Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Benton County

For the period January 1, 2017 through December 31, 2017

Published August 2, 2018

Report No. 1021815

Office of the Washington State Auditor
Pat McCarthy

August 2, 2018

Board of Commissioners
Benton County
Prosser, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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Benton County
January 1, 2017 through December 31, 2017

SECTION I – SUMMARY OF AUDITOR'S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Identification of Major Federal Programs:

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

CFDA No.	Program or Cluster Title
93.563	Child Support Enforcement

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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, 2017 through December 31, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 26, 2018.

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*. However, we noted certain matters that we will report to the management of the County in a separate special investigation letter dated July 2, 2018.

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.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

June 26, 2018

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

Benton County
January 1, 2017 through December 31, 2017

Board of Commissioners
Benton County
Prosser, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Benton County, Benton County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

Pat McCarthy

State Auditor

Olympia, WA

July 24, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Benton County
January 1, 2017 through December 31, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 14.

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, 2017, 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 - Juvenile, Rural County Capital and Public Safety Tax funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018 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.

Pat McCarthy

State Auditor

Olympia, WA

June 26, 2018

FINANCIAL SECTION

Benton County
January 1, 2017 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

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, 2017. 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 and Deferred Outflows of Resources of Benton County exceeded its Liabilities and Deferred Inflows of Resources at December 31, 2017 by over $240.9 million dollars. Net position invested in capital assets (net of depreciation and related debt) account for 50.6% of this amount, with a value of approximately $121.9 million. Of the remaining net position, $53.4 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, 2017.
- Fund balance for the County Road fund was over $7.3 million at December 31, 2017.
- Fund balance for the Human Services fund was over $6.5 million at December 31, 2017.
- Fund balance for the 1/10% Criminal Justice Fund was over $13.4 million at December 31, 2017.
- Fund balance for the Rural County Capital Fund was over $12.8 million at December 31, 2017.
- Fund balance for the Public Safety Tax Fund was over $14.1 million at December 31, 2017.
- Fund balance for the Capital Acquisition fund was over $26.0 million at December 31, 2017.
- Benton County's total long-term debt at December 31, 2017 was $10.7 million, with a remaining capacity for non-voted debt at over $252 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 deferred outflows and Benton County's liabilities and deferred inflows, 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 2017. 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 2017, 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 2017.

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, Public Safety Tax 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, 1/10% Criminal Justice Fund and the Rural County Capital Fund as major funds because of their 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 two types of fiduciary funds:

- Agency Funds are clearing accounts for assets held by Benton County in its role as custodian until the funds are identified for use by the private parties, organizations, or government agencies to which they belong.
- Investment/Fiduciary Funds account for the external pooled investments held by the County Treasurer on behalf of external pool participants in the County's investment program. External participants are generally government entities that do not have their own treasurer.

The basic fiduciary fund financial statements can be found following the proprietary fund financial statements.

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 $240,934,926 at December 31, 2017. Benton County's net position has increased in comparison to total net position of $230,046,644 at December 31, 2016. This net increase of $10,888,282 is discussed in the following paragraphs. The following table reflects the condensed Government-Wide Statement of Net Position for 2017 and the previous year comparable data.

Benton County's Net Position

	2017	2016
Current and Other Assets	$ 155,293,931	$ 146,983,995
Capital Assets (Net of Depreciation)	138,613,085	138,248,915
Total Assets	293,907,016	285,232,910
Deferred Outflows of Resources	3,516,820	5,778,683
Long-Term Liabilities	43,135,867	51,427,507
Other Liabilities	8,235,517	8,235,666
Total Liabilities	51,371,384	59,663,173
Deferred Inflows of Resources	5,117,524	1,301,776
Net Position:		
Net Investment in Capital Assets	119,055,950	118,801,845
Restricted	65,617,508	54,910,178
Unrestricted	56,261,469	56,334,621
Total Net Position	$ 240,934,926	$ 230,046,644

Benton County's total assets stand at over $293 million as of December 31, 2017 (up from over $285 million at December 31, 2016). Of this amount, over $138.6 million is accounted for by capital assets, up from $138.2 million in 2016, which includes infrastructure and construction in progress. Historically, infrastructure (roads, bridges, drainage systems, etc.) had not been included in capital asset reporting for governmental activities. GASB Statement No. 34 requires that all capital assets, including infrastructure, be reported. The completion of infrastructure construction projects accounted for a $4.2 million increase to the County roadway system. Effective 2015, the County changed from the modified approach to full depreciation accounting for its infrastructure assets and also changed the estimated useful life from 25 years to 75 years. These changes along with changing from individual road to a composite depreciation methodology produced no material effect on the financial statements.

Of the remaining County assets, over $143.8 million were accounted for in cash, cash equivalents, equity in pooled investments and other investments (up from $134.2 million in 2016), over $6.8 million in accounts receivable (down from $8.7 million in 2016), and over $5.6 million spread among miscellaneous assets and joint ventures (compared to $7.0 million in 2016). At December 31, 2017, cash/cash equivalents, equity in pooled investments and other investments accounted for 92.0% (up from 89.4% in 2016) of current and other assets, while accounts receivable accounted for 4.3% (down from 5.8% in 2015).

Benton County's deferred outflows of resources stand at over $3.5 million as of December 31, 2017 (down from over $5.7 million at December 31, 2016). This change was due entirely to pension related activity as required by GASB 68.

At December 31, 2017, the County had outstanding liabilities of over $51.3 million (down from $59.6 million in 2016), with over $43.1 million in long-term liabilities (a decrease from over $51.4 million in 2016). The main reason for the decrease was GASB 68 related which requires placing an estimate of Pension liability, $21.5 million (down from $28.7 million in 2016) on financial statements. Of the long-term liabilities, over $2.4 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 $2.3 million in accounts payable and over $5.8 million in accrued liabilities. These liabilities of approximately $8.1 million are down 0.1% from the total at December 31, 2016 ($8.2 million). Over 70.3% of the $8.2 million balance of other liabilities is due to accrued liabilities for wages payable and the various trust accounts.

Benton County's deferred inflows of resources stand at over $5.1 million as of December 31, 2017 (up from over $1.3 million at December 31, 2016). This change was due entirely to pension related activity as required by GASB 68.

Just under half of the County's net position (49.4%) 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.

Over $65.6 million of the County's net position is subject to restrictions on how the funds may be used. The unrestricted net position balance of over $56.2 million, represents the amount that may be used to meet the County's ongoing obligations.

At December 31, 2017, 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.

Also, Benton County implemented GASB Statement 68 in 2015. The effect is that each year the County is allocated its proportionate share of the Washington State's Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense which much be reflected on the financial statements. Decisions regarding the allocations are made by the administrators of the pension plan, not by Benton County's management.

Statement of Changes in Net Position

The County's total net position increased by over $10.4 million from operations in 2017. Key elements in changes in net position are shown in the following table.

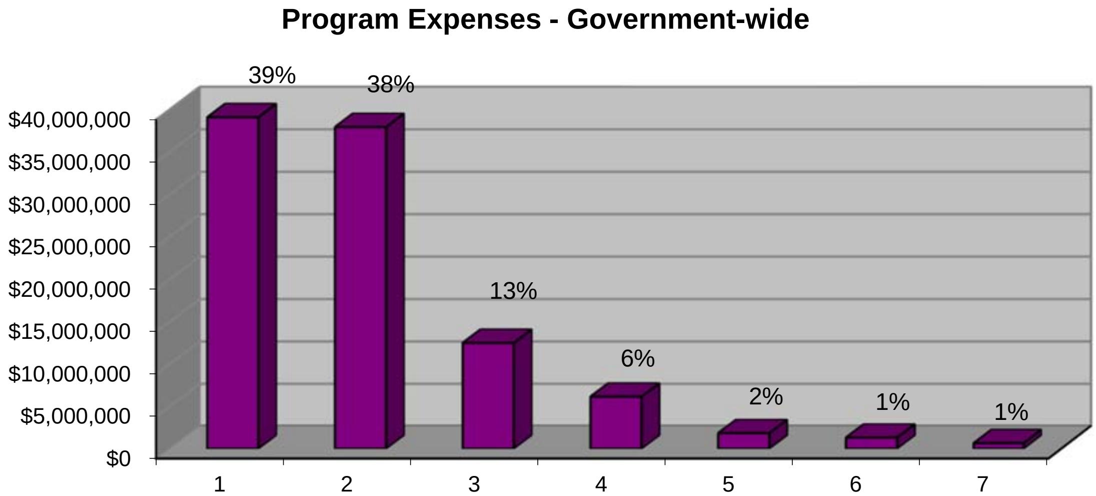
Benton County Changes in Net Position

Revenues:	2017 Governmental Activities	2016 Governmental Activities
Program Revenues		
Charges for Services	$30,649,469	$31,338,962
Operating Grants and Contributions	6,609,777	6,323,927
Capital Grants and Contributions	1,623,476	6,012,164
General Revenues		
Taxes	68,592,104	65,304,068
Interest Earnings on Investments	2,711,695	1,832,597
Total Revenues	110,186,521	110,811,719
Program Expenses:		
General Government	39,148,224	36,828,217
Public Safety	37,993,451	36,911,790
Transportation	12,567,299	9,385,353
Natural & Economic Environment	1,863,231	1,558,991
Social Services	6,203,432	6,791,169
Culture and Recreation	1,330,768	1,304,794
Interest on Long-Term Debt	672,420	787,814
Total Expenses	99,778,825	93,568,127
Excess (Deficiency) of Revenues Over (Under) Expenses	10,407,696	17,243,592
Change in Net Position	10,407,696	17,243,592
Prior Period Adjustment	162,733	n/a
Net Position as of January 1	230,364,496	212,803,052
Net Position as of December 31	$240,934,926	$230,046,644

Total revenues for Benton County were over $110.1 million, a 0.5% decrease ($0.6 million) from 2016 total revenues. Program revenues decreased 10.9% or $4.7 million, almost entirely due to decreases grant revenue in Transportation, and accounted for 35.2% of total revenue sources. General Government sales tax revenues increased over $1.9 million (7.3%) over prior year due to the 3/10% increase enacted in 2014 with collections beginning in 2015 and an across the board increase in retail sales. Within governmental activities, total tax revenue increased $3.2 million and accounted for approximately 62.2% of total revenue sources. The remaining 2.6% of revenues was provided by interest income, up 47.9% ($0.8 million) due to favorable investment strategies.

Total expenses for the County were over $99.7 million, an increase of over $6.2 million from 2016 equating to a 6.6% increase over the prior year. Contributing to the increase in expenditures were continued increases for implementation of programs authorized by the 3/10% increase enacted in 2014 with programs beginning in 2015 and ramping up in 2016. Governmental activities with the largest program expenses were in the areas of Public Safety, Transportation, Social Services and Natural and Economic Environment respectively. These four programs accounted for 58.8% of total government-wide expenses.

The following illustrates, by program, where funds were spent in 2017.



Legend

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

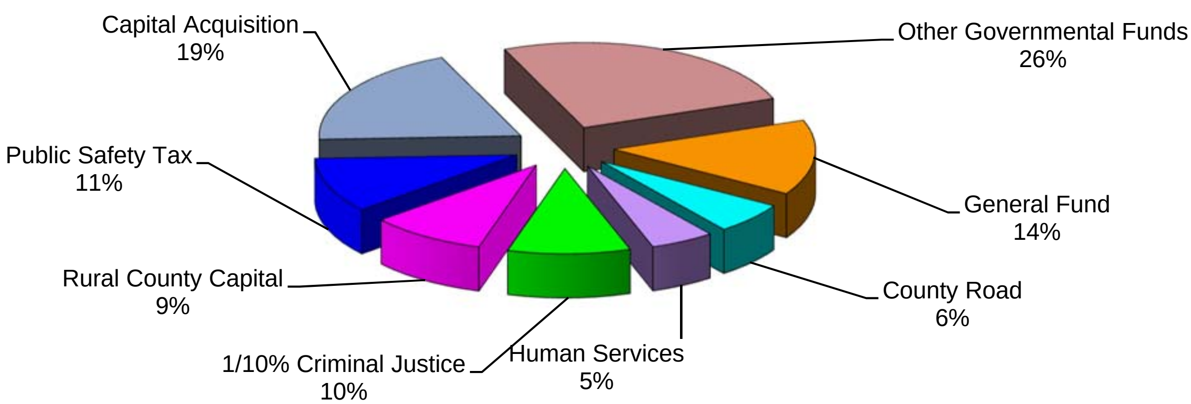
FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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.

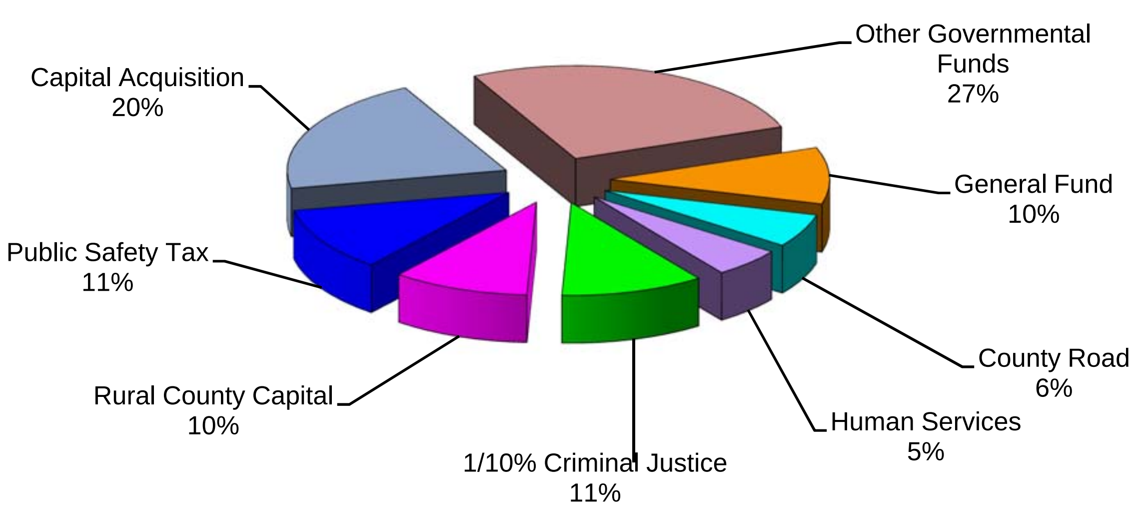
Governmental Funds Balance Sheet Analysis

The General fund, County Road fund, 1/10% Criminal Justice fund, Rural County Capital fund, Human Services fund, Public Safety Tax fund and Capital Acquisition fund were the County's major funds in 2017. Together these funds accounted for 74.1% of total governmental fund assets and 72.9% of total governmental fund balance.

Total Assets – Governmental Funds



Fund Balance – Governmental Funds

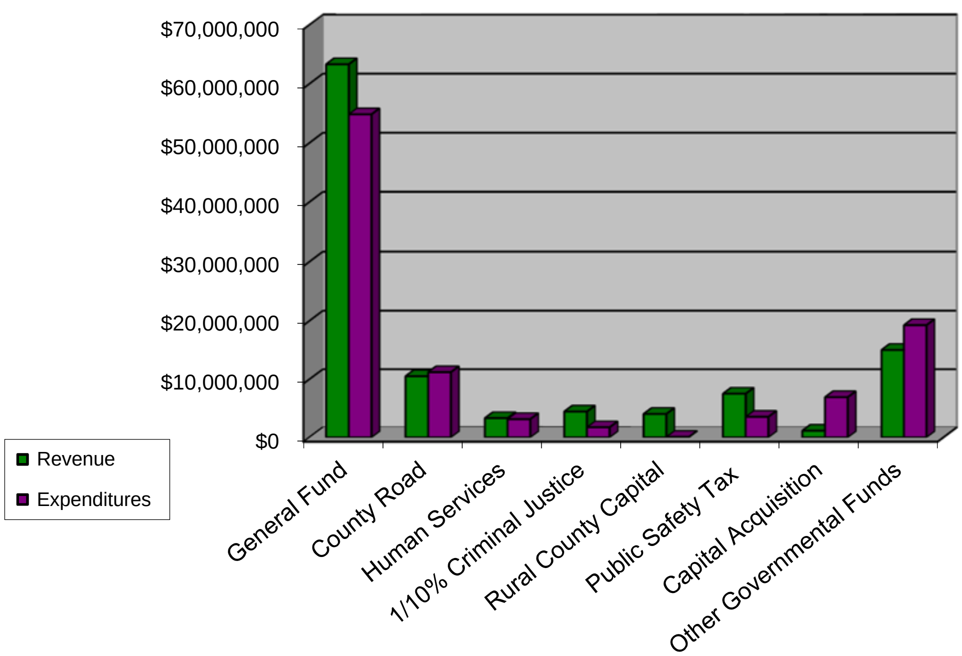


The focus of Benton County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unassigned fund balance serves as a useful measure of the County's net resources available for spending at the end of the fiscal year. As of December 31, 2017, the county's governmental funds reported combined fund balances of over $127.4 million. All of this amount is available for spending within the designated funds. The $127.4 million compares to a combined ending fund balance of $118.9 million in 2016, an increase of over $8.5 million. In comparison to the prior year, revenues are up 1.2% and expenditures increased 7.8%. Current year revenues exceeded expenditures by over 8.5 million. Regarding the major governmental funds, total revenues exceeded total expenditures by over $12.8 million while other governmental funds had a net deficit of revenues over expenditures of over $4.2 million, an increased deficit of $0.27 million over 2016. There was no issuance of long term debt. Proceeds from the sale of capital assets brought in $10,337 and net transfers produced an increase in funding of $4,727,844.

The General Fund is the chief operating fund of Benton County. On December 31, 2017, total fund balance of the General Fund was over $12.5 million, a decrease of over $1.9 million from 2016, all of which was unassigned. Total assets in the General Fund amounted to over $19.6 million, accounting for 14.3% of total governmental fund assets. General Fund total assets decreased by over $1.3 million when compared to total assets of over $21.0 million at the end of 2016. Total cash, cash equivalents, deposits with fiscal agents and investments decreased by over $0.5 million compared to 2016 and liabilities increased by over $0.7 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, Rural County Capital and Public Safety Tax funds account for 85.2% of all governmental fund revenue and 74.0% of all expenditures. The Capital Acquisition fund is considered a major fund by the merits of its total assets. In 2017, the Capital Acquisition fund received over $1.1 million in revenue with most of this coming from intergovernmental resources and charges for services revenue. This year the Human Services fund, 1/10% Criminal Justice fund and Rural County Capital are classified as major funds because of their public interest to financial statement users.

The net change in fund balance for the General fund in 2017 was a decrease of over $1.8 million. Revenues increased by over $4.5 million but there was an increase in transfers out of over $3.3 million. 2017 General fund expenditures increased over 1.0% ($1.1 million).

Tax revenue increased by over $2.0 million reflecting the increase in the sales tax rate for Public Safety programs (initiated in 2016) and increased economic activity during 2017.

General fund expenditures increased by over $1.1 million during 2017 reflecting further implementation of the new Public Safety programs covered by the increased sales tax. The Road fund had a net decrease in fund balance of over $0.6 million reflecting decreases in grant revenues to fund road construction.

The Human Services fund had a net increase in fund balance of over $0.1 million while experiencing further decreases in grant funding and offsetting reduced expenditures.

The Capital Acquisition fund had an increase in fund balance of over $1.7 million, mainly due to transfers in from the General Fund.

The Rural County Capital Fund experienced an increase in fund balance of over $3.9 million due to tax revenues which were accompanied by minimal expenditures during the year.

Other governmental funds, including the 1/10% Criminal Justice and Public Safety Tax funds, had an overall positive net change in fund balance of over $4.7 million for 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Changes in Budget

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

Benton County, Washington
General Fund Changes in Budget
As of December 31, 2017

	2017/2018		
Revenues	Original Budget	Final Budget	Changes Over (Under)
Taxes	$ 68,805,855	$ 68,805,855	$ 0
Licenses and Permits	219,815	219,815	0
Intergovernmental	9,772,380	9,772,380	0
Charges For Services	33,664,974	33,664,974	0
Fines and Forfeits	5,041,275	5,041,275	0
Miscellaneous Revenues	2,971,101	2,971,101	0
Total Revenues	120,475,400	120,475,400	0
Expenditures			
General Governmental Services	56,657,679	56,468,879	188,800
Public Safety	54,583,857	54,897,213	(313,356)
Utilities	0	0	0
Transportation	0	0	0
Natural & Economic Environment	2,064,667	2,164,667	(100,000)
Social Services	1,753,793	1,753,793	0
Culture and Recreation	1,076,454	1,076,454	0
Capital Outlay	388,605	164,049	224,556
Total Expenditures	116,525,055	116,525,055	0
Excess (Deficit) Revenues Over Expenditures	3,950,345	3,950,345	0
Other Financing Sources (Uses)			
Sale of Capital Assets	0	0	0
Transfers In	2,362,823	2,362,823	0
Transfers Out	(6,373,299)	(14,865,299)	(8,492,000)
Total Other Financing Sources (Uses)	(4,010,476)	(12,502,476)	(8,492,000)
Excess (Deficit) Resources Over Uses	(60,131)	(8,552,131)	(8,492,000)
Fund Balance, January 1	7,500,000	15,992,000	8,492,000
Prior Period Adjustments	0	0	0
Fund Balance, January 1 - Restated	7,500,000	15,992,000	(1,578,947)
Fund Balance, December 31	$ 7,439,869	$ 7,439,869	$ 0

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

There have been no amendments to the 2017/2018 biennium budget as of December 31, 2017.

Transfers out of the General Fund were made to the following funds: Sustainable Development, Park Development, Juvenile, Election Reserve, Capital Projects, Fair Operations and Prospective Inspection services in the amounts of $327,000, $220,000, $2,582,609, $373,628 $7,500,000, $445,000 and $49,315 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 2017.

Benton County, Washington
General Fund – Budget vs. Actual
As of December 31, 2017

	2017/2018		
Revenues	Final Budget 2017/2018	Actual Thru 12/31/2017	Variance Over (Under)
Taxes	$ 68,805,855	$ 35,074,113	$ (33,731,742)
Licenses and Permits	219,815	94,400	(125,415)
Intergovernmental	9,772,380	5,226,356	(4,546,024)
Charges For Services	33,664,974	18,500,394	(15,164,580)
Fines and Forfeits	5,041,275	2,100,551	(2,940,724)
Miscellaneous Revenues	2,971,101	2,322,871	(648,230)
Total Revenues	120,475,400	$63,318,685	(57,156,715)
Expenditures			
General Governmental Services	56,468,879	26,535,429	(29,933,450)
Public Safety	54,897,213	25,820,578	(29,076,635)
Natural & Economic Environment	2,164,6678	1,117,813	(1,046,854)
Social Services	1,753,793	843,934	(909,859)
Culture and Recreation	1,076,454	498,607	(577,847)
Capital Outlay	164,049	36,298	(127,751)
Total Expenditures	116,525,055	54,852,659	(61,672,396)
Excess (Deficit) Revenues Over Expenditures	3,950,345	8,466,026	4,515,681
Other Financing Sources (Uses)			
Sale of Capital Assets	0	2,000	2,000
Transfers In	2,362,823	1,309,932	(1,052,891)
Transfers Out	(14,865,299)	(11,675,553)	(3,189,746)
Total Other Financing Sources (Uses)	(12,502,476)	(10,363,621)	(2,138,855)
Excess (Deficit) Resources Over Uses	(8,552,131)	(1,897,595)	6,654,536
Fund Balance, January 1	15,992,000	14,407,486	(1,584,514)
Prior Period Adjustments	0	5,567	5,567
Fund Balance, January 1 - Restated	15,992,000	14,413,053	(1,578,947)
Fund Balance, December 31	$ 7,439,869	$ 12,515,458	$ 5,075,589

Benton County implemented biennium budgeting starting with the two year period ending December 31, 2012 (for the 2011/2012 biennium). The above table compares the two year budget (2017/2018) 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. Actual revenues increased by approximately $3.7 million from the last year which can be accounted for by the strengthening of the economy.

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, 2017, amounts to over $138 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. Last year the County changed from the alternative modified accrual method to full accrual for infrastructure reporting. 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, chip sealing and crack sealing programs. Assessments are performed on a biennial basis; the last assessment in 2017 had 93% of the arterial road pavements rated as "Good", exceeding the target.

- Infrastructure budgeted expenditures to maintain roads and bridges for 2017 were $6.64 million. Actual expenditures were $6.40 million.

- Nine Canyon Road, Phase 3 – The project, Coffin Road to Beck Road, proposes to reconstruct 3.00 miles of gravel roadway into an all-weather farm to market paved roadway. The new roadway improved safety by improving the horizontal and vertical alignments along with the addition of guardrails where needed. The project was started in 2017 and will be completed in 2018. The amount expended in 2017 was $64,912. Total project cost will be approx. $2,310,000.

- Sellards Road, Phase 2 – The project extends 5.04 miles from Travis Road to the BPA powerlines (end of Phase 1). The road is being reconstructing the degraded asphalt into an all-weather paved roadway. The new roadway further improves safety by correcting substandard vertical alignment issues. The project was started in 2017 and will be completed in 2018. The amount expended in 2017 was $84,168. The total project cost will be approx. $2,800,000.

- Tyrell Road, Phase 2 – The project, from Travis Road to 2 miles East of Plymouth Road, reconstructs 2 miles of gravel roadway into an all-weather farm to market paved roadway. The large amount of truck traffic was requiring Benton County road crew to perform road maintenance on a quick reoccurring cycle. The project was started in 2017 and will be completed in 2018. The amount expended in 2017 was $37,398. The total project cost will be approx. $1,125,000.

- Rachel Road Overlay – The project overlaid and widen 1.2 miles of Rachel Road between Leslie Road and Clover Road in a medium density residential area. The project has been completed and the amount expended in 2017 was $622,579. The total project cost was $628,723.

- Nine vehicles were purchased for the Sheriff's fleet for an approximate value of $357,000 including up-fit costs.

- The Candy Mountain trailhead was completed providing additional recreational opportunities.

- The Fairgrounds continues upgrading many of the structures. Significant remodel and addition to buildings 2 and 3 were completed this year.

- The County Road fund traded-in some heavy equipment for the purchase of a pneumatic roller and two articulated wheel compactors.

- The Geographical Information Mapping software was upgraded.

- At the end of 2017, Construction in Progress projects included various security enhancements at the Justice Center and continued preliminary work on the mental health jail.

Additional information on Benton County's capital assets can be found in Note 6.

Long-Term Debt

At December 31, 2017, Benton County had total bonded debt outstanding of over $10.7 million, all of which is classified as governmental activity and backed by the full faith and credit of the County. An additional amount of $718,724 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. CRID 21 Antinori Road accounts for $713,724 of the special assessment debt.

Benton County's total bonded debt had a net decrease of over $2.9 million during 2017. Significant debt activity in 2017 included the repayment of debt according to the repayment schedules. The County's remaining capacity for non-voted debt at December 31, 2017 was approximately $252.6 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 $245,328. 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 2014, Standard and Poors raised its rating for Benton County's general obligation debt from "AA" to "AA+" based on "Strong Management", "Very strong budgetary flexibility", "Very strong liquidity", "Strong budgetary performance" and "Very strong debt and contingent liabilities". Additional information on the County's long-term debt can be found in Note 9 of its financial statements.

ECONOMIC FACTORS

As economic conditions improve, Washington State projected $43.7 billion state operating budget for the 2017-2019 State biennium. The Governor proposed an estimated increase of $1.8 billion in new funding for K-12 education. The budget agreement also provides additional funding to improve the state's mental health system.

In February 2018, the Kennewick-Pasco-Richland Metropolitan Statistical Area (Benton and Franklin Counties) total nonfarm labor force was estimated to be 114,700. The Benton County unemployment rate at year-end was 6.1 percent in 2017 which is 0.3 percent lower than in 2016.

The year end 2017 Washington State Employment Security Department report for Benton County shows that the average total civilian labor force was up by 3.9 percent, from 93,825 in 2016 to 97,520 in 2017. The average number of employed residents was 91,593 in 2017, up by 4.3 percent from 87,822 in 2016. At the same time the average number of unemployed workers decreased by 1.3 percent from 6,003 in 2016 to 5,927 in 2017.

Current economic conditions are showing robust nonfarm employment activities and great improvements in the labor market.

Local nonfarm job growth has been widespread in 2017, however the main driver of growth was the construction industry, with a 15.6 percent increase over the year. This marks fifth year of rapid job expansion in construction activities in the region.

Both homebuilding and commercial building for the Tri-Cities area have done quite well, while at the same time showing a trade skills gap and growing labor force demand, which were created by employment declines during the 2008 recession.

More homes were sold in the past three years than in all years of 1980s. In the1980s, home prices were four and a half times less expensive than the average $267,051 home cost in 2017.

While the inventory of homes is the lowest since the early 1990s, the number of housing permits increased along, with total value of the permits. Real estate prices are continuing to increase, along with the population and business demand for more real estate availability.

In the meantime, other industries have shown significant gains in employment, including education and health services, which expended by 2.4 percent over the year and 3.6 percent a year over the past 10 years.

Local health care services are becoming a regional hub by bringing in more specialized services that were not available before.

At the same time, local school districts are working on facility expansions and renovations and also building new facilities to accommodate a growing student population. Leisure and hospitality and local government are yet another group of industries that are growing mainly due to population demand.

Total population was estimated at 283,800 in 2016, an increase of 11 percent since 2010, compared with the state's increase of 8 percent and the nation's 4.5 percent. Median age is 33 years for the two-county region, compared to median 37 years of age in the state.

Overall, the Tri-Cities has seen good expansion in the past couple years. Even when compared to the 2007 peak, the region has continuously reached new growth levels in both business and workforce development.

The growing business market supported expansion in the labor market, which increased by 1.8 percent. This marks three consecutive years of steady expansion in labor market, which also brings early signs of skill gaps and tightening of the labor market supply.

Economies and consumers are vulnerable to shocks of different inside and outside variables, which have weakened economic growth in certain industries, including professional and business services, and financial services. However, inflation is still in check, which helps boost household confidence in their future opportunities.

In 2016, average household income was over $75,700, an increase of 2.1 percent from 2015. Increasing household income and local payrolls (up by 5.0 percent over the year) contribute greatly to consumers' ability to grow discretionary spending in local and regional economic markets.

What to expect in 2018? It is one of many good questions that we all have. However, current employment and unemployment trends, along with population growth are showing very positive outlook.

Projected growth rate for the Tri-City region is between 1.8 percent and 2.0 percent. Some of the industries that are expected to continue to grow in 2018 include accommodation and food services, health care and social assistance, educational services, transportation and warehousing, construction, and wholesale trade.

Low interest rates will continue to limit interest earnings on invested funds, however, the County's implementation of a Treasurer's Investment Pool in 2012 continues taking advantage of higher yielding investment opportunities.

The Department of Revenue reports an increase of 5.38% in all taxable retail sales for the calendar year 2017.

Growth and prosperity have continued with population growth and development centering in Kennewick, Richland and Prosser. Recreational industries and tourist attractions are developing along with the popularity of the wine industry. The economy is tied to agriculture, food processing, medical equipment manufacturing, energy production, nuclear-fuel fabrication, wine production and wine tourism.

Local area population and businesses are propelling this community forward with creation of jobs and ample supply of workforce. The labor force market reached more than 146,624 participants in 2017, with 2.2 percent growth over the year. An influx of labor force into the job market has kept the area's unemployment rate relatively the same as in 2016, at 6.1 percent. This is not concerning because labor force growth is sign of population confidence in local economy.

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. Education and healthcare is marching forward with growth to accommodate ever growing demand at the local and regional level. Benton County expects to prevail due to our financially sound practices, strong financial management, and conservative budgeting approach.

(sources: Washington State Employment Security Department, Department of Revenue;
Suljic, Asja (2018, April 3). Employment Security Department Tri-City region had stable economic expansion in 2017, with positive outlook for 2018.
Lousey, Jeff (2018, April 3). Home Builders Association: New home permits surge in 2016.
Tri-City Herald, Progress 2017. Retrieved from http://www.tri-cityherald.com)

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, 2017

		Primary Government
		Governmental Activities
ASSETS		
Cash/Cash Equivalents and Equity in Pooled Investments	$	73,123,745
Deposits with Fiscal Agent (Restricted)		1,183,168
Investments		69,589,854
Receivables		5,043,203
Due From Other Governments		1,763,051
Inventories/Prepayments		1,763,760
Joint Ventures		3,900,136
Land		4,433,009
Infrastructure		88,172,232
Construction in Progress		2,848,775
Other Capital Assets (Net of Depreciation)		39,258,933
Restricted Net Pension Asset		2,827,149
Total Assets		293,907,016
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		3,516,820
Total Deferred Outflows of Resources		3,516,820
Total Assets and Deferred Outflows of Resources	$	297,423,835
LIABILITIES		
Accounts Payable and Other Current Liabilities	$	2,385,410
Accrued Liabilities		5,850,107
Long-Term Liabilities:		
Long-Term Payable - Working Advance		245,328
Special Assessment Debt with Governmental Commitment		
Due Within One Year		51,558
Due In More Than One Year		667,166
Other Due Within One Year		2,491,172
Other Due In More Than One Year		18,096,203
Net Pension Liability		21,584,440
Total Liabilities		51,371,384
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		5,117,524
Total Deferred Inflows of Resources		5,117,524
Total Liabilities and Deferred Inflows of Resources	$	56,488,909
NET POSITION		
Net Investment in Capital Assets	$	119,055,950
Restricted for:		
General Government		15,072,816
Public Safety		31,027,775
Mental & Health Services		8,302,802
Economic Environment		3,185,583
Transportation		7,346,014
Culture & Recreation		682,518
Unrestricted (Deficit)		56,261,469
Total Net Position	$	240,934,926

See accompanying notes to the basic financial statements

BENTON COUNTY, WASHINGTON

Statement of Activities

Year Ended December 31, 2017

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	$ 39,148,224	$ 12,826,310	$ 1,450,356	$ 0	$ (24,871,558)
Public Safety	37,993,451	14,519,123	2,027,967	0	(21,446,361)
Transportation	12,567,299	455,069	0	1,593,344	(10,518,886)
Natural & Economic Environment	1,863,231	1,434,466	1,590	0	(427,175)
Social Services	6,203,432	611,463	3,129,716	0	(2,462,253)
Culture and Recreation	1,330,768	803,038	148	30,132	(497,450)
Interest on Long Term Debt	672,420	0	0	0	(672,420)
Total Governmental Activities	99,778,825	30,649,469	6,609,777	1,623,476	(60,896,103)
Total Primary Government	$ 99,778,825	$ 30,649,469	$ 6,609,777	$ 1,623,476	(60,896,103)
General Revenues					
Taxes:					
Property					28,635,926
Sales					29,329,463
Entitlements, Impact & In-lieu Payments					9,091,471
Excise Taxes					1,007,181
Penalties & Interest on Delinquent Taxes					528,063
Interest and Investment Earnings					2,711,695
Total General Revenues					71,303,799
Change in Net Position					10,407,696
Net Position as of January 1					230,364,497
Prior Period Adjustments					162,733
Net Position, January 1 - Restated					230,527,230
Net Position as of December 31					$ 240,934,926

See accompanying notes to the basic financial statements

BENTON COUNTY, WASHINGTON

Balance Sheet
Governmental Funds
December 31, 2017

	Major Funds			
ASSETS	General Fund	County Road	Human Services	1/10% Criminal Justice Fund
Cash/Cash Equivalents	$ 5,420,388	$ 7,947,000	$ 2,100,927	$ 4,476,269
Deposits with Fiscal Agent (Restricted)	1,183,168	0	0	0
Investments	11,064,567	22	4,247,923	9,050,693
Taxes Receivable	532,479	170,709	0	0
Accounts Receivable	786,662	2,095	0	0
Assessments Receivable	0	0	0	0
Interest Receivable	248,024	21,457	0	0
Due From Other Funds	5,446	38,172	20,621	0
Interfund Receivable	1,293	0	0	0
Due From Other Gvnmntl Units	410,818	35,727	699,830	0
Property Held In Trust	21,202	0	0	0
Total Assets	$ 19,674,047	$ 8,215,182	$ 7,069,301	$ 13,526,962
LIABILITIES				
Accounts/Vouchers Payable	$ 744,444	$ 131,173	$ 256,038	$ 91,023
Due To Other Funds	960,165	288,876	5,414	0
Interfund Payable	0	0	0	0
Due To Other Governmental Units	8,704	0	245,328	0
Accrued Wages Payable	3,175,712	279,467	48,786	0
Custodial Accounts	1,183,168	0	0	0
Total Liabilities	6,072,193	699,516	555,566	91,023
DEFERRED INFLOWS				
Unavailable Rev. - Property Tax	553,681	170,709	0	0
Unavailable Rev. - Court Judgments	532,715	0	0	0
Total Deferred Inflows of Resources	1,086,396	170,709	0	0
FUND BALANCES				
Restricted	0	7,344,957	6,513,735	13,435,939
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned	12,515,458	0	0	0
Total Fund Balances	12,515,458	7,344,957	6,513,735	13,435,939
Total Liabilities, Fund Balances and Deferred Inflows of Resources	$ 19,674,047	$ 8,215,182	$ 7,069,301	$ 13,526,962

See accompanying notes to the basic financial statements

Balance Sheet
Governmental Funds
December 31, 2017

	Major Funds				
ASSETS	Rural County Capital Fund	Public Safety Tax Fund	Capital Acquisition	Other Governmental Funds	Total
Cash/Cash Equivalents	$ 4,258,267	$ 14,409,982	$ 8,777,258	$ 17,418,130	$ 64,808,221
Deposits with Fiscal Agent (Restricted)	0	0	0	0	1,183,168
Investments	8,609,908	0	17,746,979	17,470,423	68,190,515
Taxes Receivable	0	0	0	15,149	718,337
Accounts Receivable	0	0	0	162,276	951,033
Assessments Receivable	0	0	0	5,880	5,880
Interest Receivable	0	36,592	0	23,320	329,393
Due From Other Funds	0	68	0	25,230	89,537
Interfund Loans Receivable	0	0	0	0	1,293
Due From Other Gvnmntl Units	0	0	14,961	601,715	1,763,051
Property Held In Trust	0	0	0	0	21,202
Total Assets	$ 12,868,175	$ 14,446,642	$ 26,539,198	$ 35,722,123	$ 138,061,630
LIABILITIES					
Accounts/Vouchers Payable	$ 0	$ 59,010	$ 430,927	$ 233,281	$ 1,945,896
Due To Other Funds	0	41,478	10,133	231,356	1,537,422
Interfund Payable	0	0	0	1,293	1,293
Due To Other Governmental Units	0	0	0	0	254,032
Accrued Wages Payable	0	211,526	6,381	705,301	4,427,173
Custodial Accounts	0	0	0	0	1,183,168
Total Liabilities	0	312,014	447,441	1,171,231	9,348,984
DEFERRED INFLOWS					
Unavailable Rev. - Property Tax	0	0	0	21,029	745,419
Unavailable Rev. - Court Judgments	0	0	0	0	532,715
Total Deferred Inflows of Resources	0	0	0	21,029	1,278,134
FUND BALANCES					
Restricted	12,868,175	14,134,628	0	9,754,656	64,052,090
Committed	0	0	0	24,776,500	24,776,500
Assigned	0	0	26,091,757	0	26,091,757
Unassigned	0	0	0	(1,293)	12,514,165
Total Fund Balances	12,868,175	14,134,628	26,091,757	34,529,863	$ 127,434,512
Total Liabilities, Fund Balances and Deferred Inflows of Resources	$ 12,868,175	$ 14,446,642	$ 26,539,198	$ 35,722,123	$ 138,061,630

See accompanying notes to the basic financial statements

BENTON COUNTY, WASHINGTON

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2017

Total fund balances as shown on the Governmental Fund Balance Sheet:	$	**127,434,512**
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 12/31/17. 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.		**239,817,569**
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.		**(109,159,527)**
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds.		**7,123,186**
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the funds.		**3,382,808**
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the funds.		**(4,919,645)**
Internal Service funds are used to charge the costs of services to individual funds. The assets and liabilities of the Internal Service funds are included in governmental activities in the statement of net position.		**16,175,297**
Long-term liabilities that are not due and payable in the current period and are not reported in the funds.		**(38,919,273)**
Total Net Position, as reflected on the Statement of Net Position:	**$**	**240,934,926**

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, 2017

	Major Funds			
Revenues	General Fund	County Roads	Human Services	1/10% Criminal Justice Fund
Property Taxes	$ 22,234,417	$ 5,777,676	$ 0	$ 0
Sales and Use Taxes	12,027,427	0	0	4,451,829
Other Taxes	812,269	145,900	0	0
Licenses and Permits	94,400	1,000	0	0
Intergovernmental	5,226,356	4,090,569	2,882,681	0
Charges for Services	18,500,394	265,995	435,921	0
Fines and Forfeits	2,100,551	0	0	0
Interest Earnings	2,087,452	96,790	0	0
Donations	1,590	0	0	0
Other Revenues	233,829	10,512	299	0
Total Revenues	63,318,685	10,388,442	3,318,901	4,451,829
Expenditures				
Current:				
General Governmental Services	26,535,429	84,010	0	0
Public Safety	25,820,578	0	0	545,167
Transportation	0	10,303,895	0	0
Natural & Economic Environment	1,117,813	0	0	0
Social Services	843,934	0	3,148,947	0
Culture and Recreation	498,607	0	0	0
Debt Service:				
Principal	0	197,748	0	0
Interest	0	7,910	0	0
Capital Outlay	36,298	636,879	0	1,203,308
Total Expenditures	54,852,659	11,230,442	3,148,947	1,748,475
Excess (Deficit) Revenues Over Expenditures	8,466,026	(842,000)	169,954	2,703,354
Other Financing Sources (Uses)				
Proceeds of Capital Assets	2,000	0	0	0
Transfers In	1,309,932	0	0	0
Transfers Out	(11,675,553)	0	0	(1,953,467)
Total Other Financing Source (Uses)	(10,363,621)	0	0	(1,953,467)
Net Change in Fund Balance	(1,897,595)	(842,000)	169,954	749,887
Fund Balance-January 1	14,407,486	8,040,829	6,343,781	12,686,052
Prior Period Adjustments	5,567	146,128	0	0
Fund Balance, January 1 - Restated	14,413,053	8,186,957	6,343,781	12,686,052
Fund Balance-December 31	$ 12,515,458	$ 7,344,957	$ 6,513,735	$ 13,435,939

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, 2017

	Major Funds				
Revenues	Rural County Capital Fund	Public Safety Tax Fund	Capital Acquisition	Other Governmental Funds	Total
Property Taxes	$ 0	$ 0	$ 0	$ 638,995	$ 28,651,088
Sales and Use Taxes	4,041,716	7,384,130	0	1,424,361	29,329,463
Other Taxes	0	0	0	572,134	1,530,303
Licenses and Permits	0	0	0	1,068,867	1,164,267
Intergovernmental	0	0	936,057	3,115,111	16,250,774
Charges for Services	0	0	36,166	6,769,719	26,008,195
Fines and Forfeits	0	0	0	7,167	2,107,718
Interest Earnings	0	143,246	33,459	158,377	2,519,324
Donations	0	200	0	601	2,391
Other Revenues	0	10	150,037	1,287,661	1,682,348
Total Revenues	4,041,716	7,527,586	1,155,719	15,042,993	109,245,871
Expenditures					
Current:					
General Governmental Services	0	1,543,845	4,877,042	3,130,067	36,170,393
Public Safety	0	1,945,837	0	8,233,706	36,545,288
Transportation	0	0	0	0	10,303,895
Natural & Economic Environment	80,000	43,565	0	526,274	1,767,652
Social Services	0	0	236,826	1,917,323	6,147,030
Culture and Recreation	0	0	6,969	686,813	1,192,389
Debt Service:					
Principal	0	0	0	2,064,650	2,262,398
Interest	0	0	0	631,052	638,962
Capital Outlay	0	14,747	1,809,333	2,097,076	5,797,641
Total Expenditures	80,000	3,547,994	6,930,170	19,286,961	100,825,648
Excess (Deficit) Revenues Over Expenditures	3,961,716	3,979,592	(5,774,451)	(4,243,968)	8,420,223
Other Financing Sources (Uses)					
Proceeds of Capital Assets	0	0	0	8,337	10,337
Transfers In	0	0	7,500,000	7,100,190	15,910,122
Transfers Out	0	0	0	(2,372,346)	(16,001,366)
Total Other Financing Source (Uses)	0	0	7,500,000	4,736,181	(80,907)
Net Change in Fund Balance	3,961,716	3,979,592	1,725,549	492,213	8,339,316
Fund Balance-January 1	8,906,459	10,155,036	24,366,208	34,026,612	118,932,463
Prior Period Adjustments	0	0	0	11,038	162,733
Fund Balance, January 1 - Restated	8,906,459	10,155,036	24,366,208	34,037,650	119,095,196
Fund Balance-December 31	$ 12,868,175	$ 14,134,628	$ 26,091,757	$ 34,529,863	$ 127,434,512

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, 2017

Net change in fund balances as shown on Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance:	$	**8,339,316**
Internal Service Fund Interest, Misc Rev/Exp and Proceeds From Capital Asset Sales and Transfers		**251,789**
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.		**1,480,061**
Internal service fund expenses are allocated to other funds. The net expense of certain internal service fund activities is reported with governmental activities on the Statement of Activities.		**(1,259,933)**
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.		**2,262,398**
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		**(266,864)**
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.		**(399,067)**
Change in Net Position, as reflected on the Statement of Activities	**$**	**10,407,696**

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, 2017

	Original Biennial Budget	Final Biennial Budget	2017 Actual	Variance with Final Budget Over (Under)
Revenues				
Taxes	$ 68,805,855	$ 68,805,855	$ 35,074,113	$ (33,731,742)
Licenses and Permits	219,815	219,815	94,400	(125,415)
Intergovernmental Revenues	9,772,380	9,772,380	5,226,356	(4,546,024)
Charges for Services	33,664,974	33,664,974	18,500,394	(15,164,580)
Fines and Forfeitures	5,041,275	5,041,275	2,100,551	(2,940,724)
Miscellaneous Revenue	2,971,101	2,971,101	2,322,871	(648,230)
Total Revenues	120,475,400	120,475,400	63,318,685	(57,156,715)
Expenditures				
General Government Services	56,657,679	56,468,879	26,535,429	(29,933,450)
Public Safety	54,583,857	54,897,213	25,820,578	(29,076,635)
Natural & Economic Environment	2,064,667	2,164,667	1,117,813	(1,046,854)
Social Services	1,753,793	1,753,793	843,934	(909,859)
Culture and Recreation	1,076,454	1,076,454	498,607	(577,847)
Capital Outlay	388,605	164,049	36,298	(127,751)
Total Expenditures	116,525,055	116,525,055	54,852,659	(61,672,396)
Excess(Deficiency) of Revenues over Expenditures	3,950,345	3,950,345	8,466,026	4,515,681
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	2,000	2,000
Transfers In	2,362,823	2,362,823	1,309,932	(1,052,891)
Transfers Out	(6,373,299)	(14,865,299)	(11,675,553)	(3,189,746)
Total Other Financing Sources (Uses)	(4,010,476)	(12,502,476)	(10,363,621)	(2,138,855)
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	(60,131)	(8,552,131)	(1,897,595)	6,654,536
Fund Balance, January 1	7,500,000	15,992,000	14,407,486	(1,584,514)
Prior Period Adjustments	0	0	5,567	5,567
Fund Balance, January 1 - Restated	7,500,000	15,992,000	14,413,053	(1,578,947)
Fund Balance, December 31	$ 7,439,869	$ 7,439,869	$ 12,515,458	$ 5,075,589

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
Year Ended December 31, 2017

	Orignal Biennial Budget	Final Biennial Budget	2017 Actual	Variance with Final Budget Over (Under)
Revenues				
Property Taxes	$ 11,773,000	$ 11,773,000	$ 5,777,676	$ (5,995,324)
Excise and Other Taxes	230,000	230,000	145,900	(84,100)
Total Taxes	12,003,000	12,003,000	5,923,576	(6,079,424)
Licenses and Permits	200	200	1,000	800
Intergovernmental Revenues	11,052,605	11,052,605	4,090,569	(6,962,036)
Charges for Services	695,500	695,500	265,995	(429,505)
Interest Earnings	40,000	40,000	96,790	56,790
Miscellaneous Revenues	11,900	7,900	10,512	2,612
Total Revenues	23,803,205	23,799,205	10,388,442	(13,410,763)
Expenditures				
General Governmental Services	252,000	252,000	84,010	(167,990)
Transportation	21,322,402	22,220,902	10,303,895	(11,917,007)
Debt Service:				
Principal	395,500	395,500	197,748	(197,752)
Interest	14,882	14,882	7,910	(6,972)
Capital Outlay	13,736,820	12,934,320	636,879	(12,297,441)
Total Expenditures	35,721,604	35,817,604	11,230,442	(24,587,162)
Excess (Deficiency) of Revenues over Expenditures	(11,918,399)	(12,018,399)	(842,000)	11,176,399
Other Financing Sources (Uses)				
Proceeds of Capital Assets	3,000	0	0	0
Interfund Loan Principal Payment	(96,000)	0	0	0
Transfers In	5,604,000	5,604,000	0	5,604,000
Total Other Financing Sources (Uses)	5,511,000	5,604,000	0	5,604,000
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(6,407,399)	(6,414,399)	(842,000)	5,572,399
Fund Balance, January 1	8,451,000	8,451,000	8,040,829	(410,171)
Prior Period Adjustments	0	0	146,128	(146,128)
Fund Balance, January 1 - Restated	8,451,000	8,451,000	8,186,957	(556,299)
Fund Balance, December 31	$ 2,043,601	$ 2,036,601	$ 7,344,957	$ 5,016,100

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
Human Services
Year Ended December 31, 2017

	Orignal Biennial Budget	Final Biennial Budget	2017 Actual	Variance with Final Budget Over (Under)
Revenues				
Property Taxes	$ 750,000	$ 750,000	$ 0	$ (750,000)
Excise and Other Taxes	2,500	2,500	0	(2,500)
Total Taxes	752,500	752,500	0	(752,500)
Intergovernmental Revenues	7,874,600	7,874,600	2,882,681	(4,991,919)
Charges for Services	712,000	712,000	435,921	(276,079)
Miscellaneous Revenues	0	0	299	299
Total Revenues	9,339,100	9,339,100	3,318,901	(6,020,199)
Expenditures				
Social Services	13,282,864	13,282,864	3,148,947	(10,133,917)
Total Expenditures	13,282,864	13,282,864	3,148,947	(10,133,917)
Excess (Deficiency) of Revenues over Expenditures	(3,943,764)	(3,943,764)	169,954	4,113,718
Fund Balance, January 1	5,000,000	5,000,000	6,343,781	1,343,781
Fund Balance, December 31	$ 1,056,236	$ 1,056,236	$ 6,513,735	$ 5,457,499

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 - Juvenile
Year Ended December 31, 2017

	Orignal Biennial Budget	Final Biennial Budget	2017 Actual	Variance with Final Budget Over (Under)
Revenues				
Taxes	$ 7,062,110	$ 7,062,110	$ 4,451,829	$ (2,610,281)
Total Revenues	7,062,110	7,062,110	4,451,829	(2,610,281)
Expenditures				
Public Safety	200,000	739,600	545,167	(194,433)
Capital Outlay	7,500,000	6,960,400	1,203,308	(5,757,092)
Total Expenditures	7,700,000	7,700,000	1,748,475	(5,951,525)
Excess (Deficiency) of Revenues over Expenditures	(637,890)	(637,890)	2,703,354	3,341,244
Other Financing Sources (Uses)				
Transfers Out	(3,906,935)	(3,906,935)	(1,953,467)	1,953,468
Total Other Sources (Uses)	(3,906,935)	(3,906,935)	(1,953,467)	1,953,468
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(4,544,825)	(4,544,825)	749,887	5,294,712
Fund Balance as of January 1	8,294,137	8,294,137	12,686,052	4,391,915
Fund Balance as of December 31	$ 3,749,312	$ 3,749,312	$ 13,435,939	$ 9,686,627

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
Rural County Capital
Year Ended December 31, 2017

	Orignal Biennial Budget	Final Biennial Budget	2017 Actual	Variance with Final Budget Over (Under)
Revenues				
Taxes	$ 8,075,558	$ 8,075,558	$ 4,041,716	$ (4,033,842)
Total Revenues	8,075,558	8,075,558	4,041,716	(4,033,842)
Expenditures				
General Government Services	14,333,896	14,333,896	0	(14,333,896)
Natural & Economic Environment	0	160,000	80,000	(80,000)
Total Expenditures	14,333,896	14,493,896	80,000	(14,413,896)
Excess (Deficiency) of Revenues over Expenditures	(6,258,338)	(6,418,338)	3,961,716	10,380,054
Other Financing Sources (Uses)				
Transfers Out	(2,653,725)	(2,493,725)	0	2,493,725
Total Other Sources (Uses)	(2,653,725)	(2,493,725)	0	2,493,725
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(8,912,063)	(8,912,063)	3,961,716	12,873,779
Fund Balance as of January 1	8,952,771	8,952,771	8,906,459	(46,312)
Fund Balance as of December 31	$ 40,708	$ 40,708	$ 12,868,175	$ 12,827,467

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
Public Safety Tax Fund
Year Ended December 31, 2017

	Orignal Biennial Budget	Final Biennial Budget	2017 Actual	Variance with Final Budget Over (Under)
Revenues				
Taxes	$ 13,551,459	$ 13,551,459	$ 7,384,130	$ (6,167,329)
Interest Earnings	17,846	17,846	143,246	125,400
Donations	0	0	200	200
Miscellaneous	0	0	10	10
Total Revenues	13,569,305	13,569,305	7,527,586	(6,041,719)
Expenditures				
General Government Services	4,404,349	4,385,599	1,543,845	(2,841,754)
Public Safety	6,438,302	6,507,052	1,945,837	(4,561,215)
Natural & Economic Environment	92,672	92,672	43,565	(49,107)
Capital Outlay	98,510	48,510	14,747	(33,763)
Total Expenditures	11,033,833	11,033,833	3,547,994	(7,485,839)
Excess (Deficiency) of Revenues over Expenditures	2,535,472	2,535,472	3,979,592	1,444,120
Fund Balance as of January 1	9,500,000	9,500,000	10,155,036	655,036
Fund Balance as of December 31	$ 12,035,472	$ 12,035,472	$ 14,134,628	$ 2,099,156

See accompanying notes to the basic financial statements

BENTON COUNTY, WASHINGTON

Statement of Net Position
Proprietary Funds
December 31, 2017

		Governmental Activities
		Internal Service Funds
ASSETS		
Current Assets		
Cash/Cash Equivalents	$	8,315,524
Investments		1,399,339
Accounts Receivable		1,683
Interest Receivable		18,975
Due From Other Funds		1,502,806
Inventories/Prepayments		1,742,548
Total Current Assets		12,980,874
Noncurrent Assets		
Capital Assets		
Land		221,020
Buildings		6,663,760
Improvements Other Than Buildings		91,393
Machinery and Equipment		10,469,967
Less Accumulated Depreciation		(9,491,092)
Total Noncurrent Assets		7,955,048
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions		134,013
Total Deferred Outflows of Resources		134,013
Total Assets & Deferred Outflows of Resources	$	21,069,935
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts/Vouchers Payable	$	439,514
Due To Other Funds		54,921
Interfund Loans Payable		108,790
Accrued Wages Payable		173,335
Total Current Liabilities		776,559
Noncurrent Liabilities		
Compensated Absences		153,779
Net Pension Liability		1,021,176
Interfund Loans Payable		2,745,248
Total Noncurrent Liabilities		3,920,203
Total Liabilities		4,696,762
Deferred Inflows of Resources		
Deferred Intflows Related to Pensions		197,878
Total Deferred Inflows of Resources		197,878
Total Liabilities & Deferred Inflows of Resources	$	4,894,640
Net Position		
Investment in Capital Assets	$	5,101,010
Unrestricted		11,074,286
Total Net Position	$	16,175,295

See accompanying notes to the basic financial statements

BENTON COUNTY, WASHINGTON

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2017

		Governmental Activities
		Internal Services
Operating Revenues		
Net Charges for Services	$	7,167,877
Other Operating Revenue		32,514
Total Operating Revenues		7,200,391
Operating Expenses		
Personal Services		2,498,637
Contractual services		3,409,229
Other Supplies and Expenses		435,276
Depreciation		984,525
Payment to Claimants		1,132,656
Total Operating Expenses		8,460,323
Operating Income (Loss)		(1,259,933)
Non-Operating Revenue (Expenses)		
Interest Revenue		89,973
Interest Expense		(33,458)
Gain (Loss) on Disposition of Capital Assets		58,048
Other Non-Operating Revenues (Expenses)		45,980
Total Non-Operating Revenue (Expenses)		160,543
Income (Loss) before Transfers		(1,099,390)
Transfers In		91,246
Change in Net Position		(1,008,143)
Net Position as of January 1		17,183,438
Net Position as of December 31	$	16,175,295

See accompanying notes to the basic financial statements

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2017

	Governmental Activities Internal Services
Cash Flows From Operating Activities:	
Receipts from Customers	$ 39,697
Receipts from Interfund Services Provided	7,295,908
Miscellaneous Receipts	78,514
Payments to Employees	(2,458,758)
Payments to Suppliers	(4,720,041)
Payments for Interfund Services Used	(1,029,590)
Net cash provided (used) by operating activities	(794,270)
Cash Flows From Noncapital Financing Activities:	
Transfers from Other Funds	91,246
Net cash provided (used) by noncapital financing activities	91,246
Cash Flows From Capital And Related Financing Activities	
Interest Paid to Capital Projects Fund	(33,458)
Principal Paid to Capital Projects Fund	(137,537)
Proceeds from sale of capital assets	95,513
Purchases of capital assets	(1,192,582)
Net cash provided (used) by capital and related financing activities	(1,268,065)
Cash Flows From Investing Activities:	
Interest Earnings	85,914
Net Cash Provided by Investing Activities	85,914
Net Increase (Decrease) in Cash & Cash Equivalents	(1,885,175)
Balances as of January 1	11,600,037
Balances as of December 31	$ 9,714,862

See accompanying notes to the basic financial statements

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2017

		Governmental Activities Internal Services
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income/(Loss)	$	(1,259,933)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense		984,525
Other Non-Cash Revenue/Expense		(137,876)
Changes in assets and liabilities:		
Receivables, net		(1,165,323)
Inventories		928,025
Accounts and other payables		(143,689)
Net Cash Provided by Operating Activities	$	(794,270)

See accompanying notes to the basic financial statements

BENTON COUNTY, WASHINGTON

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	Investment Trust Funds	Agency Funds
ASSETS		
Cash, Cash Equivalents & Pooled Investments	$ 344,904,148	$ 32,800,299
Receivables		
Taxes Receivable	0	4,516,402
Due From Other Governments	0	4,217,976
Total Assets	344,904,148	41,534,677
LIABILITIES		
Warrants Payable	0	16,766,045
Vouchers Payable	0	26,298
Due to Other Governments	0	24,742,334
Total Liabilities	$ 0	$ 41,534,677
NET POSITION		
Net Position held in trust for pool Participants	344,904,148	0
Total Net Position	$ 344,904,148	$ 0

See accompanying notes to the basic financial statements

BENTON COUNTY, WASHINGTON

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2017

		Investment Trust Funds
ADDITIONS		
Contributions		
Additions by Participants	$	292,248,301
Total Contributions		292,248,301
Other Changes		
Net Funds Moved To/From County's LGIP Investments		22,990,164
Net (Decrease) in Fair Value of Investments		(1,723,859)
Net Other Changes		21,266,305
Net Additions		313,514,606
DEDUCTIONS		
Distributions to Participants		159,455,424
Net Deductions		159,455,424
Change in Net Positon Held For Participants		154,059,182
Net Position As Of January 1		190,844,966
Net Position As Of December 31	$	344,904,148

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

B. Government-Wide and Fund Financial Statements

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

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

Program revenue includes:

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

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

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

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

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

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 *Public Safety Tax Fund,* funded with retail sales tax for the purpose of financing public safety, judicial and mental health programs.
- The *Capital Acquisition Fund* accounts for the expenditures incurred for the acquisition or construction of capital assets that are not identified with other capital funds.

Additionally, the County reports the following fund types:

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

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

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

4. Deficit Fund Equity

At December 31, 2017, the following fund reported a deficit in its fund balance:

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

County Road Improvement District (CRID) #21 was originally financed using registered warrants. Debt was issued in 2016 to cover the warrants. One additional invoice was received late and processed against the capital project fund. The residual deficit will be cleared in 2018.

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

1. Cash/Cash Equivalents and Equity in Pooled Investments

It is the County's policy to invest all temporary cash surpluses. At December 31, 2017, the County Treasurer was holding $503,066,772 in investments of surplus cash as reported on the Benton County Treasurer’s investment activity report. The County’s portion of this amount, $73,123,746, 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 2017 were approximately $10,758,238.

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

2. Temporary Investments - See Note 4

3. Receivables

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

Special Assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2017, $5,880 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. <u>Amounts Due to and from Other Funds; Interfund Loans and Advances Receivable</u>

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 Inter fund 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. <u>Inventories</u>

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

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

6. <u>Capital Assets</u> - See Note 6

7. <u>Other Property and Investments</u> - See Note 4.

8. <u>Compensated Absences</u>

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. <u>Other Accrued Liabilities</u>

These accounts consist of accrued wages and accrued employee benefits.

10. <u>Long-Term Debt</u> - See Note 9

11. Unearned Revenues

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

12. Deferred Inflows of Resources

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

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

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

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

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

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

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

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

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

14. Minimum Fund Balance Policy

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

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

15. Detailed Fund Balance Constraints

		Major Special Revenue Funds					Major		
Fund Balances:	General Fund	County Roads	Human Services	1/10% Criminal Justice Fund	Rural County Capital Fund	Public Safety Tax Fund	Capital Acquisition Fund	Other Funds	Total
Restricted for:									
Detention/Correction				13,435,939				1,857,640	15,293,579
Education								108,830	108,830
Financial/Records Services					12,868,175			1,162,566	14,030,741
Housing/Community Dev								2,107,161	2,107,161
Judicial								1,005,501	1,005,501
Juvenile Services								34,150	34,150
Legal								36,574	36,574
Mental/Health Services			6,513,735					1,789,067	8,302,802
Park Facilities								573,688	573,688
Planning/Community Dev								384,458	384,458
Transportation		7,344,957						1,057	7,346,014
Veterans Services								693,964	693,964
Public Safety						14,134,628			14,134,628
Committed to:									
Information Technology								2,421,390	2,421,390
Cultural/Recreational Facilities								5,622,691	5,622,691
Debt Service								6,129,654	6,129,654
Detention/Correction								248,364	248,364
Conservation/Environmental								656,111	656,111
Housing/Community Dev								1,260,174	1,260,174
Judicial								1,960,603	1,960,603
Juvenile Services								1,329,450	1,329,450
Law Enforcement								247,304	247,304
Legislative								724,610	724,610
Substance Abuse								17,793	17,793
Transportation								4,158,356	4,158,356
Assigned to:									
Capital Projects							26,091,757		26,091,757
Unassigned:									
General Fund	12,515,458								12,515,458
Transportation								(1,293)	(1,293)
	12,515,458	7,344,957	6,513,735	13,435,939	12,868,175	14,134,628	26,091,757	34,529,863	127,434,512

16. Net Position

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

17. Pensions

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

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	$ 745,419
Unavailable Revenue – Court Judgements	532,715
Interest Earned, unavailable for >90 days	269,943
Restricted Net Pension Asset	2,827,149
A/R Superior & District Courts, Treasurers O&M	2,747,960
Net Adjustment to Increase Total Governmental Funds to Arrive At Net Position Governmental Funds	$7,123,186

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		$ (10,700,000)
Special Assessment Debt		(718,724)
Long-Term Loans		(1,384,237)
Compensated Absences	(3,799,896)	
Less Internal Service Funds Amount	153,779	
Net Compensated Absences		(3,646,117)
Interest Payable		(57,727)
OPEB Accrual		(1,849,203)
Net Pension Liability	(21,584,440)	
Less Internal Service Funds Amount	1,021,176	
Net Pension Liability		(20,563,264)
Net Adjustment to Reduce - Total Governmental Funds to Arrive at Net Position – Governmental Activities		$ (38,919,273)

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	$ 5,339,851
Donated Capital Assets	1,071,561
Change in Joint Venture Equity	(481,575)
Depreciation Expense	(5,632,385)
Other Capital Outlay (Disposed, Int. Service Funds & Misc.)	1,182,609
Net Adjustment to Increase Net Changes in Fund Balance - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	$ 1,480,061

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	2,262,398
Net Adjustment to Increase Net Changes in Fund Balances Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	$ 2,262,398

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	$ (157,492)
Change in Accrual for District Court A/R	(147,037)
Change in Accrual for Treasurers O&M A/R	20,079
State of Washington Contribution to LEOFF 2	180,850
Change in Interest Receivable between 2016 & 2017	102,398
Change in Deferred Tax Inflow between 2016 & 2017	(265,662)
Net Adjustment to Increase Net Changes in Fund Balance - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	$ (266,864)

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		$ (306,933)
Change in Interest Payable between 2016 & 2017		18,478
Pension Expenses		853,621
Change in Compensated Absences, 2016 to 2017	974,683	
Less Internal Service Funds Change	10,450	
Net Change in Compensated Absences between 2016 & 2017		(964,233)
Net Adjustment to Increase Net Changes in Fund Balance - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities		$ (399,067)

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

A. Deposits

The County's deposits and certificates of deposit 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).

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.

B. Investments Measured at Fair Value

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

The County uses a variety of financial institutions to determine the fair value of securities purchased on behalf of the County. A minimum of three quotes from brokers/dealers is used to determine the fair value of the securities on that specified date. Therefore, all investments listed at "Fair Value" qualify as Level 1 for measurement purposes. Benton County does not have any "Fair Values" determined by either Level 2 or Level 3 measurement criteria. A quarterly analysis is prepared for the County by various financial institutions. In 2015, the County Board of Commissioners contracted with FTN Financial Main Street Advisors, LLC ("FTN"). FTN will make specific recommendations to the investment strategy and investments, provide periodic review of internal controls, market analysis, portfolio analysis and reporting. FTN will evaluate the County's Investment Policy and Procedures and provide strategic quarterly reports of the investment program as well as provide an annual onsite visit to review the investment program and the market/economy for the fiscal year.

The County does not report any securities at amortized cost. All securities reported are disclosed using the securities fair market value (Level 1).

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

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

At December 31, 2017, the County had the following investments measured at fair value:

		Fair Value Measurements Using		
Investments by fair value level	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mortgage and other asset-backed securities	$307,804,861	$307,804,861	-0-	-0-
Municipal bonds	419,978	419,978	-0-	-0-
U.S. government & agency securities	43,841,934	43,841,934	-0-	-0-
Total Debt Securities	$352,066,772	$352,066,772	-0-	-0-

As of December 31, 2017, 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	0.00	$ 0	$ 0	$ 0
Federal Agricultural Mortgage Corp.	2.03	51,817,754	0	51,817,754
Federal Farm Credit Bank	1.75	69,267,757	0	69,267,757
Federal Home Loan Bank	1.51	72,925,892	0	72,925,892
Federal Home Loan Mortgage Corp.	1.62	56,109,202	0	56,109,202
Federal National Mortgage Assn.	1.80	57,684,256	0	57,684,256
Money Market	0.00	0	0	0
Municipal Bonds	1.32	419,978	0	419,978
Treasuries	0.37	43,841,934	0	43,841,934
LGIP	0.97	151,000,000	4,880,321	155,880,321
Totals		$503,066,772	$4,880,321	$507,947,093

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

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

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

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 2017 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

Concentration of Credit Risk – Investments. Concentration of credit risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The County's Investment Policy minimizes concentration risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. The investment policy sets forth maximum concentration guidelines whereby agency securities (combined) may comprise up to the following; US Treasury Obligations 100%, Washington LGIP 100%, US Agency ("GSE") Securities 100%, Federal Home Loan Bank 50%, Federal Farm Credit Bank 50%, Federal Home Loan Mortgage Company 50%, Federal National Mortgage Association 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 the 3 highest ratings) 10%.

Set forth below are investments in any one issuer in which the Primary Government participated as of December 31, 2017:

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)	0.00	0	0
Federal Agricultural Mortgage Corp.	10.20	0	10.20
Federal Farm Credit Bank	13.64	0	13.64
Federal Home Loan Bank	14.36	0	14.36
Federal Home Loan Mortgage Corp.	11.05	0	11.05
Federal National Mortgage Assn.	11.36	0	11.36
Money Market (Umpqua Bank)	0.00	0	0.00
Municipal Bonds	0.08	0	0.08
Treasuries	8.63	0	8.63
State Pool	29.73	.96	30.69
Total	99.04%	.96%	100.0%

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

C. External Investment Pool

The TIP is not registered with the U.S. Securities and Exchange Commission (the "SEC") as an investment company. Oversight is provided by the Finance Committee. In 2012 the Board of Commissioners, Finance Committee and County Treasurer authorized the expansion of the Treasurer's 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 TIP by districts and agencies is voluntary, with a signed Investment Service Agreement submitted to the Treasurer. The County and districts are able to take advantage of higher yielding investment opportunities by combining purchasing power while maintaining the County's objectives of safety, liquidity and yield. The TIP has grown from four participants with 34 funds at its implementation to 18 participants involving 129 funds in 2017. It is expected that the growth of the TIP will continue, with only nine districts left to join the TIP.

The following schedule shows the types of investments, the fair value and the weighted average maturity in years of the TIP as of December 31, 2017.

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 Corp.	2.03	41,396,915	41,396,915
Federal Farm Credit Bank	1.83	51,412,411	51,412,411
Federal Home Loan Bank	1.52	63,497,128	63,497,128
Federal Home Loan Mortgage Corp.	1.65	43,215,802	43,215,802
Federal National Mortgage Association	1.82	39,857,168	39,857,168
Money Market Account	0.00	0	0
Municipal Bonds	0.92	250,000	250,000
Treasuries	0.39	37,850,814	37,850,814
State Pool	1.00	108,664,129	108,664,129
Total		$386,144,367	$386,144,367

Benton County Treasurer's Investment Pool
Condensed Statement of Net Position

Assets	
Cash, Cash Equivalents & Pooled Investments	$386,144,367
Receivables	-0-
Total Assets	$386,144,367
Liabilities	
Total Liabilities	-0-
Net Position Held In Trust for Pool Participants	$386,144,367

Benton County Treasurer's Investment Pool
Condensed Statement of Changes in Net Position

Net Position Beginning of Year	$223,227,979
Net Change in Investments by Pool Participants	162,916,388
Net Position End of Year	$386,144,367

The external funds pooled investments ($344,904,148) are reported on the Statement of Fiduciary Net Assets (in the Basic Financial Statements section of the CAFR), while the internal pooled investments ($41,240,219) are reported in the various funds statements throughout the CAFR.

NOTE 5 - PROPERTY TAXES

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

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

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

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

- Washington State law, RCW 84.55.010, limits the growth of regular property taxes to the lesser rate of the implicit price deflator per year or 1%, excluding new construction, improvements to property, any increase in the value of state assessed property, and newly constructed wind turbines, solar, biomass and geothermal facilities.

- RCW Chapter 84.52 establishes a limitation on the levies for ports, public utilities, state schools, emergency medical services, counties, roads, cities and towns. Counties, roads, cities, towns and all other regular levies are proportionately reduced if a composite rate of $5.90 per thousand is exceeded. Levies not subject to the $5.90 Aggregate Limit: State, Ports, Public Utility Districts, Emergency Medical Services, 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 2017, the County levied the following property taxes:

Purpose of Levy	Per \$1,000	Levy Amount
General Government (A)	\$1.2390	\$21,807,659
County Roads (B)	1.5191	6,339,655
Human Services (A)	0.0250	440,041
Veterans' Assistance (A)	0.0113	198,899
Totals	**\$2.7944**	**\$28,786,254**

(A) assessed value of \$17,601,652,254
(B) assessed value of \$ 4,173,309,680

NOTE 6 – CAPITAL ASSETS

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

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

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

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

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

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

Buildings - 20 years
Furniture & Equip - 10 years
Information Systems - 4 years
Data Handling Equip - 4 years
Infrastructure - 75 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, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 16,157,879	$ 661,571	$ 28,827	$ 16,790,622
Construction in progress	5,590,675	4,901,087	6,673,406	3,818,356
Total capital assets, not being depreciated	21,748,553	5,562,658	6,702,233	20,608,978
Capital assets, being depreciated:				
Quarries	82,330	0	0	82,330
Buildings	95,299,150	2,070,796	29,510	97,340,437
Improvements	4,643,727	0	52,782	4,590,945
Intangibles	982,486	198,767	0	1,181,254
Machinery and equipment	19,421,177	2,046,271	994,954	20,472,494
Infrastructure	104,774,491	4,500,339	187,698	109,087,131
Total capital assets being depreciated	225,203,362	8,816,173	1,264,944	232,754,591
Less accumulated depreciation for:				
Quarries	(25,278)	0	0	(25,278)
Buildings	(64,926,102)	(3,726,460)	(17,798)	(68,634,764)
Improvements	(1,272,354)	(227,318)	(52,782)	(1,446,891)
Intangibles	(482,460)	(138,854)	0	(621,313)
Machinery and equipment	(13,090,019)	(1,513,629)	(980,420)	(13,623,228)
Infrastructure	(33,288,496)	(1,010,648)	0	(34,299,147)
Total accumulated depreciation	(113,084,711)	(6,616,909)	(1,051,000)	(118,650,621)
Total capital assets being depreciated, net	112,118,651	2,199,263	213,944	114,103,969
Governmental activities capital assets, net	$ 133,867,204	$ 7,761,921	$ 6,916,178	$ 134,712,947

Depreciation expense was charged to functions as follows:

General Government	3,272,428
Public Safety	680,015
Utilities	0
Transportation	1,366,700
Natural & Economic Environment	111,286
Social Services	48,372
Culture and Recreation	153,584
	5,632,385
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.	984,525
Total governmental activities depreciation expense	$ 6,616,910

NOTE 7 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2017:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$(21,584,437)
Pension assets	$2,827,149
Deferred outflows of resources	$3,516,819
Deferred inflows of resources	$(5,117,522)
Pension expense/expenditures	$1,641,640

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January - June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**
July - December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**12.70%**	**6.00%**

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

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**11.18%**	**6.12%**
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0,18%	
Employee PERS Plan 3		Varies
Total	**12.70%**	**7.38%**

* For employees participating in JBM, the contribution rate was 15.30% for January – June 2017 and 18.45% for July - December 2017.

The County's actual PERS plan contributions were $1,285,106 to PERS Plan 1 and $1,734,116 to PERS Plan 2/3 for the year ended December 31, 2017.

Public Safety Employees' Retirement System (PSERS)

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

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

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. In addition to the regular change in contribution rates on July 1, 2017, PSERS contribution rates changed again September 1, 2017 due to HB 1709, which allows PERS members meeting specific criteria to transfer service credit into PSERS as long as they and their employer pay the difference between the PERS and PSERS contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2017 were as follows:

PSERS Plan 2		
Actual Contribution Rates	**Employer**	**Employee**
January – June 2017:		
PSERS Plan 2	6.59%	6.59%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	**11.54%**	**6.59%**
July – August 2017:		
PSERS Plan 2	6.73%	6.73%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**11.94%**	**6.73%**
September – December 2017		
PSERS Plan 2	6.74%	6.74%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**11.95%**	**6.74%**

The County's actual plan contributions were $440,221 to PSERS Plan 2 and $323,967 to PERS Plan 1 for the year ended December 31, 2017.

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

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

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

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

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2017. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	**Employer**	**Employee**
January – June 2017:		
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
Total	**5.23%**	**8.41%**
Ports and Universities	8.41%	8.41%
Administrative Fee	0.18%	
Total	**8.59%**	**8.41%**
July – December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	**5.43%**	**8.75%**
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	**8.93%**	**8.75%**

The County's actual contributions to the plan were $299,483 for the year ended December 31, 2017.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2017, the state contributed $62,155,262 to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is $180,850.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

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

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$14,976,701	$12,294,212	$9,970,603
PERS 2/3	$24,066,427	$8,932,996	$(3,466,605)
PSERS 2	$2,398,644	$357,229	$(1,243,363)
LEOFF 1	$(280,489)	$(378,137)	$(461,994)
LEOFF 2	$529,963	$(2,449,012)	$(4,876,156)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2017, the County reported a total pension liability of $18,757,288 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$12,294,212
PERS 2/3	8,932,996
PSERS 2	357,229
LEOFF 1	(378,137)
LEOFF 2	(2,449,012)

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	$ (378,137)	$ (2,449,012)
State's proportionate share of the net pension asset associated with the employer	(2,557,708)	(1,588,628)
TOTAL	$ (2,935,844)	$ (4,037,641)

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

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.268170%	0.259094%	(0.009076%)
PERS 2/3	0.268633%	0.257100%	(0.011533%)
PSERS 2	1.860069%	1.823246%	(0.036823%)
LEOFF 1	0.025237%	0.024923%	(0.000314%)
LEOFF 2	0.172226%	0.176483%	0.004257%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the County recognized pension expense as follows:

	Pension Expense
PERS 1	$ 269,180
PERS 2/3	$ 853,550
PSERS 2	$ 494,829
LEOFF 1	$(56,556)
LEOFF 2	$ 80,636

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$-0-	$-0-
Net difference between projected and actual investment earnings on pension plan investments	$-0-	$(458,786)
Changes of assumptions	$-0-	$-0-
Changes in proportion and differences between contributions and proportionate share of contributions	$-0-	$-0-
Contributions subsequent to the measurement date	$837,276	$-0-
TOTAL	**$837,276**	**$(458,786)**

PERS 2 & 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$905,123	$(293,791)
Net difference between projected and actual investment earnings on pension plan investments	$-0-	$(2,381,322)
Changes of assumptions	$94,885	$-0-
Changes in proportion and differences between contributions and proportionate share of contributions	$-0-	$(979,421)
Contributions subsequent to the measurement date	$948,467	$-0-
TOTAL	**$1,948,475**	**$(3,654,534)**

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$211,278	$(25,380)
Net difference between projected and actual investment earnings on pension plan investments	$-0-	$(250,550)
Changes of assumptions	$3,027	$-0-
Changes in proportion and differences between contributions and proportionate share of contributions	$-0-	$(12,285)
Contributions subsequent to the measurement date	$233,828	$-0-
TOTAL	**$448,132**	**$(288,215)**

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$-0-	$-0-
Net difference between projected and actual investment earnings on pension plan investments	$-0-	$(35,138)
Changes of assumptions	$-0-	$-0-
Changes in proportion and differences between contributions and proportionate share of contributions	$-0-	$-0-
Contributions subsequent to the measurement date	$-0-	$-0-
TOTAL	**$-0-**	**$(35,138)**

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$107,639	$(92,871)
Net difference between projected and actual investment earnings on pension plan investments	$-0-	$(549,820)
Changes of assumptions	$2,949	$-0-
Changes in proportion and differences between contributions and proportionate share of contributions	$6,918	$(38,159)
Contributions subsequent to the measurement date	$165,429	$-0-
TOTAL	**$282,935**	**$(680,850)**

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$1,224,040	$(412,041)
Net difference between projected and actual investment earnings on pension plan investments	$-0-	$(3,675,616)
Changes of assumptions	$100,861	$-0-
Changes in proportion and differences between contributions and proportionate share of contributions	$6,918	$(1,029,865)
Contributions subsequent to the measurement date	$2,185,000	$-0-
TOTAL	**$3,516,819**	**$(5,117,522)**

Deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2 & 3	PSERS	LEOFF 1	LEOFF 2
2018	$(310,110)	$(1,304,699)	$(54,634)	($22,052)	($256,558)
2019	$97,906	$(42,639)	$43,803	$5,947	$53,233
2020	$(22,733)	$(312,167)	$11,222	$(2,375)	$(41,708)
2021	$(223,849)	$(1,025,154)	$(53,522)	$(16,658)	$(244,510)
2022	$-0-	$13,101	$(3,067)	$-0-	$(13,179)
Thereafter	$-0-	$17,032	$(17,713)	$-0-	$(60,623)

NOTE 8A - RISK POOL

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2017, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are $25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: $10,000, $25,000, $50,000, $100,000, $250,000 or $500,000. For losses occurring in 2017, Benton County selects a per-occurrence deductible of $100,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the greater of the deductible for the member with the claim or $100,000. More recent years' reinsurance programs have included "corridor deductibles" with aggregated stop losses which have the effect of increasing the Pool's SIR. For 2016-17, the "corridor" increased the SIR to $2 million, with an aggregated stop loss of $4.35 million. Other reinsurance agreements respond up to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of $40 million (lowest reinsured layer), $20 million, (second layer), $30 million (third layer) and $50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

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

During 2016-17, Benton County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties' buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes 'All Other Perils ("AOP")' coverage limits of $500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being $200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of $200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between $5,000 and $50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

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

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

During 2016-17, the WCRP's assets remained stable at $46.8 million while its liabilities decreased slightly to $28.6 million. The Pool's net position increased slightly from $17.9 million to $18.1 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2017 was zero ($0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

NOTE 8B - UNPAID CLAIMS LIABILITIES

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

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

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

Reconciliation of Claims Liability

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

Claims liability at 12/31/2015	$ -0-
Claims incurred	97,600
Claims paid	(97,600)
Claims liability at 12/31/2016	-0-
Claims incurred	58,128
Claims paid	(58,128)
Claims liability at 12/31/2017	$ -0-

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

Claims liability at 12/31/2015	$ 473,314
Claims incurred	1,085,357
Claims paid	(838,776)
Claims adjustments	(4,935)
Claims liability at 12/31/2016	714,960
Claims incurred	623,935
Claims paid	(650,189)
Claims adjustments	(15)
Claims liability at 12/31/2017	$ 688,691

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, 2017, were $2,914,614.

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 $245,328. The contract has been renewed every two years since it was first signed. Since its inception, the contract with DSHS has required that the County “shall record” these advances as “Long-Term Payables in its financial records”. The County has complied with this requirement and listed them in the governmental balance sheets for the Human Services Special Revenue Fund and on the combining Balance Sheet for Governmental Funds as “Due To Other Governmental Units”. The County recognizes that this is a departure from GAAP but has chosen to continue presenting the advances in this manner since the amount is not material and presenting them in this format meets the specific contractual requirement mandated by the DSHS.

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

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

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

	Trust Fund Loan		
Year Ending December 31	**Principal**	**Interest**	**Total**
2018	$ 197,748	$ 6,921	$ 204,669
2019	197,748	5,933	203,681
2020	197,748	4,944	202,692
2021	197,748	3,955	201,703
2022	197,748	2,966	200,714
2023-2024	395,497	2,966	398,463
Totals	**$1,384,237**	**$27,685**	**$1,411,922**

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, 2017 is $5,000. There was $20,913 in delinquent special assessment receivables on December 31, 2017. 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, 2017 is $0 as the balance was paid off in 2017. There was $35,810 in delinquent special assessment receivables on December 31, 2017. 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 August 23, 2016, Benton County issued $713,724 in Special Assessment bonds payable by levy against real property in the County's Road Improvement District number 21. These bonds bear an interest rate of 3.80% and reach maturity in the year 2031. The principal outstanding on December 31, 2016 is $773,373. There was $5,328 in delinquent special assessment receivables on December 31, 2017. 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**
2018	$ 51,558	$ 27,631	$ 79,189
2019	51,558	25,965	77,523
2020	51,559	24,054	75,613
2021	51,558	22,013	73,571
2022	51,558	20,037	71,595
2023-2027	262,791	70,035	332,826
2028-2032	198,142	19,781	217,923
Totals	**$718,724**	**$209,516**	**$928,240**

C. Long-Term Debt

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

These bonds are subject to Federal arbitrage regulations. Benton County has contracted with Arbitrage Compliance Specialists, Inc., to perform periodic arbitrage rebate calculations on the County's long-term debt. The latest report, dated July 18, 2016, determined that there were no requirements to report anything to the IRS as of that date.

On November 1, 2003 Benton County issued $20,885,000 in General Obligation bonds to refinance portions of the bonds issued in July of 2000 and September of 1996. These bonds bear an interest rate of 2.00% to 5.00% and reach maturity in the year 2020. The principal outstanding on December 31, 2017 is $ 5,490,000.

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, 2017 is $5,210,000.

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

Year(s)	Health Building	CRID Special Assessment Debt 2003	CRID Special Assessment Debt 2016	G.O. Bonded Debt 2003	Public Works Trust Fund Loan	Total Debt Payments
2018	$ 512,713	$ 278	$ 78,911	$ 2,014,500	$ 204,669	$ 2,811,071
2019	515,337	277	77,246	2,017,500	203,681	2,814,041
2020	512,578	278	75,335	2,016,000	202,692	2,806,883
2021	514,377	277	73,294	0	201,703	789,651
2022	515,518	278	71,318	0	200,714	787,828
2023-2027	2,566,717	5,832	326,993	0	398,463	3,298,005
2028-2032	2,052,538	0	217,923	0	0	2,270,461
Totals	**$7,189,778**	**$7,220**	**$921,020**	**$6,048,000**	**$1,411,922**	**$15,577,940**

General Obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
Refinance portions of outstanding bonds for reduced rate	2.77%-5.00%	$5,490,000
Health Building	3.95%-4.75%	5,210,000
Total		**$10,700,000**

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

	Governmental Activities		
Year Ending December 31	Principal	Interest	Total
2018	$ 2,015,000	$ 512,213	$ 2,527,213
2019	2,120,000	412,837	2,532,837
2020	2,220,000	308,578	2,528,578
2021	315,000	199,378	514,378
2022	330,000	185,517	515,517
2023-2027	1,870,000	696,718	2,566,718
2028-2032	1,830,000	222,537	2,052,537
	$10,700,000	**$2,537,778**	**$13,237,778**

At December 31, 2017, the County has $6,084,127 available in Debt Service funds to service the general obligation bonded debt.

The County's legal non-voted debt limit is $264,024,784 with $252,606,060 still available. The legal voted debt limit (with 3/5 vote) is $440,041,306 with $428,622,582 still available.

At December 31, 2017, the County estimates that it has $169,634 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 $115,301 for the year ended December 31, 2017. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2018	$ 92,357
2019	57,215
2020	29,188
2021	13,863
2022	2,708
2023-2027	-0-
Total	**$195,331**

B. Capital Leases

The County does not have any capital leases.

NOTE 11 – CHANGES IN GENERAL LONG-TERM LIABILITIES

During the year ended December 31, 2017, the following changes occurred in Long-Term Liabilities:

Description	Balance 01/01/17	Additions	Reductions	Balance 12/31/17	Due Within One Year
Employee Leave Benefits*	$ 2,825,212	$3,932,488	$2,957,805	$ 3,799,896	$ 169,634
DSHS Working Advances	207,667	37,661	0	245,328	0
Economic Development Loan	1,581,986	0	197,749	1,384,237	197,748
2003 CRID Special Assessment	20,000	0	15,000	5,000	0
2005 CRID Special Assessment	65,000	0	65,000	0	0
2016 CRID Special Assessment	773,373	0	59,649	713,724	51,558
Health Building	5,475,000	0	265,000	5,210,000	275,000
2003 Refinancing	7,150,000	0	1,660,000	5,490,000	1,740,000
OPEB Benefit For LEOFF**	1,542,270	465,949	159,016	1,849,203	0
Net Pension Liability	28,717,944	0	7,133,507	21,584,437	0
Total Debt	**$48,358,453**	**$4,436,098**	**$12,512,726**	**$40,281,825**	**$2,433,940**

*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 $153,779 of internal service funds compensated absences are included in the above amounts.

NOTE 12 – CONTINGENCIES AND LITIGATIONS

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

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

NOTE 13 - INTERFUND BALANCES AND TRANSFERS

A. Classification of Interfund Transactions

Interfund transactions are classified as follows:

1. Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payment in lieu of taxes, are similarly treated when they involve other funds of the County.

2. Transfers to support the operations of other funds are recorded as "Transfers" and classified with "Other Financing Sources or Uses".

B. Interfund Reconciliations

1. Interfund Due To & Due From

The composition of interfund Due To and Due From as of December 31, 2017, is as follows:

Due To	Due From	Amount
General Fund	General Fund	45
	County Road	4,081
	NonMajor Governmental Funds	1,320
	Sub-total	**5,446**
County Road	NonMajor Governmental Funds	10,246
	Capital Projects Fund	8,804
	Internal Service Fund	19,122
	Sub-total	**38,172**
Human Services	NonMajor Governmental Funds	20,621
	Sub-total	**20,621**
Public Safety Tax	Internal Service Fund	68
	Sub-total	**68**
NonMajor Governmental Funds	County Road	1,646
	NonMajor Governmental Funds	22,391
	Internal Service Fund	1,193
	Sub-total	**25,230**
Internal Service Funds	General Fund	960,120
	County Road	283,149
	Human Services	5,415
	Public Safety Sales Tax Fund	41,478
	NonMajor Governmental Funds	176,777
	Capital Projects Fund	1,329
	Internal Service Funds	34,538
	Sub-total	**1,502,806**
	Total	**1,592,343**

These interfund transactions usually involve the exchange of goods and services in a normal business relationship. The amounts due to the internal service funds consists primarily of interfund assessments for insurance and worker’s compensation. Also, County Road fund equipment rental fees and material purchases of approximately $283,149. Other interfund transactions include court costs, legal fees and administrative charges.

2. Transfers

Transfers represent subsidies and contributions provided to operating funds and capital project funds with no corresponding debt or promise to repay. Transfers out on non-major governmental funds generally represent debt service and capital project funding. Interfund transfers occurring between individual major funds, non-major governmental, and internal service funds of the County during the year ended December 31, 2017 are as follows:

Transferring In Fund	Transferring Out Fund	Amount
General Fund	1/10% Criminal Justice Tax Fund	$ 976,734
	NonMajor Governmental Funds	333,198
	Sub-total	**1,309,932**
Capital Acquisition	General Fund	7,500,000
	Sub-total	**7,500,000**
NonMajor Governmental Funds	General Fund	4,175,553
	1/10% Criminal Justice Tax Fund	976,734
	NonMajor Governmental Funds	1,947,902
	Sub-total	**7,100,189**
Internal Service Funds	NonMajor Governmental Funds	91,246
	Sub-total	**91,246**
	Total	**$16,001,367**

For the year ended December 31, 2017, the following transfers were significant or of a nonroutine nature:

- $7.50 million transferred from the General Fund to Capital Projects Fund for building maintenance projects.
- $3.56 million transferred to the Benton Franklin Juvenile Center to fund operations, consisting of the following: $2.58 million from the General Fund and $0.97 million from the 1/10% Criminal Justice Jail-Juvenile fund.
- $.98 million from 1/10% Criminal Justice Jail-Juvenile fund to the General Fund for maintenance and operation of the adult and juvenile jails.

NOTE 14 – RESTRICTED NET POSITION

The government-wide statement of net position reports $65,617,508 of restricted net position, of which $64,052,090 is restricted by enabling legislation and $1,565,418 is restricted for pension assets.

NOTE 15 - JOINT VENTURES

A. Benton County Emergency Services

Benton County Emergency Services (BCES), providing public safety communications and emergency management services, was formed January 1, 1997, when an Inter-local Agreement was entered into by the Cities of Kennewick, Richland, West Richland, Benton City, Prosser and the County. 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 four funds: the Southeast Communications (SECOMM), 800 MHz Radio, Benton County Emergency Management (BCEM) and Microwave.

1. SECOMM

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

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

2. 800 MHz Radio

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

3. BCEM

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

4. Microwave

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

Effective January 1, 1997, the City of Richland assumed responsibility for operation of Benton County Emergency Services. 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 2017 for these services was $340,361. No distributions of income to Richland are expected since charges are assessed only to recover anticipated expenses.

The County's equity interests in SECOMM, 800 MHZ Radio, BCEM and Microwave were $1,228,797; $2,461,809; $32,737; and $27,054 on December 31, 2017. The total of these amounts is reported as Joint Venture capital assets on the government-wide statement of net position. The change in equity is reflected in the government-wide statement of activities under Public Safety. The County does not anticipate any income distributions from BCEM since charges are assessed only to recover anticipated expenses. Complete and separate financial statements for BCES may be obtained from the City of Richland, 505 Swift Blvd., Richland, WA.

B. Metro Drug Forfeiture Fund

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

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

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

The County's equity interest in Metro was $37,459 on June 30, 2017. The County does not anticipate any income distribution from Metro since charges are assessed only to recover anticipated expense. Complete separate financial statements for Metro may be obtained at the City of Kennewick, 210 West Sixth Avenue, Kennewick, WA.

C. Bi-County Police Information Network

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

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

Effective January 1, 1992, the City of Kennewick assumed responsibility for operation of the BI-PIN system. As the Operating Jurisdiction, the City of Kennewick provides all of the necessary support services for the operation of BI-PIN. These services include accounting, legal services, risk management and information systems. The total amount paid by BI-PIN, in 2017, for these transactions were $119,000.

The County's equity interest in BI-PIN was $112,280 on December 31, 2017. The change in equity is reflected in the government-wide statement of activities under Public Safety. Complete and separate financial statements for BI-PIN may be obtained at the City of Kennewick, 210 West Sixth Avenue, Kennewick, WA.

NOTE 16 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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, 13 retirees meet eligibility requirements. This is a single-employer plan.

The County reimburses 100 percent of the amount of validated claims for medical and hospitalization costs incurred by pre-Medicare retirees. During 2017 the County reimbursed up to $221 per month per employee as a Medicare supplement for LEOFF 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 $159,015 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 liabilities in the accompanying December 31, 2017 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 55.3 was assumed for all active members for the purpose of determining the Actuarial Accrued Liability (AAL) and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2014 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 2013. 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. 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. 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, 2017 the plan was unfunded as allowed by GASB 45. The accrued liability for benefits was $6.0 million, and the actuarial value of plan assets was zero, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of $6.0 million. The UAAL is being amortized on a closed basis.

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, 2017.

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 2017 follows:

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

	2017	**2016**	**2015**
Determination of Annual Required Contribution (ARC)			
Normal cost	$ -0-	$ -0-	$ -0-
Amortization of UAAL	542,971	310,664	349,547
ARC	**$542,971**	**$310,664**	**$349,547**
Annual OPEB Cost			
ARC	$542,971	$310,664	$349,547
NOO Interest	61,691	66,521	60,870
NOO Amortization	(138,713)	(137,645)	(125,952)
Annual OPEB Cost	**$465,949**	**$239,540**	**$284,465**
NOO			
Starting NOO	$1,542,270	$1,478,244	$1,352,668
Annual OPEB Cost	465,949	239,540	284,465
Less Contributions Paid to LEOFF Retirees	(159,016)	(175,514)	(158,889)
NOO	**$1,849,203**	**$1,542,270**	**$1,478,244**
Percentage of Annual OPEB Cost Contributed	**34.1%**	**73.3%**	**55.9%**

Funding Status
As of December 31, 2017, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was $6,036,964 and the actuarial value of the assets was $0 resulting in a UAAL of $6,036,964. 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 – TAX ABATEMENT

State of Washington Tax Abatements: The information here is provided by the Washington State Department of Revenue and is based upon Calendar Year 2016 as a proxy for Fiscal Year 2017.

- Property tax estimates use the established tax rate for each taxing district and levy.
- Most excise tax estimates include information provided by taxpayers on the annual survey/report.
- Additional data will not be available until September 2018 for Calendar Year 2017.

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

Special Notes: Property Tax Estimates

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

For year ended December 31, 2017, Benton County tax revenues were reduced by a total of $23,605 under aagreements entered into by the State of Washington that include the following:

High Unemployment County Sales & Use Tax Deferral for Manufacturing Facilities [RCW 82.60]	
• Benton County	D
• Benton County – PTBA	D
High-Technology Sales and Use Tax Deferral [RCW 82.63]	
• Benton County	$21,698
Future churches, parsonages and convents Property Taxes [RCW 84.36.020(2)]	
• Benton County General	$1,039
• Benton County Road	$780
• Benton County Road Diverted	$88
BENTON COUNTY TOTAL	$23,605

NOTE 18 – OTHER DISCLOSURES

A. Related Organizations

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

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

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

B. Prior Period Adjustments

The Government-wide Statement of Activities shows the following prior period adjustment for reimbursement of rental fees. The County recorded rental costs for vehicles and equipment rented from the Equipment Rental and Revolving fund. It has been determined that a component of such rental fees was in excess of the rate calculation and were returned to the renting fund.

Net Position as of January 1, 2017, as previously reported	230,364,496
Prior Period Adjustment – Excess vehicle/equipment rental charges	162,733
Net Position as of December 31, 2017, as restated	230,527,229

Required Supplementary Information
Schedule of Funding Progress
December 31, 2017

LEOFF 1 Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2017	$0	$6,036,964	$6,036,964	0.00%	$0	n/a
12/31/2016	$0	$3,336,390	$3,336,390	0.00%	$0	n/a
12/31/2015	$0	$3,753,971	$3,753,971	0.00%	$0	n/a
12/31/2014	$0	$3,890,118	$3,890,118	0.00%	$0	n/a
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, WASHINGTON

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
June 30, 2017

PERS 1	**2014**	**2015**	**2016**	**2017**
County's proportion of the net pension liability	0.29735%	0.28293%	0.26817%	0.25909%
County's proportionate share of the net pension liability	14,979,348	14,800,079	14,401,992	12,294,212
County's covered employee payroll	907,863	550,434	420,734	414,017
County's proportionate share of the net pension liability as a percentage of covered employee payroll	1649.96%	2688.80%	3423.06%	2969.49%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%	57.03%	61.24%

PERS 2/3	**2014**	**2015**	**2016**	**2017**
County's proportion of the net pension liability	0.29831%	0.28778%	0.26863%	0.25710%
County's proportionate share of the net pension liability	6,030,003	10,282,615	13,525,459	8,932,996
County's covered employee payroll	25,762,131	25,516,578	25,372,621	25,427,342
County's proportionate share of the net pension liability as a percentage of covered employee payroll	23.41%	40.30%	53.31%	35.13%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%	85.82%	90.97%

PSERS	**2014**	**2015**	**2016**	**2017**
County's proportion of the net pension liability	1.96396%	1.88636%	1.86007%	1.82325%
County's proportionate share of the net pension liability	(284,401)	344,299	790,492	357,229
County's covered employee payroll	5,337,783	5,547,129	6,093,742	6,553,730
County's proportionate share of the net pension liability as a percentage of covered employee payroll	-5.33%	6.21%	12.97%	5.45%
Plan fiduciary net position as a percentage of the total pension liability	105.01%	95.08%	90.41%	96.26%

LEOFF 1	**2014**	**2015**	**2016**	**2017**
County's proportion of the net pension liability	0.02600%	0.02497%	0.02524%	0.02492%
County's proportionate share of the net pension liability	(315,277)	(300,908)	(260,013)	(378,137)
State's proportionate share of the net pension liability (asset) associated with the county	(2,132,527)	(2,035,331)	(1,758,723)	(2,557,708)
Total proportionate share of the net pension liability (asset)	(2,447,804)	(2,336,239)	(2,018,737)	(2,935,844)
County's covered employee payroll	n/a	n/a	n/a	n/a
County's proportionate share of the net pension liability as a percentage of covered employee payroll	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability	126.91%	127.36%	123.74%	135.96%

LEOFF 2	**2014**	**2015**	**2016**	**2017**
County's proportion of the net pension liability	0.17353%	0.17139%	0.17223%	0.17648%
County's proportionate share of the net pension liability	(2,302,858)	(1,761,526)	(1,001,718)	(2,449,012)
State's proportionate share of the net pension liability (asset) associated with the county	(1,504,643)	(1,164,722)	(653,047)	(1,588,628)
Total proportionate share of the net pension liability (asset)	(3,807,502)	(2,926,249)	(1,654,766)	(4,037,641)
County's covered employee payroll	4,806,782	4,993,231	5,257,450	5,621,494
County's proportionate share of the net pension liability as a percentage of covered employee payroll	-47.91%	-35.28%	-19.05%	-43.57%
Plan fiduciary net position as a percentage of the total pension liability	116.75%	111.67%	106.04%	113.36%

Notes: GASB 68 was implemented for the 2015 financial statements so only four years of data is available.
Up to ten years of history will be presented over time as the data is generated.

BENTON COUNTY, WASHINGTON

Required Supplementary Information
Schedule of Employer Contributions
December 31, 2017

PERS 1	2014	2015	2016	2017
Statutorily or contractually required contributions	1,322,963	1,406,030	1,562,495	1,609,072
Contributions in relation to the statutorily or contractually required contributions	1,322,963	1,406,030	1,562,495	1,609,072
Contribution deficiency (excess)	-	-	-	-
Covered County payroll	759,161	434,811	459,490	393,126
Contributions as a percentage of covered County payroll	174.27%	323.37%	340.05%	409.30%

PERS 2/3	2014	2015	2016	2017
Statutorily or contractually required contributions	1,281,288	1,423,247	1,575,575	1,734,116
Contributions in relation to the statutorily or contractually required contributions	1,281,288	1,423,247	1,575,575	1,734,116
Contribution deficiency (excess)	-	-	-	-
Covered County payroll	25,652,424	25,294,162	25,329,385	25,241,784
Contributions as a percentage of covered County payroll	4.99%	5.63%	6.22%	6.87%

PSERS	2014	2015	2016	2017
Statutorily or contractually required contributions	346,045	373,961	422,449	440,221
Contributions in relation to the statutorily or contractually required contributions	346,045	373,961	422,449	440,221
Contribution deficiency (excess)	-	-	-	-
Covered County payroll	5,462,130	5,771,264	6,364,883	6,613,047
Contributions as a percentage of covered County payroll	6.34%	6.48%	6.64%	6.66%

LEOFF 1	2014	2015	2016	2017
Statutorily or contractually required contributions	-	-	-	-
Contributions in relation to the statutorily or contractually required contributions	-	-	-	-
Contribution deficiency (excess)	-	-	-	-
Covered County payroll	n/a	n/a	n/a	n/a
Contributions as a percentage of covered County payroll	-	-	-	-

LEOFF 2	2014	2015	2016	2017
Statutorily or contractually required contributions	247,278	256,406	276,631	299,483
Contributions in relation to the statutorily or contractually required contributions	247,278	256,406	276,631	299,483
Contribution deficiency (excess)	-	-	-	-
Covered County payroll	4,896,575	5,077,340	5,475,673	5,686,374
Contributions as a percentage of covered County payroll	5.05%	5.05%	5.05%	5.27%

Notes: GASB 68 was implemented for the 2015 financial statements so only four years of data is available.
Up to ten years of history will be presented over time as the data is generated.

Benton County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	School Breakfast Program	10.553	N/A	16,968	-	16,968	-	1
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSPI)	National School Lunch Program	10.555	N/A	28,688	-	28,688	-	1
			Total Child Nutrition Cluster:	**45,656**	**-**	**45,656**	-	
Office of Community Planning and Development, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	WA 16-62210-002	30,135	-	30,135	26,635	1
Office of Community Planning and Development, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	WA 17-62210-002	11,122	-	11,122	11,122	1
			Total CFDA 14.228:	**41,257**	**-**	**41,257**	37,757	
Office of Community Planning and Development, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Emergency Solutions Grant Program	14.231	WA 14-46107-001	69,870	-	69,870	66,408	1
Office of Community Planning and Development, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Continuum of Care Program	14.267	WA 0072L0T011508	-	77,105	77,105	59,172	1
Office of Community Planning and Development, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Continuum of Care Program	14.267	WA 0072L0T011509	-	10,698	10,698	9,990	1
			Total CFDA 14.267:	**-**	**87,803**	**87,803**	69,162	

The accompanying notes are an integral part of this schedule.

Department of Justice - Office for Victims of Crime (via Washington State Department of Commerce - Community Services and Housing Division)	CTED Crime Victims Advocacy	16.575	SFY 2017	71,684	-	71,684	-	1
Bureau of Justice Assistance, JUSTICE, DEPARTMENT OF (via City of Kennewick)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	(JAG) 2016-H2997-WA-DJ	9,374	-	9,374	-	1
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	WA003000000	7,756	-	7,756	-	1
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State DOT - Highways & Local Programs)	Highway Planning and Construction	20.205	STPR-A039(002)	4,224	-	4,224	-	1
	Total Highway Planning and Construction Cluster:			**4,224**	**-**	**4,224**	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Association of Sheriffs & Police Chiefs)	State and Community Highway Safety	20.600	MOU WA Traffic Safety Commission	980	-	980	-	1
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	MOU WA Traffic Safety Commission	8,222	-	8,222	-	1
	Total Highway Safety Cluster:			**9,202**	**-**	**9,202**	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services - Division of Alcohol & Substance Abuse)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	WA 1564-2954 Amendment 3	21,666	-	21,666	20,066	1

The accompanying notes are an integral part of this schedule.

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services - Division of Alcohol & Substance Abuse)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	WA 1763-94242	12,972	-	12,972	11,968	1
			Total CFDA 93.243:	**34,638**	**-**	**34,638**	32,034	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services)	Child Support Enforcement	93.563	2110-80578 / 75-1501-0-1-609	319,404	-	319,404	-	1, 2, 3
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services - Division of Child Support)	Child Support Enforcement	93.563	1463-99074	507,951	-	507,951	-	1, 2, 3
			Total CFDA 93.563:	**827,355**	**-**	**827,355**	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services - Juvenile Rehabilitation Administration)	Foster Care Title IV-E	93.658	1661-68908	771	-	771	-	1
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services - Division of Alcohol & Substance Abuse)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	WA 1563-42594 Amendments 1, 2 & 3	18,474	-	18,474	18,474	1, 2
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services - Division of Alcohol & Substance Abuse)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	WA 1763-94242	10,472	-	10,472	10,472	1, 2
			Total CFDA 93.959:	**28,946**	**-**	**28,946**	28,946	

The accompanying notes are an integral part of this schedule.

U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3317FAS170153	15,414	-	15,414	-	1
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D17-113 & FEMA-4309-DR-WA	58,085	-	58,085	-	1
		Total Federal Awards Expended:		**1,224,232**	**87,803**	**1,312,035**	**234,307**	

The accompanying notes are an integral part of this schedule.

BENTON COUNTY, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the County's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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Toll-free Citizen Hotline	(866) 902-3900
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