variety of projects for new road construction and expansion of existing roads were ongoing during the year. The County spent over $0.2 million in 2013 on preliminary engineering and right-of-way for future road projects. There was no carryover on 2012 projects (except for the Piert Road project mentioned above).

- Improvements carried over from 2012 and completed in 2013 include the completion of the remodel of the Clerk's lobby at the Justice Center and an upgrade to the Jail security and control systems.

- Four vehicles, a motorcycle and the chassis for a Jail transport vehicle were purchased for the Sheriff's fleet for an approximate value of $233,892. Two of the vehicles are to replace cars that were involved in accidents during 2011 and 2012.

- Two travel cars were purchased by the General fund to be placed in the Equipment and Revolving Fund. The approximate cost of these vehicles was $40,000.

- The Capital Projects fund purchased equipment to upgrade the voice system costing over $1.6 million.

- A new restroom facility is being constructed at the County Fairgrounds. Cost to date is $156,898.

- Several higher-end scanners were purchased to initiate the County's commitment to "Go Green" and reduce the storage of paper.

- The Information Technology department purchased new servers and a new forensic computer for the Sheriff's Investigations department for a total cost of $37,062.

- At the end of 2013 Construction in Progress projects included remodels for the Prosser Courthouse bathrooms, various department remodel projects and common area improvements.

Additional information on Benton County's capital assets can be found in Note 6 and in the RSI section of this report.

Long-Term Debt

At December 31, 2013, Benton County had total bonded debt outstanding of over $19.3 million, all of which is classified as governmental activity and backed by the full faith and credit of the County. An additional amount of $315,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment.

Benton County's total bonded debt had a net decrease of nearly $2.1 million during 2013. Significant debt activity in 2012 included the repayment of debt according to the repayment schedules. The County's remaining capacity for non-voted debt at December 31, 2012 was approximately $210.4 million. On July 16, 2007, Benton County Road 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, an additional draw of $812,500 was accepted by Benton County Road and on December 29, 2008 one more draw of $812,500 was accepted. The final draw was completed on March 31, 2009, in the amount of $162,500. This loan was for the development of the I-82 to SR397 Intertie Project. The loan is low-interest of 0.50% and the repayment term is approximately 20 years from completion of the project. On June 28, 1985, the County began receiving working advance funds from the Washington State Department of Social and Health Services (DSHS). The amount is currently at $207,667. The amount has no repayment schedule and is available for use until DSHS requests its return. Benton County overall maintains an "Aa2" rating from Moody's for general obligation debt. During 2009, Standard and Poors raised its rating for Benton County's general obligation debt from "A+" to "AA" "based on a history of very strong operating reserves". Additional information on the County's long-term debt can be found in Note 9.

ECONOMIC FACTORS

There have been a series of voter initiatives over the past years, as well as State of Washington and Federal legal changes that have an ongoing impact on future finances of the County. A listing of conditions and decisions that affect the future financial condition of the County follows:

- Voters approved Referendum 47 in 1997, which limited property tax levy increases to the rate of inflation (as measured by the national Implicit Price Deflator); and repealed laws which allowed for stockpiling tax revenues.

- In November 1999, the voters in Washington approved Initiative 695, which eliminated the annual motor vehicle excise tax and replaced it with a $30 annual fee on motor vehicles. Although this initiative was later ruled unconstitutional by the courts, the Legislature moved to enact the $30 annual fee in special session.

- Voters also approved Initiative 747 in 2001, which capped property tax growth each year at a maximum of 1%, plus any additions for new construction. This initiative compounds the already limiting Referendum 47. In 2007 the Governor signed HB 2416, reinstating the 1% property tax limit adopted under Initiative 747. For the third straight year Benton County did not increase property tax.

- On November 29, 2007, the Washington State Legislature met in emergency session and amended RCW 84.55.005 and RCW 84.55.0101 to limit the increase in property tax growth to 1% plus new construction.

- Effective July 1, 2008, the Washington State Legislature adopted the Streamlined Sales Tax Bill that effected destination-based sourcing. Sales tax to be allocated on the basis of the destination of the sale rather than where the sale was made.

- As economic conditions improve the Economic and Revenue Forecast Council for Washington State projected a revenue budget surplus of over $1 billion for the 2013-2015 biennium. The Governor proposed a mix of spending cuts, reform savings, fund shifts and revenue adjustments for the legislature to consider along with some increased spending. Benton County expects to see some increased state funding in 2013.

- The unemployment rate (8.1% as of December 2013) in the County was lower than 2012, and higher than the State average of 6.6%. Decreased employment at Hanford was below original estimates due to budget increases and total area employment increased 3.3% over 2012. The Vitrification Project construction is considered to be over 55% complete by the latest Department of Energy estimates.

- Benton County economic activities slowed down and decreased in employment in 2012, as stimulus funded projects phased out at the Hanford Nuclear Reservation. The downsizing was felt throughout the region, however, its relative impacts decreased in 2013 as the diversifying local community increased its economic base in other industries. Combination of industries, agriculture and food processing, education and healthcare services, retail trade and food services, have helped lessen the impact of the job loss in professional and business services. Local population growth continues to drive demand for more educational services as well as healthcare, with just over 0.7 percent growth in 2012. This marks the slowest growth in these two industries since 2005; with previous five year average annual growth of 4.3 percent. The slowdown seen in education and healthcare industries can largely be attributed to the national, state and local budget cuts and re-allocations. The good news is that the housing market here is stable with growing housing inventories, and affordable prices. The national and state housing sectors are expanding and growing, which is expected to drive economic growth even in the local area as consumer confidence in buying and selling homes increase. According to Washington state nonfarm projections, Tri-Cities (which included both Benton and Franklin Counties) are expected to be fastest growing area in the state through 2020, but it will be expected to be 1.2 percent points below that of the 2000 to 2010 period. Manufacturing and construction sectors are expected to lead the way in annual growth at 1.7 percent and 3.4 percent through 2016. In response to growth in manufacturing and agriculture, wholesale trade along with transportation and warehousing industries are expected to expand as well. Also, education and healthcare industries are expected to grow at 3.0 percent a year through 2016. As the economy becomes more stable and moves forward with new markets, new products and technology in research and development, manufacturing, and wine production and utilization are expected to play a big role in Benton County's future prosperity.

- Low interest rates will continue to limit interest earnings on invested funds

Requests for Information

This financial report is designed to provide a general overview of Benton County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Brenda Chilton, Auditor
Benton County Auditor's Office
P.O. Box 470
Prosser, Washington 99350-0470
(509) 786-5620

BENTON COUNTY, WASHINGTON

Statement of Net Position
December 31, 2013

		Primary Government
		Governmental Activities
ASSETS		
Cash/Cash Equivalents and Equity in Pooled Investments	$	44,408,837
Deposits with Fiscal Agent		1,457,987
Investments		58,225,500
Receivables		5,355,387
Due From Other Governments		3,391,820
Inventories/Prepayments		2,232,410
Joint Ventures		4,600,668
Land		2,711,839
Infrastructure		74,930,212
Construction in Progress		2,766,889
Other Capital Assets (Net of Depreciation)		48,018,531
Total Assets	$	248,100,081
LIABILITIES		
Accounts Payable and Other Current Liabilities	$	2,056,286
Accrued Liabilities		5,744,594
Long-Term Liabilities:		
Due to Other Governments		309,802
Accrued Liabilities		86,266
Special Assessment Debt with Governmental Commitment Due In More Than One Year		315,000
Other Due Within One Year		2,705,094
Other Due In More Than One Year		23,199,206
Total Liabilities		34,416,248
NET POSITION		
Net Investment in Capital Assets		106,452,919
Restricted for:		
General Government		11,996,013
Public Safety		11,143,544
Mental & Health Services		7,990,217
Economic Environment		3,962,131
Transportation		4,297,691
Culture & Recreation		455,502
Utilities & Environment		99,775
Unrestricted (Deficit)		67,286,042
Total Net Position	$	213,683,833

See accompanying notes to the basic financial statements

BENTON COUNTY, WASHINGTON

Statement of Activities

Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position – Primary Government: Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	$ 28,682,607	$ 13,405,906	$ 1,378,512	$ 0	$ (13,898,189)
Public Safety	35,837,432	12,690,756	1,319,775	0	(21,826,901)
Transportation	7,971,222	473,247	2,118,751	2,147,880	(3,231,344)
Natural & Economic Environment	3,380,606	1,276,925	352,814	0	(1,750,867)
Social Services	7,893,886	1,587,305	5,809,947	0	(496,634)
Culture and Recreation	975,448	382,757	30,615	0	(562,076)
Interest on Long Term Debt	1,078,475	0	0	0	(1,078,475)
Total Governmental Activities	85,819,675	29,816,896	11,010,414	2,147,880	(42,844,485)
Total Primary Government	$ 85,819,675	$ 29,816,896	$ 11,010,414	$ 2,147,880	(42,844,485)

General Revenues	
Taxes:	
Property	25,365,057
Sales	17,115,363
Entitlements, Impact & In-lieu Payments	7,289,906
Excise Taxes	317,145
Penalties & Interest on Delinquent Taxes	538,631
Interest and Investment Earnings	1,377,128
Total General Revenues	52,003,230
Change in Net Position	9,158,745
Net Position as of January 1	204,525,088
Net Position as of December 31	$ 213,683,833

See accompanying notes to the basic financial statements

Balance Sheet
Governmental Funds
December 31, 2013

	Major Funds			
ASSETS	General Fund	County Road	Human Services	1/10% Criminal Justice Fund
Cash/Cash Equivalents	$ 4,671,454	$ 4,022,210	$ 1,812,584	$ 3,054,477
Deposits with Fiscal Agent	1,457,987	0	0	0
Investments	10,433,969	2,962	4,185,710	6,838,198
Taxes Receivable	554,117	186,044	10,747	0
Accounts Receivable	883,280	9,114	1,054	0
Assessments Receivable	0	0	0	0
Interest Receivable	38,900	1,197	0	0
Due From Other Funds	2,696	8,476	24,378	0
Due From Other Governmental Units	1,332,638	655,043	816,632	0
Property Held In Trust	20,727	0	0	0
Total Assets	$ 19,395,769	$ 4,885,046	$ 6,851,105	$ 9,892,675
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts/Vouchers Payable	$ 662,607	$ 17,654	$ 131,998	$ 0
Due To Other Funds	310,588	122,042	8,952	0
Due To Other Governmental Units	0	72,666	207,667	0
Accrued Wages Payable	3,005,664	247,813	213,866	0
Custodial Accounts	1,457,987	0	0	0
Total Liabilities	5,436,846	460,175	562,483	0
Deferred Inflows of Resources				
Grant Revenue Received in Advance	171,186	0	0	0
Unavailable Revenue - Property Tax	574,844	186,044	10,747	0
Unavailable Revenue - Court Judgments	678,167	0	0	0
Total Deferred Inflows of Resources	1,424,197	186,044	10,747	0
Fund Balance				
Restricted	0	4,238,828	6,277,875	9,892,675
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned	12,534,726	0	0	0
Total Fund Balances	12,534,726	4,238,828	6,277,875	9,892,675
Total Liabilities, Fund Balances and Deferred Inflows of Resources	$ 19,395,769	$ 4,885,046	$ 6,851,105	$ 9,892,675

See accompanying notes to the basic financial statements

Balance Sheet
Governmental Funds
December 31, 2013

	Major Funds			
ASSETS	Rural County Capital Fund	Capital Acquisition	Other Governmental Funds	Total
Cash/Cash Equivalents	$ 3,147,409	$ 5,872,722	$ 12,073,494	$ 34,654,350
Deposits with Fiscal Agent	0	0	0	1,457,987
Investments	7,128,162	15,918,951	12,437,764	56,945,716
Taxes Receivable	0	0	4,859	755,766
Accounts Receivable	0	0	118,927	1,012,375
Assessments Receivable	0	0	17,421	17,421
Interest Receivable	0	0	2,404	42,501
Due From Other Funds	0	0	21,731	57,282
Due From Other Governmental Units	0	53,442	531,347	3,389,102
Property Held In Trust	0	0	0	20,727
Total Assets	$ 10,275,571	$ 21,845,115	$ 25,207,947	$ 98,353,228
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts/Vouchers Payable	$ 0	$ 644,839	$ 378,598	$ 1,835,696
Due To Other Funds	0	0	191,964	633,547
Due To Other Governmental Units	0	0	29,469	309,802
Accrued Wages Payable	0	0	682,157	4,149,500
Custodial Accounts	0	0	0	1,457,987
Total Liabilities	0	644,839	1,282,188	8,386,532
Deferred Inflows of Resources				
Grant Revenue Received in Advance	0	0	0	171,186
Unavailable Revenue - Property Tax	0	0	22,280	793,914
Unavailable Revenue - Court Judgments	0	0	0	678,167
Total Deferred Inflows of Resources	0	0	22,280	1,643,267
Fund Balance				
Restricted	10,275,571	0	9,088,738	39,773,687
Committed	0	0	14,814,741	14,814,741
Assigned	0	21,200,276	0	21,200,276
Unassigned	0	0	0	12,534,726
Total Fund Balances	10,275,571	21,200,276	23,903,479	$ 88,323,429
Total Liabilities, Fund Balances and Deferred Inflows of Resources	$ 10,275,571	$ 21,845,115	$ 25,207,947	

See accompanying notes to the basic financial statements

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2013

Total fund balances as shown on the Governmental Fund Balance Sheet:	$	**88,323,429**
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 12/31/13. 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.		**210,983,911**
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.		**(81,978,520)**
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds.		**5,167,822**
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.		**17,383,248**
Long-term liabilities that are not due and payable in the current period and are not reported in the funds.		**(26,196,056)**
Total Net Position, as reflected on the Statement of Net Position:	**$**	**213,683,833**

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2013

	Major Funds			
Revenues	General Fund	County Roads	Human Services	1/10% Criminal Justice Fund
Property Taxes	$ 19,512,929	$ 5,298,370	$ 382,125	$ 0
Sales and Use Taxes	9,840,239	0	0	3,559,071
Other Taxes	385,816	101,785	1,305	0
Licenses and Permits	102,799	4,500	0	0
Intergovernmental	4,437,502	5,721,406	5,862,274	0
Charges for Services	15,274,888	346,589	1,018,415	0
Fines and Forfeits	3,490,117	0	0	0
Interest Earnings	1,253,372	12,501	0	0
Donations	8,198	0	0	0
Other Revenues	294,711	1,623	56,111	0
Total Revenues	54,600,571	11,486,774	7,320,230	3,559,071
Expenditures				
Current:			0	
General Governmental Services	23,314,402	335,941	0	0
Public Safety	25,145,053	0	0	0
Transportation	0	5,643,635	0	0
Natural & Economic Environment	1,000,941	0	0	0
Social Services	796,744	0	6,590,932	0
Culture and Recreation	456,120	0	0	0
Debt Service:				
Principal	0	197,748	0	0
Interest	0	11,865	0	0
Capital Outlay	141,223	4,813,186	0	0
Total Expenditures	50,854,483	11,002,375	6,590,932	0
Excess (Deficit) Revenues Over Expenditures	3,746,088	484,399	729,298	3,559,071
Other Financing Sources (Uses)				
Proceeds of Capital Assets	2,676	0	0	0
Transfers In	1,922,314	310,103	2,752	0
Transfers Out	(3,486,805)	0	(17,535)	(2,392,639)
Total Other Financing Source (Uses)	(1,561,815)	310,103	(14,783)	(2,392,639)
Net Change in Fund Balance	2,184,273	794,502	714,515	1,166,432
Fund Balance-January 1	10,350,453	3,444,326	5,563,360	8,726,243
Fund Balance-December 31	$ 12,534,726	$ 4,238,828	$ 6,277,875	$ 9,892,675

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2013

	Major Funds			
Revenues	Rural County Capital Fund	Capital Acquisition	Other Governmental Funds	Total
Property Taxes	$ 0	$ 0	$ 172,720	$ 25,366,144
Sales and Use Taxes	3,228,140	0	487,913	17,115,363
Other Taxes	0	0	366,870	855,776
Licenses and Permits	0	0	776,632	883,931
Intergovernmental	0	545,300	2,378,355	18,944,837
Charges for Services	0	175,045	7,037,265	23,852,202
Fines and Forfeits	0	0	7,557	3,497,674
Interest Earnings	0	0	135,431	1,401,304
Donations	0	0	6,319	14,517
Other Revenues	0	117,000	1,145,563	1,615,008
Total Revenues	3,228,140	837,345	12,514,625	93,546,755
Expenditures				
Current:				
General Governmental Services	0	0	2,667,043	26,317,386
Public Safety	0	0	8,779,916	33,924,969
Transportation	0	0	0	5,643,635
Natural & Economic Environment	0	0	2,414,353	3,415,294
Social Services	0	0	101,637	7,489,313
Culture and Recreation	0	0	394,543	850,663
Debt Service:				
Principal	0	0	2,175,000	2,372,748
Interest	0	0	1,004,521	1,016,386
Capital Outlay	0	2,599,537	328,763	7,882,709
Total Expenditures	0	2,599,537	17,865,776	88,913,103
Excess (Deficit) Revenues Over Expenditures	3,228,140	(1,762,192)	(5,351,151)	4,633,652
Other Financing Sources (Uses)				
Proceeds of Capital Assets	0	48,575	4,676	55,927
Transfers In	0	0	6,598,974	8,834,143
Transfers Out	(2,037,100)	0	(1,141,262)	(9,075,341)
Total Other Financing Source (Uses)	(2,037,100)	48,575	5,462,388	(185,271)
Net Change in Fund Balance	1,191,040	(1,713,617)	111,237	4,448,381
Fund Balance-January 1	9,084,531	22,913,893	23,792,242	83,875,048
Fund Balance-December 31	$ 10,275,571	$ 21,200,276	$ 23,903,479	$ 88,323,429

See accompanying notes to the basic financial statements

BENTON COUNTY, WASHINGTON

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2013

Net change in fund balances as shown on Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance:	**$**	**4,448,381**
Internal Service Fund Interest, Misc Rev/Exp and Proceeds From Capital Asset Sales and Transfers		**136,477**
Governmental funds report capital outlays as expenditures and proceeds from the sale of capital assets as revenues. In the Statement of Activities, the cost of those assets is capitalized and depreciated over the period of the asset's useful life. When capital assets are disposed of, the difference between original cost and depreciation, and the proceeds are booked as a gain or (loss) on the sale. This entry takes into account the differences in how capital costs are treated between the Statement of Activities and the governmental fund statements.		**1,629,867**
Internal service fund expenses are allocated to other funds. The net expense of certain internal service fund activities is reported with governmental activities on the Statement of Activities.		**745,365**
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This entry is the net effect of these differences in the treatment of long-term debt issuance and payments.		**2,372,748**
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		**(65,129)**
Some expenses reported in the statement of activities do not require the use of current financial resources, and accordingly, are not reported as expenditures in governmental funds.		**(108,964)**
Change in Net Position, as reflected on the Statement of Activities	**$**	**9,158,745**

See accompanying notes to the basic financial statements

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, 2013

	Original Biennial Budget	Final Biennial Budget	2013 Actual	Variance with Final Budget Over (Under)
Revenues				
Taxes	$ 58,240,559	$ 58,240,559	$ 29,738,984	$ (28,501,575)
Licenses and Permits	136,975	136,975	102,799	(34,176)
Intergovernmental Revenues	8,265,717	8,513,721	4,437,502	(4,076,219)
Charges for Services	32,641,036	32,641,036	15,274,888	(17,366,148)
Fines and Forfeitures	7,188,195	7,188,195	3,490,117	(3,698,078)
Miscellaneous Revenue	3,209,388	3,209,811	1,556,280	(1,653,531)
Total Revenues	109,681,870	109,930,297	54,600,571	(55,329,726)
Expenditures				
General Government Services	50,161,947	50,248,637	23,314,402	(26,934,235)
Public Safety	51,087,284	51,168,500	25,145,053	(26,023,447)
Natural & Economic Environment	2,002,233	2,003,430	1,000,941	(1,002,489)
Social Services	1,663,840	1,663,840	796,744	(867,096)
Culture and Recreation	943,813	943,813	456,120	(487,693)
Capital Outlay	109,775	199,043	141,223	(57,820)
Total Expenditures	105,968,892	106,227,263	50,854,483	(55,372,780)
Excess(Deficiency) of Revenues over Expenditures	3,712,978	3,703,034	3,746,088	43,054
Other Financing Sources (Uses)				
Sale of Capital Assets	3,000	3,000	2,676	(324)
Transfers In	3,875,558	3,875,558	1,922,314	(1,953,244)
Transfers Out	(7,644,874)	(7,657,930)	(3,486,805)	(4,171,125)
Total Other Financing Sources (Uses)	(3,766,316)	(3,779,372)	(1,561,815)	(2,217,557)
Excess(Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	(53,338)	(76,338)	2,184,273	2,260,611
Fund Balance, January 1	7,300,000	7,300,000	10,350,453	3,050,453
Fund Balance, December 31	$ 7,246,662	$ 7,223,662	$ 12,534,726	$ 5,311,064

See accompanying notes to the basic financial statements

BENTON COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
County Road Fund
Year Ended December 31, 2013

	Orignal Biennial Budget	Final Biennial Budget	2013 Actual	Variance with Final Budget Over (Under)
Revenues				
Property Taxes	$ 10,707,300	$ 10,707,300	$ 5,298,370	$ (5,408,930)
Excise and Other Taxes	150,000	150,000	101,785	(48,215)
Total Taxes	10,857,300	10,857,300	5,400,155	(5,457,145)
Licenses and Permits	8,200	8,200	4,500	(3,700)
Intergovernmental Revenues	14,444,852	14,444,852	5,721,406	(8,723,446)
Charges for Services	2,111,400	2,111,400	346,589	(1,764,811)
Interest Earnings	10,000	10,000	12,501	2,501
Donations	15,000	15,000	0	(15,000)
Miscellaneous Revenues	14,400	14,400	1,623	(12,777)
Total Revenues	27,461,152	27,461,152	11,486,774	(15,974,378)
Expenditures				
General Governmental Services	770,300	770,300	335,941	(434,359)
Transportation	18,211,053	18,211,053	5,643,635	(12,567,418)
Debt Service:				
Principal	396,000	396,000	197,748	(198,252)
Interest	27,000	27,000	11,865	(15,135)
Capital Outlay	11,544,367	11,544,367	4,813,186	(6,731,181)
Total Expenditures	30,948,720	30,948,720	11,002,375	(19,946,345)
Excess (Deficiency) of Revenues over Expenditures	(3,487,568)	(3,487,568)	484,399	3,971,967
Other Financing Sources (Uses)				
Intergovernmental Payments	(228,000)	(228,000)	0	228,000
Transfers In	2,119,675	2,119,675	310,103	(1,809,572)
Total Other Financing Sources (Uses)	1,891,675	1,891,675	310,103	(1,581,572)
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(1,595,893)	(1,595,893)	794,502	2,390,395
Fund Balance, January 1	1,631,893	1,631,893	3,444,326	1,812,433
Fund Balance, December 31	$ 36,000	$ 36,000	$ 4,238,828	$ 4,202,828

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Human Services Fund
Year Ended December 31, 2013

	Orignal Biennial Budget	Final Biennial Budget	2013 Actual	Variance with Final Budget Over (Under)
Revenues				
Property Taxes	$ 696,000	$ 696,000	$ 382,125	$ (313,875)
Excise and Other Taxes	2,000	2,000	1,305	(695)
Total Taxes	698,000	698,000	383,430	(314,570)
Intergovernmental Revenues	15,467,230	15,467,230	5,862,274	(9,604,956)
Charges for Services	1,992,000	1,992,000	1,018,415	(973,585)
Miscellaneous Revenues	115,800	115,800	56,111	(59,689)
Total Revenues	18,273,030	18,273,030	7,320,230	(10,952,800)
Expenditures				
Social Services	21,063,267	21,202,846	6,590,932	(14,611,914)
Capital Outlay	414,579	275,000	0	(275,000)
Total Expenditures	21,477,846	21,477,846	6,590,932	(14,886,914)
Excess (Deficiency) of Revenues over Expenditures	(3,204,816)	(3,204,816)	729,298	3,934,114
Other Financing Sources (Uses)				
Redemption of Long-Term Debt	(207,667)	(207,667)	0	207,667
Transfers In	6,200	6,200	2,752	(3,448)
Transfers Out	(66,000)	(66,000)	(17,535)	48,465
Total Other Financing Sources (Uses)	(267,467)	(267,467)	(14,783)	252,684
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(3,472,283)	(3,472,283)	714,515	4,186,798
Fund Balance, January 1	4,300,000	4,300,000	5,563,360	1,263,360
Fund Balance, December 31	$ 827,717	$ 827,717	$ 6,277,875	$ 5,450,158

See accompanying notes to the basic financial statements

BENTON COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
1/10 Percent Criminal Justice Jail Fund - Juvenile
Year Ended December 31, 2013

	Orignal Biennial Budget	Final Biennial Budget	2013 Actual	Variance with Final Budget Over (Under)
Revenues				
Taxes	$ 6,240,000	$ 6,240,000	$ 3,559,071	$ (2,680,929)
Total Revenues	6,240,000	6,240,000	3,559,071	(2,680,929)
Expenditures				
Public Safety	158,605	200,000	0	(200,000)
Total Expenditures	158,605	200,000	0	(200,000)
Excess (Deficiency) of Revenues over Expenditures	6,081,395	6,040,000	3,559,071	(2,480,929)
Other Financing Sources (Uses)				
Transfers Out	(4,785,278)	(4,785,278)	(2,392,639)	2,392,639
Total Other Sources (Uses)	(4,785,278)	(4,785,278)	(2,392,639)	2,392,639
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	1,296,117	1,254,722	1,166,432	(88,290)
Fund Balance as of January 1	8,600,000	8,600,000	8,726,243	126,243
Fund Balance as of December 31	$ 9,896,117	$ 9,854,722	$ 9,892,675	$ 37,953

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Rural County Capital Fund
Year Ended December 31, 2013

	Orignal Biennial Budget	Final Biennial Budget	2013 Actual	Variance with Final Budget Over (Under)
Revenues				
Taxes	$ 5,900,000	$ 5,900,000	$ 3,228,140	$ (2,671,860)
Total Revenues	5,900,000	5,900,000	3,228,140	(2,671,860)
Expenditures				
General Government Services	400,000	400,000	0	(400,000)
Total Expenditures	400,000	400,000	0	(400,000)
Excess (Deficiency) of Revenues over Expenditures	5,500,000	5,500,000	3,228,140	(2,271,860)
Other Financing Sources (Uses)				
Transfers Out	(4,075,400)	(4,075,400)	(2,037,100)	2,038,300
Total Other Sources (Uses)	(4,075,400)	(4,075,400)	(2,037,100)	2,038,300
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	1,424,600	1,424,600	1,191,040	(233,560)
Fund Balance as of January 1	9,000,000	9,000,000	9,084,531	84,531
Fund Balance as of December 31	$ 10,424,600	$ 10,424,600	$ 10,275,571	$ (149,029)

See accompanying notes to the basic financial statements

BENTON COUNTY, WASHINGTON

Statement of Net Position
Proprietary Funds
December 31, 2013

		Governmental Activities
		Internal Service Funds
ASSETS		
Current Assets		
Cash/Cash Equivalents	$	9,754,486
Investments		1,279,784
Accounts Receivable		7,643
Interest Receivable		3,067
Due From Other Funds		605,759
Due from Other Governmental Units		2,717
Inventories/Prepayments		2,211,683
Total Current Assets		13,865,139
Noncurrent Assets		
Projects In Progress		21,816
Capital Assets		
Land		246,520
Buildings		3,023,609
Improvements Other Than Buildings		473,309
Machinery and Equipment		9,455,063
Less Accumulated Depreciation		(9,197,569)
Total Noncurrent Assets		4,022,748
Total Assets	$	17,887,887
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts/Vouchers Payable	$	220,590
Capital Leases Payable		92,707
Due To Other Funds		29,492
Accrued Wages Payable		137,106
Total Current Liabilities		479,895
Noncurrent Liabilities		
Compensated Absences		18,938
Capital Leases Payable		5,805
Total Noncurrent Liabilities		24,743
Total Liabilities		504,639
Net Position		
Net Investment in Capital Assets		3,924,236
Unrestricted		13,459,012
Total Net Position	$	17,383,248

See accompanying notes to the basic financial statements

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2013

	Governmental Activities Internal Services
Operating Revenues	
Net Charges for Services	$ 7,422,377
Other Operating Revenue	585,619
Total Operating Revenues	8,007,996
Operating Expenses	
Personal Services	2,035,335
Contractual services	1,983,698
Other Supplies and Expenses	1,052,111
Depreciation	995,251
Payment to Claimants	1,196,236
Total Operating Expenses	7,262,631
Operating Income (Loss)	745,365
Non-Operating Revenue (Expenses)	
Interest Revenue	29,781
Interest Expense	(62,089)
Gain (Loss) on Disposition of Capital Assets	25,064
Other Non-Operating Revenues (Expenses)	(97,477)
Total Non-Operating Revenue (Expenses)	(104,721)
Income (Loss) before Transfers	640,644
Transfers In	241,198
Change in Net Position	881,842
Net Position as of January 1	16,501,406
Net Position as of December 31	$ 17,383,248

See accompanying notes to the basic financial statements

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2013

	Governmental Activities
	Internal Services
Cash Flows From Operating Activities:	
Receipts from Customers	$ 104,167
Receipts from Interfund Services Provided	7,316,847
Miscellaneous Receipts	602,117
Payments to Employees	(2,252,384)
Payments to Suppliers	(4,372,737)
Payments for Interfund Services Used	(181,585)
Net cash provided (used) by operating activities	1,216,424
Cash Flows From Noncapital Financing Activities:	
Transfers from Other Funds	241,198
Net cash provided (used) by noncapital financing activities	241,198
Cash Flows From Capital And Related Financing Activities	
Interest Paid on Capital Lease	(62,089)
Principal Paid on Capital Lease	(186,229)
Proceeds from sale of capital assets	98,486
Purchases of capital assets	(709,756)
Net cash provided (used) by capital and related financing activities	(859,588)
Cash Flows From Investing Activities:	
Interest Earnings	30,137
Net Cash Provided by Investing Activities	30,137
Net Increase in Cash & Cash Equivalents	628,171
Balances as of January 1	10,406,099
Balances as of December 31	$ 11,034,270

See accompanying notes to the basic financial statements

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2013

	Governmental Activities Internal Services
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income/(Loss)	$ 745,365
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	995,251
Other Non-Cash Revenue/Expense	(29,557)
Changes in assets and liabilities:	
Receivables, net	(354,911)
Inventories	(131,440)
Accounts and other payables	(8,285)
Net Cash Provided by Operating Activities	$ 1,216,423

See accompanying notes to the basic financial statements

BENTON COUNTY, WASHINGTON

Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2013

		Agency Funds
ASSETS		
Cash, cash equivalents and pooled investments	$	216,274,470
Taxes Receivable		4,338,840
Total Assets		220,613,310
LIABILITIES		
Warrants Payable		12,035,160
Vouchers Payable		4,529,531
Due to Other Governments		204,048,619
Total Liabilities	$	220,613,310

See accompanying notes to the basic financial statements

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 three joint ventures. These include the Benton County Emergency Services (BCES), the Bi-County Police Information Network (BI-PIN) 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. See Note 15, Joint Ventures, which more fully describes these three organizations.

B. Government-Wide and Fund Financial Statements

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

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

Program revenue includes:

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

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

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

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

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

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 *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 *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:

- *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.
- *Agency Funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. These funds account for the cash balances that the County holds for others (such as local taxing districts and other governmental entities) in an agency 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 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.

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 Inflows and Net Position

1. Cash/Cash Equivalents and Equity in Pooled Investments

It is the County's policy to invest all temporary cash surpluses. At December 31, 2013, the County Treasurer was holding $230,987,333 in short-term residual investments of surplus cash as reported on the Benton County Treasurer's investment activity report. The County's portion of this amount, $44,408,829, 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 2013 were approximately $11,601,014.

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

2. Temporary Investments - See Note 4

3. Receivables

Taxes receivable consists of property taxes and related interest and penalties (See Note 5). 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 consist 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, 2013, $17,421 of special assessments receivable were delinquent.

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

4. Amounts Due to and from Other Funds; Interfund Loans and Advances Receivable

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

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

5. Inventories

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

Inventories in proprietary funds are valued by the first in, first out (FIFO) method, which approximates the market value. In accordance with GASB Statement 54, nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or

(b) legally or contractually required to be maintained intact, including items that are not expected to be converted to cash.

6. Capital Assets - See Note 6

7. Other Property and Investments - See Note 4.

8. Compensated Absences

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

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

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

9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

10. Long-Term Debt - See Note 9

11. Deferred Revenues

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

12. Deferred Inflows of Resources

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

Deferred inflows of resources in the fund financial statements include delinquent taxes and court judgments that are earned, but not yet available under the modified accrual basis of accounting.

13. 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.

By resolution number 11-793 dated December 13, 2011 the County has adopted the Budget Policies and Procedures authorizing fund balance designation and operational use.

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

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

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

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

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

Unassigned fund balance represents fund balance that has not been restricted, committed or assigned.

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

14. Minimum Fund Balance Policy

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

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

15. Detailed Fund Balance Constraints

Fund Balances:	General Fund	County Roads	Major Special Revenue Funds Human Services	1/10% Criminal Justice Fund	Rural County Capital Fund	Major Capital Acquisition Fund	Other Funds	Total
Restricted for:								
Detention and/or Correction				9,892,675			1,241,214	11,133,889
Education							94,395	94,395
Financial and Records Services					10,275,571		909,529	11,185,100
Public Defense (General Fund)	-							-
Housing & Community Dev							3,372,000	3,372,000
Judicial							467,518	467,518
Juvenile Services							9,655	9,655
Legal							172,209	172,209
Mental & Health Services			6,277,875				1,712,342	7,990,217
Park Facilities							361,107	361,107
Planning & Community Dev							358,876	358,876
Transportation		4,238,828					58,863	4,297,691
Veterans Services							231,255	231,255
Weed Control							99,775	99,775
Committed to:								-
Central services							1,692,318	1,692,318
Cultural & Recreational Facilities							4,488,330	4,488,330
Debt Service							1,426,863	1,426,863
Detention and/or Correction							210,246	210,246
Garbage & Solid Waste Utilities							741,353	741,353
Housing & Community Dev							179,865	179,865
Judicial							2,182,277	2,182,277
Juvenile Services							1,291,737	1,291,737
Law Enforcement							189,825	189,825
Legislative							921,716	921,716
Substance Abuse							17,385	17,385
Transportation							1,472,826	1,472,826
Assigned to:								-
Capital Projects						21,200,276		21,200,276
Unassigned								-
General Fund	12,534,726							12,534,726
	12,534,726	4,238,828	6,277,875	9,892,675	10,275,571	21,200,276	23,903,479	88,323,430

16. Net Position

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

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	$ 793,914
Grant Revenue Received in Advance	171,186
Bond Discounts	7,940
Interest Earned, unavailable for >90 days	47,912
A/R Superior & District Courts, Treasurers O&M	4,146,870
Net Adjustment to Increase Total Governmental Funds to Arrive At Net Position Governmental Funds	$5,167,822

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		$19,360,000
Special Assessment Debt		315,000
Long-Term Loans		2,175,230
Compensated Absences	3,038,252	
Less Internal Service Funds Amount	(18,938)	
Net Compensated Absences		3,019,314
Interest Payable		86,266
OPEB Accrual		1,206,496
Bond Premiums		33,750
Net Adjustment to Reduce - Total Governmental Funds to Arrive at Net Position – Governmental Activities		$26,196,056

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

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

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

The details of this difference is as follows:

Capital Outlay	$ 7,882,709
Donated Capital Assets	1,564,492
Change in Joint Venture Equity	(251,514)
Depreciation Expense	(5,870,469)
Other Capital Outlay (Road & Misc.)	(1,695,351)
Net Adjustment to Increase Net Changes in Fund Balance - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	$ 1,629,867

Another element of that reconciliation states "The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

The details of this difference are as follows:

Net Issuance of Debt	$ -0-
Principal Payments:	
General Obligation Debt	2,372,748
Net Adjustment to Increase Net Changes in Fund Balances Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	$ 2,372,748

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

The details of this difference are as follows:

Change in Accrual for Superior Court A/R	$ 37,286
Change in Accrual for District Court A/R	(34,544)
Change in Accrual for Treasurers O&M A/R	(14,573)
Amortization of Debt Premium	1,875
Change in Interest Receivable between 2012 & 2013	(53,957)
Change in Deferred Tax Revenue between 2012 & 2013	(1,216)
Net Adjustment to Increase Net Changes in Fund Balance - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	$ (65,129)

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

The details of this difference are as follows:

OPEB for LEOFF		$ (113,822)
Change in Interest Payable between 2012 & 2013		8,418
Amortization of Debt Discount		3,214
Change in Compensated Absences, 2012 to 2013	(4,359)	
Less Internal Service Funds Change	(2,415)	
Net Change in Compensated Absences between 2012 & 2013		(6,774)
Net Adjustment to Increase Net Changes in Fund Balance - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities		$ (108,964)

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 - DEPOSITS AND INVESTMENTS

DEPOSITS

The County's deposits, certificates of deposit and securities are fully covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Interest bearing certificates of deposit amounting to $2,000,000 are on the government-wide and fund financial statements at cost.

INVESTMENTS

Investment oversight is provided by the Benton County Finance Committee pursuant to RCW 36.29.020. The County Finance Committee consists of the County Treasurer as Chair, the County Auditor as Secretary and Chair of the Board of County Commissioners. All investments are subject to written policies and procedures adopted by the Finance Committee. The committee meets not less than quarterly to review the investment portfolio and performance. In July 2010, the Investment Policy received a Certification of Excellence from the Association of Public Treasurers of the United States and Canada. All County held investments are either insured or registered in the County's name and held by the County or its agent in the County's name. Due to the current economic environment, banks are not taking public funds for investing in Certificate of Deposits. Monies that normally would have been invested as Certificate of Deposits are currently being sent to the State Pool or invested through the Treasurer's Investment Pool (TIP). The philosophy in developing a Pool was to create a locally managed diversified investment option that would take advantage of the economies of scale, simplify administration and achieve a potentially higher yield than other available programs. The Benton County Treasurer's Investment Pool, 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 Benton 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 us by various financial institutions.

Benton County does not report any securities at amortized cost. All securities reported are disclosed using the securities fair market value.

As of December 31, 2013, the County had the following investments:

Benton County All Funds

Investment	Weighted Average Maturity Years	Fair value of County's investments	Fair value of investments held by County as an agent for other local governments, individuals or private organizations	Total
Certificates of Deposit	.44	$ 2,000,000	$ -0-	$ 2,000,000
Federal Agricultural Mortgage Corporation	3.42	7,350,795	-0-	7,350,795
Federal Farm Credit Bank	2.14	20,203,967	-0-	20,203,967
Federal Home Loan Bank	1.69	17,465,421	-0-	17,465,421
Federal Home Loan Mortgage Corporation	2.62	27,585,971	-0-	27,585,971
Federal National Mortgage Association	2.50	29,018,110	-0-	29,018,110
Municipal Bonds	3.85	1,084,733	-0-	1,084,733
Treasuries	1.38	12,006,085	-0-	12,006,085
State Pool	1.00	114,000,000	80,646,621	194,646,621
Total		$230,715,082	$80,646,621	$311,361,703

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

Credit risk - Investments. Credit risk is the risk that an issuer or other counterparts to an investment will not fulfill its obligations. The County investment policy minimizes its credit risk by limiting investments to selected types of securities and pre-qualifying the financial institutions, broker/dealers and intermediaries with which the County will do business. Presented below is the minimum rating required by the state statute and the actual rating as of the end of the year 2012 for each type of investment of which the Primary Government participates.

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

Management intends to hold the time deposits and securities until maturity. In accordance with GAAP applicable to regulated industries and GASB Statement #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 regards to the County's participation in the Washington State Local Government Investment Pool (LGIP), the State Treasurer's Office maintains a third-party custodial arrangement with Bank of New York in order to provide the maximum degree of safety possible. All investment transactions conducted by the County are done on a delivery versus payment (DVP) basis. In addition, in 1995 the LGIP developed an Advisory Committee to aid the Office of the State Treasurer in an advisory and oversight capacity. Other forms of oversight include the annual state and independent audits that the LGIP undergoes and as a result of that extensive oversight, the LGIP publishes monthly, quarterly and annual reports that allow participants to stay abreast of LGIP issues and activity. The LGIP is an unrated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per GASB 40 guidelines the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited, as most investments are either obligations of the US government; government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. The fair value of County shares in the LGIP is dollar for dollar equal to the value of pool shares.

External Investment Pool. The Benton County Treasurer's Investment Pool is not registered with the SEC as an investment company. Oversight is provided by the Benton County 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 allows for participation by other legally separate entities such as special districts and public agencies, for which the County is ex officio treasurer. Participation in the Pool by districts and agencies is voluntary, with a signed Investment Service Agreement submitted to the County Treasurer. The County and districts are able take advantage of higher yielding investment opportunities by combining purchasing power while maintaining our objectives of safety, liquidity and yield. The TIP has grown from four participants with thirty-four funds to ten participants encompassing 58 funds in 2013. It is expected that the growth of the Pool will continue.

The following schedule shows the types of investments, the fair value and the weighted average maturity in years of the Benton County Treasurer's Investment Pool as of December 31, 2013.

Benton County Treasurer's Investment Pool

Investment	Weighted Average Maturity Years	Fair value of Treasurer Investment Pool Investments	Total
Certificates of Deposit	0.00	$ -0-	$ -0-
Federal Agricultural Mortgage Corporation	3.30	3,422,985	3,422,985
Federal Farm Credit Bank	2.04	12,485,945	12,485,945
Federal Home Loan Bank	1.34	7,495,345	7,495,345
Federal Home Loan Mortgage Corporation	2.53	13,217,277	13,217,277
Federal National Mortgage Association	2.67	13,968,120	13,968,120
Municipal Bonds	3.40	896,077	896,077
Treasuries	1.43	7,003,825	7,003,825
State Pool	1.00	$64,770,291	64,770,291
Total			$123,259,865

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%, FHLB 50%, FFCB 50%, FHLMC 50%, FNMA 50%, Other GSE's 10%, Bankers Acceptances (<360 days, A1/P1) 10%, Certificates of Deposit, including Bank Deposits 50%, Repos (<60 days) 20%, Registered Warrants 10% and Municipal GO Bonds (one of 3 highest ratings) 10%.

Presented below are investments in any one issuer in which the Primary Government participated as of December 31, 2013.

Benton County Investment Concentration

Investment	Percentage of County's Investments	Percentage of investments held by County as an agent for other local governments, individuals or private organizations	Total
Certificates of Deposit (Banner Bank)	0.64%	-0-	0.64%
Federal Agricultural Mortgage Corporation	2.36%	-0-	2.36%
Federal Farm Credit Bank	6.49%	-0-	6.49%
Federal Home Loan Bank	5.61%	-0-	5.61%
Federal Home Loan Mortgage Corporation	8.86%	-0-	8.86%
Federal National Mortgage Association	9.32%	-0-	9.32%
Municipal Bonds	0.35%	-0-	0.35%
Treasuries	3.86%	-0-	3.86%
State Pool	36.61%	25.90%	62.51%
Total	74.10%	25.90%	100.0%

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 Washington State Local Government Investment Pool are transacted on the delivery versus payment basis. This means that payment is made simultaneously with the receipt of the security. Securities are held in safekeeping in the County's name by an institution (custodian) under contract with the County Treasurer. Currently, safekeeping is with Bank of New York Mellon.

NOTE 5 - PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed following the close of each month.

Property taxes are levied and become an enforceable lien against properties on January 1, 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 when levied, offset by deferred revenue. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections that occur in January. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

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.

- RCW Chapter 84.52 establishes a limitation on the levies for ports, public utilities, state schools, emergency medical services, counties, roads, cities and towns. Counties, roads, cities, towns and all other regular levies are proportionately reduced if a composite rate of $5.90 per thousand is exceeded. Levies not subject to the $5.90 Aggregate Limit: State, Ports, Public Utility Districts, Emergency Medical Services, 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 2013, the County levied the following property taxes:

Purpose of Levy	Per $1,000	Levy Amount
General Government (A)	$1.2433	$19,044,096
County Roads (B)	1.6736	5,818,466
Human Services (A)	0.0250	382,946
Veterans' Assistance (A)	0.0113	173,091
Totals	$2.9532	$25,418,599

(A) assessed value of $15,317,827,385
(B) assessed value of $ 3,476,619,994

NOTE 6 – CAPITAL ASSETS

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

Infrastructure assets are long-lived assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, bridges, drainage systems, water and sewer systems, and lighting systems. The County has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the County expenses certain maintenance and preservation costs and does not report depreciation expense. 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. Information about infrastructure assets is found in the Required Supplementary Information (RSI) section of the CAFR.

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 fair value on the date received.

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

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

Buildings - 20 years
Furniture & Equip - 10 years
Information Systems - 4 years
Data Handling Equip - 4 years

Autos, Light Trucks – 5 years
Heavy Trucks – 7 years
Land Improvements - 20 Years
Heavy Road Equipment - 10 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.

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 2,654,787	$ 0	$ 0	$ 2,654,787
Infrastructure	54,353,382	6,084,048	2,111,674	58,325,756
Construction in progress	3,105,439	2,049,209	2,387,759	2,766,889
Total capital assets, not being depreciated	60,113,608	8,133,257	4,499,433	63,747,432
Capital assets, being depreciated:				
Quarries	82,330	0	0	82,330
Buildings	87,465,590	0	0	87,465,590
Improvements	8,446,389	102,097	0	8,548,486
Intangibles	57,488	305,602	0	363,090
Machinery and equipment	13,102,289	1,351,040	970,490	13,482,839
Infrastructure	43,993,068	2,083,470	162,745	45,913,793
Total capital assets being depreciated	153,147,154	3,842,209	1,133,235	155,856,128
Less accumulated depreciation for:				
Quarries	(25,278)	0	0	(25,278)
Buildings	(46,811,401)	(2,871,128)	0	(49,682,529)
Improvements	(2,239,547)	(439,354)	0	(2,678,901)
Intangibles	(4,814)	(52,572)	0	(57,386)
Machinery and equipment	(9,773,905)	(536,921)	(888,167)	(9,422,659)
Infrastructure	(27,432,891)	(1,970,494)	(94,048)	(29,309,337)
Total accumulated depreciation	(86,287,836)	(5,870,469)	(982,215)	(91,176,090)
Total capital assets being depreciated, net	66,859,318	(2,028,260)	151,020	64,680,038
Governmental activities capital assets, net	$ 126,972,926	$ 6,104,997	$ 4,650,453	$ 128,427,470

Depreciation expense was charged to functions as follows:

General Government	412,455
Public Safety	1,946,461
Utilities	0
Transportation	1,970,494
Natural & Economic Environment	844
Social Services	418,731
Culture and Recreation	126,233
	4,875,218
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.	995,251
Total governmental activities depreciation expense	$ 5,870,469

NOTE 7 - 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 retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

The survivor of a PERS Plan 1 member who dies after having earned ten years of service credit has the option, upon the member's death, of either a monthly survivor benefit or the lump sum of contributions plus interest.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65. Or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option
PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS's fiscal year 2013, PERS Plan 3 employee contributions were $99.0 million, and plan refunds paid out were $69.4 million.

The defined benefit portion of PERS Plan 3 provides a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM) enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Non-vested	44,273
Total	**263,347**

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

Members Not Participating in JBM:

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

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Govt.*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Govt.	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** Plan 3 defined benefit portion only.
***Minimum rate.

Both Benton County and the employees made the required contributions. The County's required contributions for the years ended December 31 were as follows:

Year	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	$83,110	$1,961,648	$180,383
2012	$86,475	$1,651,941	$160,384
2011	$82,990	$1,403,797	$136,052

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

Plan Description

The Legislature established LEOFF in 1970. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS.. During DRS' fiscal year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

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 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. 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 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

A one-time duty-related death benefit is provided to the beneficiary of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington-state-registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	10,189
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	689
Active Plan Members Vested	14,273
Active Plan Members Non-vested	2,633
Total	**27,784**

Funding Policy

Employer and employee contributions rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adoped by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriated 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 this funding requirement could be returned to the employers by a change of statute. For DRS's fiscal year 2013, the state contributed $54.2 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	5.23%**
Employee	0.00%	8.41%
State	N/A	3.36%

*The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for ports and universities is 8.59%.

Both Benton County and the employees made the required contributions. The County's required contributions for the years ended December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2013	$0	$264,105
2012	$0	$250,758
2011	$0	$229,517

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

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.

Covered employers include the following:

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

To be eligible for PSERS, 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 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS's fiscal year 2013, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after completing five years of eligible service.

PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of-living allowance is granted) based on the Consumer Price Index), capped at 3 percent annually.

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 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan ~~3~~ 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the 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, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS members meeting specific eligibility requirements have the option available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the estate of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	27
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	60
Active Plan Members Vested	2,083
Active Plan Members Non-vested	2,167
Total	**4,337**

<u>Funding Policy</u>

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	PSERS Plan 2
Employer*	10.54%
Employee	6.36%

- The employer rate includes an employer administrative expense fee of 0.18%.

Both Benton County and the employees made the required contributions. The County's required contributions for the years ended December 31 were as follows:

	PSERS Plan 2
2013	$500,022
2012	$447,762
2011	$402,094

NOTE 8A - RISK POOL

Benton County is a member of the Washington Counties Risk Pool ("Pool"). Other Washington counties that are Pool members include: Adams, Chelan and Clallam, Clark, Columbia, Cowlitz and Douglas, Franklin, Garfield, Grays Harbor and Island, Jefferson, Kittitas, Lewis and Mason, Okanogan, Pacific, Pend Oreille and San Juan, Skagit, Skamania, Spokane and Thurston, Walla Walla, Whatcom and Yakima Counties. Kitsap, Klickitat and Whitman Counties are former Pool members, having voluntarily terminated their memberships beginning October 1st of 2010, 2002 and 2003 respectively.

Background: The Pool was formed August 18, 1988 after an Interlocal (Cooperative) Agreement under Chapter 39.34 RCW was approved by several Washington counties. The agreement and cooperative created a mechanism to provide member counties with "joint" programs and services including self-insurance, purchasing of insurance, and contracting for or hiring of personnel to provide administrative services, claims handling, and risk management. Washington's pools operate under the state's "pooling" laws and regulations, more specifically, RCW 48.62 RCW and WAC 200.100. They must be first approved and then are overseen by the State Risk Manager, and they are subject to annual fiscal audits performed and issued by the State Auditor's Office.

Noteworthy is the definition of "insurer" within RCW 48.01.050 for application of the Washington Insurance Code, which reflects the following:

> *Two or more local government entities, under any provision of law, that join together and organize to form an organization for the purpose of jointly self-insuring or self-funding are not an "insurer" under this code.*

Thus, under Washington law the Pool is not an insurance company, and therefore, not subject to the rules governing insurance policy interpretation.

The Pool's mission is: To provide comprehensive and economical risk coverage; to reduce the frequency and severity of losses; and to decrease costs incurred in the managing and litigation of claims. Its core values include: being committed to learn, understand and respond to the member counties' insurance needs; being committed to establish working relationships with all members that identify business issues and jointly develop solutions; member counties commit to allocate necessary resources to risk management in their own operations. The Pool's board of directors and professional staff share a commitment to manage the organization based on sound business principles, benchmarked industry standards and measurable outcomes, and being committed to continuous planning and innovation in product development and service delivery.

A Membership Compact was added as an addendum to the Interlocal Agreement in 2000. It constitutes a commitment to strengthen the Pool by helping member counties implement and/or enhance their local risk management efforts to reduce losses and support the best management of the Pool and its resources. It obligates member counties to support these goals through three major elements – membership involvement, risk control practices, and a targeted risk management program(s).

New members may be asked to pay modest fees to cover any costs to analyze the member's loss data and risk profile, but they are normally only required to contribute their proportional shares on their entry year's insuring assessments. Members contract initially under the Interlocal Agreement to remain in the Pool for at least five years. Following the initial term, a county may terminate its membership at the conclusion of any Pool fiscal year, provided the county timely files its required advance written notice; otherwise, the Interlocal Agreement and memberships automatically renew 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.

Joint Self-Insurance Liability Program ("JSILP"): The Pool, which recently celebrated its Silver Anniversary, has been providing its membership with occurrence-based, jointly purchased and/or jointly self-insured 3rd-party liability coverage since October 1, 1988 for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by an occurrence during the policy period and occurring anywhere in the world. Total coverage limits have grown from the $1 million limit that existed during the Pool's initial two insuring months to $5 million, then to $10 million and onto $15 million before reaching the $20 million occurrence limit that has existed since October 1, 2003. (Note: Additional occurrence limits of $5 million have been available for many years for member counties to choose as an individual county-by-county option.) There are no aggregate limits to the payments the WCRP makes for any one member county or all member counties combined.

The initial $10 million in coverage is jointly self-insured. The remaining JSILP coverage, up to $15 million, is acquired as "following form" excess insurance from higher rated commercial carriers. Member counties annually select a deductible amount applicable to each occurrence from these options: $10,000, $25,000, $50,000, $100,000, $250,000 or $500,000.

Reinsurance is acquired from higher rated carriers as well to protect the Pool directly and its member counties indirectly from larger-valued losses. The reinsuring program is written with a self-insured retention ("SIR") equal to the greater of the applicable member's deductible or $100,000. The reinsuring agreements also include first and second layer corridor elements – to $1 million and from $1 to $2 million – with cumulative (WCRP) retentions of $2.95 and $0.65 million and annual aggregate limits of $40 and $20 million respectively.

616 third-party liability claims (and lawsuits) were reported to the Pool by its member counties during Py2013, and added to the Pool's administrative database. This represented a 3% reduction in year-over-year filings and a continuation of recent years' decline in annual filings. The new filings raised the to-date total (Oct 1988 – Sep 2013) to 19,232. Total incurred losses (payments made plus reserve estimates for *open* claims) increased $8.1 million during Py2013 to $250.9 million. The annual amount is 50% more than the corresponding Py2012 amount of $5.4M, but it represents just 51% of the Py2011 increase of $16.0M, 46% of the $17.8M in Py2010, and only 39% of the $20.8M annual average for Py2007 through Py2009. Only 327 claims remained classified as *'open'* at year-end. With 307 additional claims projected by the actuary from all years as incurred but not yet reported ("IBNR"), the Pool's estimated ultimate claims totaled 19,539 as of September 30, 2013.

The independent actuary's projection of total reserves for claims that are expected to be the Pool's responsibility decreased slightly (-1%) from Py2012 to $14.6 million. This amount includes $3.4 million (-21% from Py2012) for losses within the Pool's self-insured retention, $10.0 million (+7%) for losses subject to the "corridor" programs with the Pool's reinsurers, $0.2 million for losses within the Py2013 quota-shared (10%) upper reinsured layer, and $1.0 million (+3%) for estimated unallocated loss adjustment expenses. *NOTE: The corridor programs involving the WCRP's first (and now second) layer reinsurers began seven years ago. These programs included an occurrence coverage maximum of $0.5 million during the first three years, $1.0 million during the next three years, and of both $1.0 million and $2.0 million beginning with Py2013. Occurrence coverage minimums have remained since the corridor program began the greater of the applicable member deductible or $100,000.*

Washington Counties Property Program ("WCPP"): Beginning with Py2006 (October 1, 2005), WCRP added property insurance as a county-by-county option that is jointly-purchased from a consortium of higher rated commercial carriers. Since the initial offering, both participation and the total values of covered properties have nearly doubled. Twenty six WCRP counties with covered properties totaling over $2.7 billion participated in the optional insuring program during Py2013.

The WCPP includes All Other Peril coverage limits of $500 million per occurrence for losses to buildings and contents, vehicles, mobile/contractors equipment, EDP and communication equipment, etc., as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being $200 million. All Other Perils coverage limits apply to any occurrence, even those affecting more than one participating county, and there are no annual (AOP) aggregate limitations. Flood and Earthquake coverages each include annual aggregate limits of $200 million. The WCPP coverage also includes sublimited items, e.g. Equipment Breakdown / Boiler & Machinery ($100 million), Special Flood Hazard Areas ($25 million). And there are endorsements for Green Construction Upgrades, Reproduction Coverage for Historic Structures, and Terrorism ($20 million).

AOP occurrence deductibles, which the participating counties select annually and which the counties are solely responsible for paying, range between $5,000 and $50,000. Higher deductibles are applicable to losses resulting from catastrophe relevant losses.

There were 15 claims filed during Py2013 by participating counties with loss estimates totaling $2.6 million and losses paid by fiscal year-end of $1.5 million. During its initial eight years as a WCRP optional insuring program, there have been 103 WCPP claims filed with to-date incurred losses totaling $15.5 million and losses paid through fiscal 2013 of $8.9 million. Considering the fact that to-date WCPP premiums have totaled $22.2 million, the WCPP's cumulative loss ratio is below 0.7.

Other Insurances: Several member counties also use the Pool's contracted producer (broker) to secure other (specialty) insurances. Examples include public officials bonds and crime (and fidelity), cyber risks/security, special events/concessionaires, underground storage tank and other environmental hazards insurance coverages.

Governance / Oversight: The Pool is governed by a board of directors consisting of one director (and at least one alternate director) appointed by each member county. The Board, which is made up of both elected and appointed county officials, meets three times each year with the summer meeting being the Pool's Annual Meeting. The board of directors is responsible for a) determining the extent of the 3rd-party self-insured liability coverage to be offered (approving the insuring document or coverage form), b) selecting the reinsurance program(s) to acquire and the excess insurance(s) to be jointly purchased or offered for optional purchase by the member counties, c) approving the Pool's annual operating budget(s) and work program(s), and d) approving the members' deposit assessment and reassessment formulas for the policy year ensuing and for any deficient prior period(s).

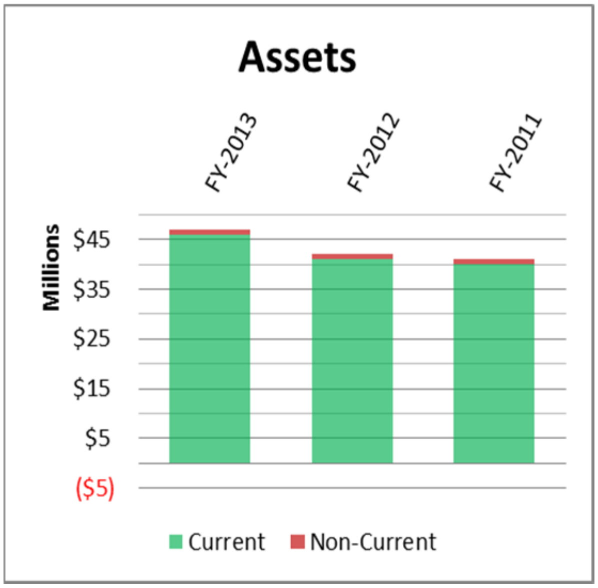
Regular oversight of the Pool's operations is provided by an 11-person executive committee selected from and by the WCRP Board. Committee members are elected to staggered, 3-year terms. The Committee meets several times throughout each policy year to: a) approve all WCRP disbursements and review the Pool's financial health; b) approve case settlements exceeding the applicable member's deductible by at least $50,000; c) review all claims with incurred loss estimates exceeding $100,000; and d) evaluate the Pool's operations and program deliverables as well as the Executive Director's performance. Committee members are expected to participate in the Board's standing committees (finance, personnel, risk management, and underwriting) for development or review/revision of the organization's policies and coverage documents.

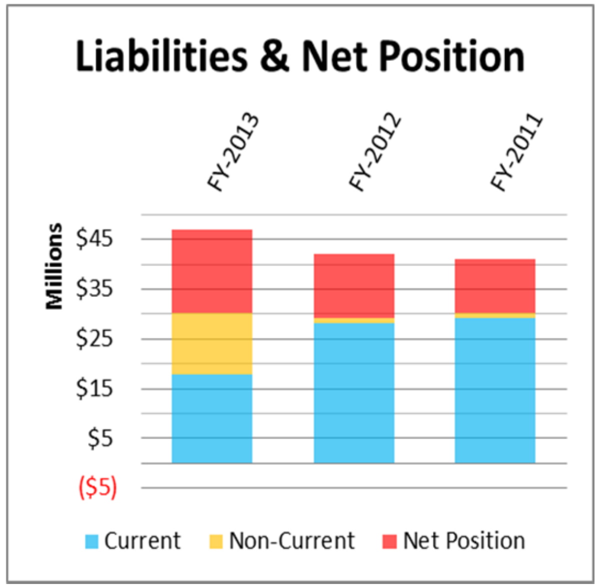
Staffing and Support Teams: The Pool's multi-person claims staff with years of combined experience handles or oversees the handling of the several hundred liability cases each year filed upon and submitted by the Pool's member counties. This includes establishing reserves for covered events and estimating undiscounted future cash payments for losses and their related claims adjustment expenses. Other WCRP staffers provide various member services, e.g conducting member and potential member risk assessments and compliance audits, coordinating numerous Pool-sponsored trainings, researching other coverages, and marketing the Pool and its risk management services. Some address and support the organization's administrative needs.

Professionals from some of the more respected organizations worldwide are regularly called upon to address various needs of the Pool. More specifically, independent actuarial services are furnished by PricewaterhouseCoopers, LLP. Independent claims auditing is performed by Startegic Claims Direction LLC, and special claims audits are occasionally performed by the Pool's commercial reinsurers/insurers. Insurance producer (broker) and advanced loss control and prevention services are provided by Arthur J. Gallagher Risk Management Services, Inc.. Coverage counsel is furnished by J. William Ashbaugh of Hackett Beecher & Hart. These professionals are in addition to the many contracted and in-county attorneys assigned to defend the numerous Pool-covered cases, as well as the examinations by and services from both the State Risk Manager and State Auditor's Offices.

Financial Summary: During fiscal 2013, Pool assets grew 11% (+$4.8 million) and liabilities by 3% (+$1.0 million). Its net (financial) position, which is commonly referred to as "net assets" and sometimes as "owners' equity", improved 30% (+$3.9 million) during the Pool's Silver Anniversary year to $16.7 million as of September 30, 2013. Much of the net position is 'restricted' ($12.5 million) to address the Board of Directors' recently revised requirements in section D of its Underwriting Policy. *NOTE: This policy revision resulted in the Pool's own restriction increasing $7.5 million (+187%) and the unrestricted declining $3.8 million (-53%). The (State Risk Manager's) solvency provisions in WAC 200.100.03001(3) required $0.9 million for satisfaction, a year-over-year* *increase of $0.1 million (+15%).* Another $0.9 million is invested in capital assets (net of debt). The remaining $3.3 million is unrestricted.

$3.75 million in operating income was experienced during Py2013, an increase of 111% from Py2012. Operating revenues were 'flat', but expenses declined nearly $2.0 million (-15%). This reduction was in part due to even more favorable adjustments by the independent actuary, PricewaterhouseCoopers LLP ("PwC"), to the Pool's claims-related reserves, and to the reduction (-26%) in the premiums to acquire the reinsurance, excess insurance and property insurance policies requested by the Board.





Contingent Liability: The Pool is a cooperative program with joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Deficits of the Pool resulting from any fiscal year are financed by reassessments (aka retroactive assessments) placed upon the deficient year's membership in proportion with the deposit assessments initially levied and collected. The Pool's reassessments receivable balance at December 31, 2013 was ZERO ($0) as there were no known contingent liabilities at that time.

NOTE 8B - UNPAID CLAIMS LIABILITIES

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

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

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

NOTE 8C - RISK MANAGEMENT

The County maintains insurance against most normal hazards, except for workers' compensation and unemployment, where it has elected to become self-insured. The County is required by the State to set aside for protection, to the Workers' Compensation Fund, $100,000 in cash reserves. Workers' Compensation Fund reserves, at December 31, 2013, were $3,073,159.

NOTE 9 - LONG-TERM DEBT

A. Advance Due to Other Governments

On June 28, 1985, Benton County entered into a contract with the Washington State Department of Social and Health Services (DSHS) and began receiving funding to be used as working advances for specific client services. The current amount of the advance is $207,667. 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. 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:

	Trust Fund Loan		
Year Ending December 31	**Principal**	**Interest**	**Total**
2014	$ 197,748	$ 10,876	$ 208,624
2015	197,748	9,887	207,635
2016	197,748	8,899	206,647
2017	197,748	7,910	205,658
2018	197,748	6,921	204,669
2019-2023	988,740	19,775	1,008,515
2024	197,750	989	198,739
Totals	**$2,175,230**	**$65,257**	**$2,240,487**

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 numbers 11 and 12. These bonds bear an interest rate of 2.05% to 5.55% and reach maturity in the year 2023. The principal outstanding on December 31, 2013 is $85,000. There was $13,405 in delinquent special assessment receivables on December 31, 2013. 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.

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. These bonds bear an interest rate of 3.80% to 5.25% and reach maturity in the year 2025. The principal outstanding on December 31, 2013 is $230,000. There was $69,585 in delinquent special assessment receivables on December 31, 2013. 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.

	Special Assessment Bonds		
Year Ending December 31	**Principal**	**Interest**	**Total**
2014	0	16,520	16,520
2015	0	16,520	16,520
2016	0	16,520	16,520
2017	0	16,520	16,520
2018	5,000	16,520	21,520
2019-2023	240,000	58,882	298,882
2024-2025	70,000	5,512	75,512
Totals	**$315,000**	**$146,994**	**$461,994**

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.

On November 1, 2003 Benton County issued $20,885,000 in General Obligation bonds to refinance portions of the bonds issued in July of 2000 and September of 1996. These bonds bear an interest rate of 2.00% to 5.00% and reach maturity in the year 2020. The principal outstanding on December 31, 2013 is $13,150,000.

On July 15, 2006 Benton County issued $7,245,000 in General Obligation bonds for the cost of acquiring, designing, constructing, furnishing and equipping a new facility to accommodate the Benton Franklin Health District Center. These bonds bear an interest rate of 3.95% to 4.75% and reach maturity in the year 2031. The principal outstanding on December 31, 2013 is $6,210,000\.

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

Year(s)	Health Building	CRID Special Assessment Debt 2005	CRID Special Assessment Debt 2003	G.O. Bonded Debt 2003	Public Works Trust Fund Loan	Total Debt Payments
2014	$515,212	$11,950	$4,570	$2,538,300	$208,624	$3,278,656
2015	515,225	11,950	4,570	2,541,500	207,635	3,280,880
2016	514,813	11,950	4,570	2,541,500	206,647	3,279,480
2017	513,975	11,950	4,570	2,017,500	205,658	2,753,653
2018	512,713	11,950	9,570	2,014,500	204,669	2,753,402
2019-2031	6,677,069	281,861	92,533	4,033,500	1,207,254	12,292,217
Totals	**$9,249,007**	**341,611**	**$120,383**	**$15,686,800**	**$2,240,487**	**$27,638,288**

General Obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
Refinance portions of outstanding bonds for reduced rate	2.77%-5.00%	$13,150,000
Juvenile Justice Center Jail	3.00%-4.95%	0
Construction, expansion and renovations to Justice Center	4.70%-5.10%	0
Health Building	3.95%-4.75%	6,210,000
Total		**$19,360,000**

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

	Governmental Activities		
Year Ending December 31	Principal	Interest	Total
2014	2,155,000	898,512	3,053,512
2015	2,245,000	811,725	3,056,725
2016	2,335,000	721,313	3,056,313
2017	1,925,000	606,475	2,531,475
2018	2,015,000	512,213	2,527,213
2019-2023	5,325,000	1,277,309	6,602,309
2024-2028	1,955,000	612,647	2,567,647
2029-2031	1,405,000	135,613	1,540,613
	$19,360,000	**$5,575,807**	**$24,935,807**

At December 31, 2013, the County has $1,426,863 available in debt service funds to service the general obligation bonded debt.

The County's legal non-voted debt limit is $229,767,411 with $210,407,411 still available. The legal voted debt limit (with 3/5 vote) is $382,945,685 with $363,585,685 still available.

At December 31, 2013, the County estimates that it has $259,639 of compensated absences due within one year.

NOTE 10 – LEASES

A. Operating Leases

The County leases copiers and other office machines and equipment under non-cancelable operating leases. Total cost for such leases was $183,948 for the year ended December 31, 2013. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2014	$163,426
2015	128,229
2016	87,232
2017	49,645
2018	18,482
2019-2023	-0-
Total	**$447,014**

B. Capital Leases

The County has entered into lease agreements for financing telecommunication equipment with no down payment and no purchase option at the end of the lease. The equipment is accounted for in the Central Services Internal Service Fund.

These lease agreements qualify as capital leases for accounting purposes, and therefore have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

Asset	Central Services Internal Service Fund
2009 Telecommunications Equipment	$ 345,735
2010 Telecommunications Equipment	263,599
Less Accumulated Depreciation	(528,783)
Total	**$ 80,551**

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2013 were as follows:

Year Ending December 31	Amount
2014	$ 99,258
2015	5,863
2016	0
2017	0
2018	0
Total Minimum Lease Payments	$ 105,121
Less: Interest	(6,609)
Present Value Of Minimum Lease Payments	**$ 98,512**

NOTE 11 – CHANGES IN GENERAL LONG-TERM LIABILTIES

During the year ended December 31, 2013, the following changes occurred in Long-Term Liabilities:

Description	Balance 01/01/13	Additions	Reductions	Balance 12/31/13	Due Within One Year
Employee Leave Benefits*	$ 3,033,893	$3,906,459	$3,902,100	$ 3,038,252	$ 259,639
DSHS Working Advances	207,667	0	0	207,667	0
Economic Development Loan	2,372,978	0	197,748	2,175,230	197,748
2003 CRID Special Assessment	135,000	0	50,000	85,000	0
2005 CRID Special Assessment	285,000	0	55,000	230,000	0
Health Building	6,435,000	0	225,000	6,210,000	235,000
2003 Refinancing	14,995,000	0	1,845,000	13,150,000	1,920,000
OPEB Benefit For LEOFF**	1,092,674	326,946	213,124	1,206,496	0
Capital Leases	284,741	0	186,229	98,512	92,707
Total Debt	**$28,841,953**	**$4,233,405**	**$6,674,201.**	**$26,401,157**	**$2,705,094**

*Departments are reimbursed leave expenditures from the Accumulated Leave fund.
**OPEB benefits for LEOFF obligations are liquidated through the Current Expense Fund.
Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end $18,938 of internal service funds compensated absences and $98,512 of internal service funds capital leases are included in the above amounts.

NOTE 12 – CONTINGENCIES AND LITIGATIONS

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

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

NOTE 13 - INTERFUND BALANCES AND TRANSFERS

A. Classification of Interfund Transactions

Interfund transactions are classified as follows:

1. Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payment in lieu of taxes, are similarly treated when they involve other funds of the County.
2. Transfers to support the operations of other funds are recorded as "Transfers" and classified with "Other Financing Sources or Uses".
3. Loans between funds are classified as interfund loans receivable and payable or as advances to and from other funds on the balance sheet depending on the time period for which the loan was made. Interfund loans do not affect total fund equity, but advances to other funds are offset by a reservation of fund equity. The County had one interfund loans as of December 31, 2013.

B. Interfund Reconciliations

1. Interfund Due To & Due From

The composition of interfund Due To and Due From as of December 31, 2013, is as follows:

Due To	Due From	Amount
General Fund	County Road	$ 710
	Human Services	526
	NonMajor Governmental Funds	1,460
	Sub-total	**2,696**
County Road	NonMajor Governmental Funds	6
	Internal Service Funds	8,470
	Sub-total	**8,476**
Human Services	General Fund	678
	NonMajor Governmental Funds	23,700
	Sub-total	**24,378**
NonMajor Governmental Funds	County Road	7,500
	NonMajor Governmental Funds	14,231
	Sub-total	**21,731**
Internal Service Funds	General Fund	309,910
	County Road	113,832
	Human Services	8,426
	NonMajor Governmental Funds	152,569
	Internal Service Fund	21,022
	Sub-total	**605,759**
	Total	**$663,040**

These interfund transactions usually involve the exchange of goods and services in a normal business relationship.

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 represents debt service and capital project funding. Interfund transfers occurring between individual major funds, non-major governmental, and internal service funds of the County during the year ended December 31, 2013 are as follows:

Transferring In Fund	Transferring Out Fund	Amount
General Fund	NonMajor Governmental Funds	$ 1,904,779
	Major Governmental Funds	17,535
	Sub-total	**1,922,314**
County Roads	General Fund	13,056
	NonMajor Governmental Funds	297,047
	Sub-total	**310,103**
Human Services	General Fund	2,752
	Sub-total	**2,752**
NonMajor Governmental Funds	General Fund	3,470,997
	NonMajor Governmental Funds	3,127,977
	Sub-total	**6,598,974**
Internal Service Funds	NonMajor Governmental Funds	241,198
	Sub-total	**241,198**
	Total	**$ 9,075,341**

3 Interfund Loans

One Interfund Loan arose during 2012 to finance cash flow requirements of a fund to manage its operations. The loan was repaid in 2013. The following table displays interfund activity during 2013::

Borrowing Fund	Lending Fund	Balance 01/01/2013	New Loan(s)	Repayments	Balance 12/31/2013
Treasurer's Investment Pool	Treasurers O&M	$70,000	$-0-	$70,000	$-0-
	TOTALS	**$70,000**	**$-0-**	**$70,000**	**$-0-**

NOTE 14 – RESTRICTED NET POSITION

The government-wide statement of net position reports $39,945,002 of restricted net position, of which $39,773,834 is restricted by enabling legislation.

NOTE 15 - JOINT VENTURES

A. Benton County Emergency Services

Benton County Emergency Services (BCES), providing public safety communications and emergency management services, was formed January 1, 1997, when an Inter-local Agreement was entered into by the Cities of Kennewick, Richland, West Richland, Benton City, Prosser and the County. This Inter-local superseded an Inter-local Agreements previously associated with Benton County Emergency Management and the Southeast Communications Center Amended and restated January 5, 2012, the Public Utility District #1, a municipal corporation, was approved as a new member with limited participation. . These agreements shall continue indefinitely, unless terminated by a participant. Upon dissolution of the Inter-local Agreement, the net position will be shared equitably among the participants.

Benton County Emergency Services is served by an Executive Board composed of the City Managers (or designees) of Kennewick and Richland, City Administrators for Prosser and West Richland, a Council member from Benton City and a County Commissioner.

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

1. SECOMM

   The Southeast Communications Center (SECOMM) provides public safety communications services to three principal participating jurisdictions: The Cities of Kennewick and Richland and the County. The three principal participating jurisdictions own an equal share of net position. Allocation of financial participation among the three principle jurisdictions is based on an equal share of capital expense, predetermined fixed costs, direct costs and percentages of use.

   SECOMM also provides public safety communication services via contract to the City of West Richland, Benton County Fire Protection Districts #1, #2, #3, #4, #5 and #6. These agencies contract with SECOMM and are assessed on a cost per capita or cost per call basis.

2. 800 MHz Radio

   The 800 MHz Radio fund provides communication infrastructure and technology for the dispatching of public safety agencies throughout Benton County. Participating agencies (Benton County Sheriff's Office, Jail, Juvenile Justice Center, Public Works, Public Utility District and Animal Control; the Cities of Richland, Kennewick, Prosser and West Richland, as well as the Areva Corporation) are charged an annual fee per radio to fund system maintenance and upgrades. The microwave system is accounted for separately within the fund and the user groups are charged a portion of costs based on the number of circuits utilized.

3. BCEM

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

Effective January 1, 1997, the City of Richland assumed responsibility for operation of Benton County Emergency Services. As the Operating Jurisdiction, the City of Richland provides all of the necessary administrative services for the operation of BCES. The total amount paid by BCES in 2013 for these services was $237,666. No distributions of income to Richland are expected since charges are assessed only to recover anticipated expenses.

The County's equity interests in SECOMM, 800 MHZ Radio and BCEM were $1,290,466, $2,978,243 and $37,725 on December 31, 2013, which is reported as a capital asset in the government-wide statement of net position. The change in equity is reflected in the government-wide statement of activities under Public Safety. The County does not anticipate any income distributions from BCEM since charges are assessed only to recover anticipated expenses. Complete and separate financial statements for BCES may be obtained at the Benton County Emergency Services, 651 Truman Avenue, Richland, WA.

B. 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 five participant municipal corporations: the Cities of Kennewick, Pasco and Richland, and Benton and Franklin Counties. 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. 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 and legal services, risk management and information systems. The total amount paid by BI-PIN, in 2013, for these transactions was $119,000.

The County's equity interest in BI-PIN was $279,315 on December 31, 2013. The change in equity is reflected in the government-wide statement of activities under Public Safety. Complete and separate financial statements for BI-PIN may be obtained at the City of Kennewick, 210 West Sixth Avenue, Kennewick, WA.

C. Metro Drug Forfeiture Fund

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

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 all necessary support services for the operation of Metro such as accounting, legal services and risk management.

The County's equity interest in Metro was $14,919 on June 30, 2013. 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.

NOTE 16 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 7, the County provides post-retirement health care benefits, in accordance with RCW 41.26.150, to LEOFF Plan I employees who were employed on or before September 30, 1977. Currently, 16 retirees meet eligibility requirements.

The County reimburses 100 percent of the amount of validated claims for medical and hospitalization costs incurred by pre-Medicare retirees. During 2013 the County did not reimburse a fixed amount per month for any employee as a Medicare supplement for retirees eligible for Medicare. Employer contributions are financed on pay-as-you-go basis. Expenditures for post-retirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred, but not yet reported to the County.

During the year, expenditures of $213,124 were recognized for post-retirement health care.

During 2008, the County adopted GASB Statement No. 45 (GASB 45), Accounting and Financial reporting by Employers for Postemployment Benefits Other than Pensions. Accordingly, the government-wide financial statements include activity for the LEOFF retiree healthcare plan as discussed below. This liability is included in the long-term accrued liabilities in the accompanying December 31, 2013 Statement of Net Position.

Due to the size of the plan (less than 100 participants) the County elected to use the alternative measurement method permitted under GASB 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the Actuarial Accrued Liability (AAL) and normal cost. Interest discount rates for retirement, disablement, termination, and mortality were assumed to follow the LEOFF 1 rates used in the June 30, 2007 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. Medical inflation rates were expected to start at 8.5% and decrease to 5.0% for years beginning in 2016. A return on investment earnings rate of 4.5% was assumed. General inflation was projected at 3.5%. General salary increases (including inflation) were projected at 4.5%. The AAL and Net OPEB Obligation (NOO) are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation and reflect a long-term perspective. The above described valuations for OPEB involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and any actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

As of January 1, 2013 the plan was unfunded as allowed by GASB 45. The accrued liability for benefits was $4.1 million, and the actuarial value of plan assets was zero, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of $4.1 million. The UAAL is being amortized on a closed basis. The remaining amortization period at January 1, 2011 was 10 years.

Annual costs include the annual required contribution (ARC), an amount actuarially determined based on certain assumptions. The ARC represents the annual contribution to fund plan benefits that, if paid on an ongoing basis, would fully fund normal costs of benefits earned each year and would provide sufficient funding to amortize a portion of any unfunded actuarial liability over a period of 10 years as of January 1, 2014.

Calculations of OPEB benefits are based on the OPEB benefits provided under the terms of the LEOFF 1 plan in effect at the time of each valuation and on the costs paid by the County to that point. A summary of the components of annual OPEB cost, current employer contributions, and changes in the net OPEB obligation for 2013 follows:

Components of Other Postemployment Employee Benefit Plan – LEOFF
Prior Three Years

	2013	2012	2011
Determination of Annual Required Contribution (ARC)			
Normal cost	$ -0-	$ -0-	$ -0-
Amortization of UAAL	379,518	411,086	434,410
ARC	**$379,518**	**$411,086**	**$434,410**
Annual OPEB Cost			
ARC	$379,518	$411,086	$434,410
NOO Interest	49,170	42,768	34,010
NOO Amortization	(101,743)	(88,496)	(70,373)
Annual OPEB Cost	**$326,946**	**$365,359**	**$398,046**
NOO			
Starting NOO	$1,092,674	$950,408	$755,774
Annual OPEB Cost	326,946	365,359	398,046
Less Contributions Paid to LEOFF Retirees	(213,124)	(223,093)	(203,412)
NOO	**$1,206,496**	**$1,092,674**	**$950,408**
Percentage of Annual OPEB Cost Contributed	**65.1%**	**61.1%**	**51.1%**

Funding Status
As of December 31, 2013, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was $4,075,856 and the actuarial value of the assets was $0 resulting in a UAAL of $4,075,856. The annual covered payroll was $0 and the ratio of the UAAL to annual covered payroll could not be calculated due to having zero as the divisor.

Additional information, presenting multi-year trend information about the actuarial value of plan assets relative to the AAL for benefits for OPEB is found in the Required Supplementary Information (RSI) section of the CAFR following the Notes. The same actuarial method used to determine the ARC for the County was employed to prepare the RSI.

NOTE 17 – OTHER DISCLOSURES

A. Related Organizations

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

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

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

B. Adjustments to 2012 Statement of Activities

In 2013, the State Auditor's Office of Washington implemented changes to the Budget, Accounting & Reporting System (BARS) which dictates how entities in Washington report their financial results. It was recognized that expenditures/expenses which Benton County included in the Physical Environment category in prior years (currently the Utilities category) had now been assigned to the General Government and Natural & Economic Environment categories. For comparison purposes it is necessary to adjust the 2012 Statement of Activities to reflect those changes. The Statement of Activities Adjustments for 2012 are presented below:

	2012 Financial Statement	Adjustment	2012 Revised Financial Statement
Revenues:			
Program Revenues			
Charges for Services	$ 29,361,482	$ -0-	$ 29,361,482
Operating Grants & Contributions	8,915,961	-0-	8,915,961
Capital Grants & Contributions	1,803,065	-0-	1,803,065
General Revenues			
Taxes	49,973,131	-0-	49,973,131
Interest & Investment Earnings	1,224,082	-0-	1,224,082
Total Revenues	$91,277,721	-0-	$91,277,721

Program Expenses			
General Government	25,844,971	1,170,039	27,015,010
Public Safety	35,027,971	-0-	35,027,971
Physical Environment (now Utilities)	1,850,393	(1,850,393)	-0-
Transportation	7,910,646		7,910,646
Economic Environment (now Natural & Economic Environment)	3,247,173	680,354	3,927,527
Health & Human Services (now Social Services)	6,358,009	-0-	6,358,009
Culture & Recreation	1,127,892	-0-	1,127,892
Interest on Long-Term Debt	1,208,315	-0-	1,208,315
Total Expenses Before Transfers	82,575,371	-0-	82,575,371
Excess (Deficiency) of Revenues Over (Under) Expenses	8,702,350	-0-	8,702,350
Change In Net Position	8,702,350	-0-	8,702,350
Net Position as of January 1, 2012	195,822,739	-0-	195,822,739
Net Position as of December 31, 2012	$204,525,089	$ -0-	$204,525,089

Required Supplementary Information

Other Post Employment Benefit Schedule of Funding Progress
Year Ended December 31, 2013

Benton County LEOFF 1 Retiree Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	$ 0	$4,075,856	$4,075,856	0.00%	$-0-	n/a
12/31/2012	$ 0	$4,414,881	$4,414,881	0.00%	$-0-	n/a
12/31/2011	$ 0	$4,665,361	$4,665,361	0.00%	$-0-	n/a
12/31/2010	$ 0	$4,847,852	$4,847,852	0.00%	$103,556	4,681.38%
12/31/2009	$ 0	$5,057,431	$5,057,431	0.00%	$102,782	4,920.54%
12/31/2008	$ 0	$5,128,064	$5,128,064	0.00%	$ 98,125	5,226.05%

BENTON COUNTY

Required Supplementary Information

Information about Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, the County has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the County expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 338 lane miles of arterial roads and approximately 54 bridges that the County is responsible to maintain. Access roads are accounted for under the depreciation method in 2013.

In order to utilize the modified approach, the County is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the County.
- Document that the assets are being preserved approximately at, or above, the established condition level.

ROADS

Measurement Scale

The Benton County Department of Public Works uses a number of methods to determine the condition of roadway pavements; however, the Pavement Condition Index (PCI) serves as the County's primary method to measure and monitor pavement conditions of its arterial roads. The PCI is a visual analysis conducted by an engineering technician and includes a 5-point scale, as follows:

Letter Grade	Number Rating	Verbal Group	Condition Group	Surface	Typical Maint/Repair
A	89-100	Excellent	I	Pavements which have little or no distress.	Seal Cracks
B	67-88	Good			Single Chip Seal
C	49-66	Fair	II & III	Pavements which have a significant level of distress, nonload related. Pavements which have a significant level of distress, load related.	Thin Overlay
D	21-48	Poor	IV	Pavements which have major distress.	Treat base with cement and thin overlay or thick overlay
E	0-20	Very Poor/Failed	V	Pavements which have extensive amounts of major distress.	Reconstruct Surface

Established Condition Level

No more than 20% of the arterial road pavements shall be rated as “poor” or “very poor”.

Assessed Conditions

The County generally assesses condition on a biannual basis. The 2010 assessment was delayed until 2011; the biannual assessment is now scheduled for every odd numbered year. The following table reports the percentage of pavements meeting rating of “Good” or “Poor”, for the past three assessment years. “Good” represents ratings of A through C and “Poor” represents ratings of D and E.

Rating	2013	2011	2008
Good	97%	98%	98%
Poor	3%	2%	2%

BRIDGES

The National Bridge Inspection Standards (NBIS) published in the Code of Federal Regulations defines a bridge as follows:

> “A structure including supports erected over a depression or an obstruction, such as water, highway, or railway, and having a track or passageway for carrying traffic or other moving loads, and having an opening measured along the center of the roadway of more than 20 feet between under copings of abutments or spring lines of arches, or extreme ends of openings for multiple boxes: it may also include multiple pipes, where the clear distance between openings is less than half of the smaller contiguous opening.”

Measurement Scale

The sufficiency rating (SR) is the basis for establishing eligibility and priority for replacement or rehabilitation of bridges with Federal Highway Bridge Replacement and Rehabilitation Program (HBRRP) funds. The sufficiency rating is a numeric value that indicates a bridge's relative ability to serve its intended purpose. The value ranges from 100 (a bridge in new condition) to a 0 (a bridge incapable of carrying traffic). The sufficiency rating is the summation of four calculated values: Structural Adequacy and Safety, Serviceability and Functional Obsolescence, Essentiality for Public Use, and Special Reductions.

There are two types of deficient bridges – structurally deficient (SD) and functionally obsolete (FO). A structurally deficient bridge, as defined by the Federal Highway Administration (FHWA), is one whose condition or design has impacted its ability to adequately carry its intended traffic loads. A functionally obsolete bridge is one in which the deck geometry, load carrying capacity, clearance or approach roadway alignment has reduced its ability to adequately meet the traffic needs. Those bridges meeting the criteria for both SD and FO are only considered SD. The structural deficiency overrides the functional obsolescence and the bridge will be considered in the SD classification.

In general, the lower the sufficiency rating, the higher the priority. To qualify for replacement, a bridge must have a sufficiency rating of less than 50.0 and be structurally deficient or functionally obsolete. To be eligible for rehabilitation, a bridge must have a SR of 80.0 or less and be structurally deficient or functionally obsolete. The bridges must be greater than ten years old. Federal funding only applies to bridges or structures that meet the NBIS definition. Currently, sufficiency ratings prioritize the funding for these bridges or structures.

Bridges or structures 20 feet or less in length along the centerline of the roadway do not qualify for Federal funding. State and Local funding sources are used for these structures. There are no priority-rating systems established for the replacement fund from the Federal or State governments for these structures. The replacement priority is determined by the owner agency.

Established Condition Level

No more than 10% of the bridges shall be rated as "structurally deficient".

Assessed Conditions

"Structurally deficient" results when a sufficiency rating of 50 or less is assessed to the summation of four calculated values (e.g. Structural Adequacy and Safety, Serviceability and Functional Obsolescence, Essentiality for Public Use, and Special Reductions). The following table reports the percentage of bridges whose condition was assessed as "structurally deficient" during the past five years.

Calendar Year	Structurally Deficient
2013	0%
2012	0%
2011	0%
2010	0%
2009	0%

BUDGETED AND ESTIMATED COSTS TO MAINTAIN INFRASTRUCTURE

The following table presents the County's estimate of spending necessary to preserve and maintain the roads and bridges at, or above, the "Established Condition Levels" cited above, and the actual amount spent during the past five fiscal years (in millions):

Fiscal Year	Estimated Spending	Actual Spending
2013	7.102	5.160
2012	6.945	5.769
2011	7.015	5.463
2010	6.607	5.971
2009	5.576	5.609

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BENTON COUNTY, WASHINGTON
Schedule 16 - Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Agency Name	Pass-through Agency	Federal Program Name	CFDA	Other I.D. Number	EXPENDITURES From Pass-Through Awards	From Direct Awards	Total
DEPARTMENT OF AGRICULTURE PASS-THROUGH PROGRAM							
Department of Agriculture - Food & Nutrition Service	OSPI	School Breakfast Program	10.553	N/A	7,668		7,668
Department of Agriculture - Food & Nutrition Service	OSPI	National School Lunch Program	10.555	N/A	15,752		15,752
		TOTAL DEPARTMENT OF AGRICULTURE PASS-THROUGH PROGRAM					**23,420**
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT DIRECT PROGRAM							
Department of Housing & Urban Development - Community Planning & Development		Shelter Plus Care Project Grant	14.238	WA0072L0T011205		12,890	12,890
Department of Housing & Urban Development - Community Planning & Development		Shelter Plus Care Project Grant	14.238	WA0072C0T011104		65,953	65,953
					Total CFDA Number		78,843
		TOTAL DEPARTMENT OF HOUSING & URBAN DEVELOPMENT DIRECT PROGRAM					**78,843**
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT PASS-THROUGH PROGRAM							
Department of Housing & Urban Development - Community Planning & Development	Washington State Department of Commerce	Community Development Block Grant	14.228	12-65400-013	27,459		27,459
Department of Housing & Urban Development - Community Planning & Development	Department of Commerce	REACH/HOPWA (Housing Opportunities for Persons With Aids)	14.241	11-46201-07	86,029		86,029
		TOTAL DEPARTMENT OF HOUSING & URBAN DEVELOPMENT PASS-THROUGH PROGRAM					**113,488**
		TOTAL DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					**192,331**
DEPARTMENT OF JUSTICE DIRECT PROGRAM							
Department of Justice - Office of Justice Programs, Bureau of Justice Assistance		State Criminal Alien Assistance Program (SCAAP) FY 2013	16.606	2013-AP-BX-0674		30,988	30,988
			TOTAL DEPARTMENT OF JUSTICE DIRECT PROGRAM				**30,988**
DEPARTMENT OF JUSTICE PASS-THROUGH PROGRAM							
Department of Justice	Washington State Patrol	Domestic Cannabis 2013 Eradication/Suppression	16.000	C130888FED	4,151		4,151
Department of Justice - Office of Justice Programs, Office of Juvenile Justice & Delinquency Prevention	Department of Social & Health Services - Office of Juvenile Rehabilitation	Juvenile Accountability Block Grant-Selective Aggressive Probation	16.523	1363-83930	9,107		9,107
Department of Justice - Office of Justice Programs, Bureau of Justice Assistance	Department of Commerce	FY 2011 Project Safe Neighborhoods (PSN) / Anti-Gang Initiative	16.609	F11-34023-001	1,500		1,500
Department of Justice - Office of Justice Programs, Bureau of Justice Assistance	City of Kennewick	Edward Byrne Memorial Justice Assistance Grant Program-FY 2013	16.738	(JAG) 2013-H4106-WA-DJ	12,094		12,094
		TOTAL DEPARTMENT OF JUSTICE PASS-THROUGH PROGRAM					**26,852**
				TOTAL DEPARTMENT OF JUSTICE			**57,840**

MCAG #0095
BENTON COUNTY, WASHINGTON
Schedule 16 - Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Agency Name	Pass-through Agency	Federal Program Name	CFDA	Other I.D. Number	EXPENDITURES From Pass-Through Awards	From Direct Awards	Total
DEPARTMENT OF TRANSPORTATION PASS-THROUGH PROGRAM							
Department of Transportation - Federal Highway Administration	Washington State DOT - Highways & Local Programs	Highway Planning and Construction	20.205	HPP-STPR-A031(004)	1,060,174		1,060,174
Department of Transportation-National Highway Traffic Safety Administration (NHTSA)	Washington Traffic Safety Commission	State & Community Highway Safety	20.600	MOU WA Traffic Safety Commission	728		728
Department of Transportation-National Highway Traffic Safety Administration (NHTSA)	Washington Association of Sheriffs & Police Chiefs	State & Community Highway Safety	20.600	Resolution 2013-693	1,000		1,000
					Total CFDA Number		1,728
Department of Transportation-National Highway Traffic Safety Administration (NHTSA)	Washington Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	MOU WA Traffic Safety Commission	2,222		2,222
Department of Transportation-National Highway Traffic Safety Administration (NHTSA)	Washington Traffic Safety Commission	Occupant Protection Incentive Grant	20.602	MOU WA Traffic Safety Commission	1,014		1,014
		TOTAL DEPARTMENT OF TRANSPORTATION PASS-THROUGH PROGRAM					**1,065,138**
DEPARTMENT OF HEALTH & HUMAN SERVICES PASS-THROUGH PROGRAM							
Department of Health & Human Services - Administration For Children & Families	Department of Social & Health Services	Child Support Enforcement	93.563	2110-80578 / 75-1501-0-1-609	272,353		272,353
Department of Health & Human Services - Administration For Children & Families	Department of Social & Health Services - Division of Child Support	Child Support Enforcement & Paternity Establishment-IV/D, SSA	93.563	2110-80578	546,473		546,473
					Total CFDA Number		818,826
Department of Health & Human Services - Substance Abuse & Mental Health Services Admin.	Department of Social & Health Services - Mental Health Division to GCBH RSN	Block Grants for Community Mental Health Services	93.958	BENFR-MHBG-13/15-00	122,946		122,946
Department of Health & Human Services - Substance Abuse & Mental Health Services Admin.	Department of Social & Health Services - Mental Health Division to GCBH RSN	Block Grants for Community Mental Health Services	93.958	BENFR-MHBG-12/13-00	120,425		120,425
					Total CFDA Number		243,371
Department of Health & Human Services - Substance Abuse & Mental Health Services Admin.	Department of Social & Health Services - Division of Alcohol & Substance Abuse	Block Grants for Prevention & Treatment of Substance Abuse	93.959	1363-85232 Amendment 01	139,089		139,089
Department of Health & Human Services - Substance Abuse & Mental Health Services Admin.	Department of Social & Health Services - Division of Alcohol & Substance Abuse	Block Grants for Prevention & Treatment of Substance Abuse	93.959	1163-27290 & Amendments 01, 02, 03 & 04	164,001		164,001
					Total CFDA Number		303,090
		TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES PASS-THROUGH PROGRAM					**1,365,287**
US ELECTION ASSISTANCE COMMISSION PASS-THROUGH PROGRAM							
US Election Assistance Commission	State of Washington Office of the Secretary of State	Help America Vote Requirements Payments (HAVA)	90.401	G-2828	2,291		2,291
		TOTAL US ELECTION ASSISTANCE COMMISSION PASS-THROUGH PROGRAM					**2,291**
				TOTAL FEDERAL AWARDS EXPENDED			**$2,706,307**

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, may be more than shown.

NOTE 3 - INDIRECT COST RATE

Some amounts expended include claims for indirect cost recovery using an approved indirect cost rate.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

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Director of Local Audit	**Kelly Collins, CPA**
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Deputy Director of Performance Audit	**Lou Adams, CPA**
Deputy Director of Quality Assurance	**Barb Hinton**
Deputy Director of Communications	**Thomas Shapley**
Public Records Officer	**Mary Leider**
Main number	**(360) 902-0370**
Toll-free Citizen Hotline	**(866) 902-3900**

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