



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Benton County

For the period January 1, 2020 through December 31, 2020

Published February 24, 2022

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

February 24, 2022

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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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Benton County January 1, 2020 through December 31, 2020

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, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We 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 deficiencies that we consider to be material weaknesses.

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

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
21.019	COVID-19 – Coronavirus Relief Fund
93.788	Opioid STR

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2020-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2020-002.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Benton County January 1, 2020 through December 31, 2020

2020-001 The County's internal controls over preparing financial statements were inadequate for ensuring accurate financial reporting.

Background

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

All local governments that spend \$750,000 or more in federal funds are required to prepare the Schedule of Expenditures of Federal Awards (SEFA) as part of the annual financial report. The *Budgeting, Accounting and Report System* (BARS) manual contains instructions for preparing the SEFA and includes specialized reporting requirements for certain federal awards. Further, governments must submit their audited financial statements and SEFAs to the Federal Audit Clearinghouse.

Our audit found a material weakness in the County's internal controls over financial reporting that resulted in financial statement errors. *Government Auditing Standards* requires the State Auditor's Office to communicate a material weakness in internal controls as a finding.

Description of Condition

The County prepares multi-fund financial statements in accordance with generally accepted accounting principles (GAAP). These financial statements are complex, and reporting requirements change frequently. Specifically, the County reported fiduciary activities under the most recent guidance of Governmental Accounting Standards Board Statement No. 84. The County is also required to report federal expenditures on the SEFA in accordance with the BARS manual.

During our audit, we found the following deficiencies in internal controls:

- The County lacked adequate controls for ensuring it accurately reported and properly classified fiduciary activities in the financial statements.
- County staff responsible for preparing the SEFA lacked a process for ensuring the amounts it reported on the SEFA were accurate and complete.

Cause of Condition

County staff responsible for preparing the fiduciary fund statements did not use the general ledger system to track the banking activity related to the special purpose local governments in a way that would allow them to accurately summarize and report deductions by each type of activity.

Additionally, each department is responsible for recording transactions accurately and providing a summary of the federal funds that they spent each year for the County Auditor's Office to include in the County's SEFA. The departments were not familiar with applicable reporting requirements for federal expenditure reporting, and the County did not have an overall review process for confirming the accuracy of the amounts reported on the SEFA.

Effect of Condition

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

- Understated the total deduction balance by \$85,592,998 in the fiduciary fund statements
- Misclassified the deductions in the fiduciary fund statements
- Did not report two grants on the SEFA for the Coronavirus Relief Fund (CFDA 21.019), which understated the SEFA by \$3,534,930 and required us to expand our audit work

The County subsequently corrected these errors.

Recommendation

We recommend the County dedicate sufficient resources, including adequate training, to ensure it prepares accurate fiduciary fund statements. Additionally, we recommend the County Auditor's Office establish a review process to ensure that the information other departments provide to be included on the SEFA is accurate.

County's Response

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

processes and procedures over preparation and review of the financial statements to ensure accuracy.

County management will assure that departments acquire training and knowledge to ensure compliance and awareness of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

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

Auditor's Remarks

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

Applicable Laws and Regulations

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

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

Budgeting, Accounting and Report System (BARS) manual, Expenditures of Federal Awards, section 4.14.5, prescribes requirements for reporting federal awards and loans on the SEFA.

Title 2 CFR Part 200, Uniform Guidance, section 502, Basis for determining Federal awards expended.

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

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

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Benton County January 1, 2020 through December 31, 2020

2020-002 The County had inadequate internal controls for ensuring compliance with federal requirements for suspension and debarment and subrecipient monitoring.

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

Description of Condition

During fiscal year 2020, the County spent \$729,683 in federal funding for the Opioid State Targeted Response Program, which included \$245,861 that it passed through to three subrecipients. The objective of the program is to address the opioid abuse crisis within such states, and recipients use funds to carry out activities that supplement activities pertaining to opioids undertaken by the state agency responsible for administering the substance abuse prevention and treatment block grant.

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

Suspension and debarment

Federal requirements prohibit program recipients from contracting with parties that have been suspended or debarred from doing business with the federal government. Whenever the County subawards, regardless of award amount, it must verify the subrecipient has not been suspended, debarred or otherwise excluded. The County can verify a subrecipient's status by reviewing the U.S. General Services Administration's Excluded Parties List System (EPLS),

obtaining a written certification from the subrecipient, or by inserting a clause into the contract that states the subrecipient is not suspended or debarred. The County must perform this verification before awarding federal financial assistance, and it must keep documentation demonstrating compliance with this federal requirement. The County's established procedure of using a general contract template for subawards was ineffective for verifying that all three subrecipients were not suspended or debarred before awarding the contracts.

We consider this internal control deficiency to be a material weakness, which led to material noncompliance. The issue was reported as a finding in the prior audit as finding 2019-001.

Subrecipient monitoring

Federal regulations require the County to evaluate every subrecipient's risk of noncompliance with federal requirements to determine the appropriate level of subrecipient monitoring. Subrecipient monitoring requirements include ensuring compliance with program requirements, ensuring the subrecipient receives a federal Single Audit when required, following up and ensuring the subrecipient takes timely and appropriate action on all audit findings, and issuing a management decision as required.

The County did not have internal controls in place for ensuring compliance with subrecipient monitoring requirements. Specifically, the County did not have adequate controls for monitoring its subrecipients, including ensuring they received a federal Single Audit when required and reviewing subrecipients' audits when applicable. We consider this internal control deficiency to be a material weakness that led to material noncompliance.

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

Cause of Condition

Suspension and debarment

Employees responsible for ensuring compliance with suspension and debarment requirements relied on a general contract template, and they did not know the template did not include a suspension and debarment clause until the State Auditor's Office issued an audit recommendation in November 2020. In the same month, the County updated its contract template to include this language. The County awarded all three subrecipient contracts before November 2020, and it did not use another method to verify the subrecipients' suspension and debarment status.

Subrecipient monitoring

Employees responsible for ensuring compliance with subrecipient monitoring misunderstood the requirement for verifying that each subrecipient received a federal Single Audit when required. The County focused its monitoring on whether it awarded \$750,000 or more of federal funds to its subrecipients, and employees did not know this requirement applied to all subawards regardless of amount.

Effect of Condition

Suspension and debarment

The County did not obtain written certifications, insert a clause into the contracts, or check the EPLS to verify its subrecipients were not suspended or debarred before contracting.

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

We subsequently verified the subrecipients were not suspended or debarred. Therefore, we are not questioning costs for these payments.

Subrecipient monitoring

The County did not verify that its subrecipients received a federal Single Audit when required. Without this verification, the County cannot ensure it is performing the proper level of monitoring and that subrecipients are complying with program requirements.

Recommendation

Suspension and debarment

We recommend the County improve its internal controls to ensure all subrecipients receiving federal funds are not suspended or debarred before entering into contracts with them.

Subrecipient monitoring

We recommend the County improve its internal controls over subrecipient monitoring to ensure it verifies that subrecipients receive a federal Single Audit when required.

County's Response

The County would like to thank the Washington State Auditor's Office for its conclusions, communications and collaboration during the audit. We agree with the finding and recommendations.

The agreements under audit were updated but did not fall under the scope of this audit. The County will review all grant contracts and requirements to ensure appropriate actions are taken to improve internal controls over grant management.

Auditor's Remarks

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

Applicable Laws and Regulations

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

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

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

Title 2 CFR Part 200, Uniform Guidance, section 332 Requirements for pass-through entities, establishes subrecipient monitoring requirements for pass through entities.

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

Jerome Delvin, District 1
 Shon Small, District 2
 Will McKay, District 3



Jerrod MacPherson
 County Administrator
 Matt Rasmussen
 Deputy County Administrator

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Benton County January 1, 2020 through December 31, 2020

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

Audit Period: : January 1, 2019 through December 31, 2019	Report Ref. No.: 1027196	Finding Ref. No.: 2019-001	CFDA Number(s): 93.788
Federal Program Name and Granting Agency: Opioid STR (U.S. Department of Health and Human Services)		Pass-Through Agency Name: Washington Health Care Authority	
Finding Caption: The County lacked adequate internal controls to ensure compliance with suspension and debarment requirements.			
Background: The fiscal year 2019 audit found that the County did not have the information required by Title 2 CFR Part 180, OMB Guidelines to Agencies on Government-wide Debarment and Suspension (Nonprocurement) establishes non-procurement debarment and suspension regulation, implementing Executive Orders 2549 and 12689 that supported the \$673,613 of federal funding for the Opioid State Targeted Response program.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The Department of Human Services amended all federal subrecipient contracts to include language that ensures compliance with suspension and debarment requirements. Proof of amended language can be provided upon request.</i>			

INDEPENDENT AUDITOR'S REPORT

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

Benton County **January 1, 2020 through December 31, 2020**

Board of Commissioners
Benton County
Prosser, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton County, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 15, 2022.

As discussed in Note 18 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the County is unknown. Management's plans in response to this matter are also described in Note 18 to the 2020 financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

We also noted certain matters that we have reported to the management of the County in a separate letter dated February 15, 2022.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2020-001 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

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

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

COUNTY'S RESPONSE TO FINDINGS

The County's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this

report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

February 15, 2022

INDEPENDENT AUDITOR'S REPORT

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

Benton County January 1, 2020 through December 31, 2020

Board of Commissioners
Benton County
Prosser, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Benton County, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2020. 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, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-002. Our opinion on each major federal program is not modified with respect to these matters.

County's Response to Findings

The County's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-002 that we consider to be a material weakness.

County's Response to Findings

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

Purpose of this Report

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



Pat McCarthy, State Auditor

Olympia, WA

February 15, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Benton County **January 1, 2020 through December 31, 2020**

Board of Commissioners
Benton County
Prosser, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton County, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 23.

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 audits. We conducted our audits 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton County, as of December 31, 2020 and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, County Road, Benton Franklin Juvenile Center, Human Services, 1/10 percent Criminal Justice Jail-Juvenile, Rural County Capital, Public Safety Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matter of Emphasis

As discussed in Note 18 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the County is unknown. Management's plans in response to this matter are also described in Note 18. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 23 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. 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 February 15, 2022 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

February 15, 2022

Benton County
January 1, 2020 through December 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Activities – 2020

Governmental Funds Balance Sheet – 2020

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2020

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – County Road – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Benton Franklin Juvenile Center – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Human Services – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – 1/10 Percent Criminal Justice Jail-Juvenile – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Rural County Capital – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Public Safety Tax Fund – 2020

Statement of Net Position – Proprietary Funds – 2020

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2020

Statement of Cash Flows – Proprietary Funds – 2020

Statement of Fiduciary Net Position – Fiduciary Funds – 2020

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2020

Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF I – 2020

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1,
LEOFF 2, PSERS 2 – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2, PSERS 2 – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

Benton County, Washington
Management's Discussion and Analysis

This section of the Benton County's Annual Comprehensive Financial Report (ACFR) presents a narrative overview and analysis of the financial activities of the primary government for the fiscal year ended December 31, 2020. Please read it in conjunction with the County's basic financial statements following this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

The County reports 50 governmental funds. Information is presented separately in the governmental fund balance

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

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

Proprietary funds are used for two purposes: Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County currently does not have Enterprise funds. Internal service funds are used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its rental and maintenance of County vehicles, central services (information technology), workers compensation, other risk management activities, and accumulated leave. The revenues and expenses of the internal service funds that are duplicated in other funds through allocations are eliminated in the government-wide statements, with the remaining balances included in the governmental activities' column.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The County's internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Proprietary fund statements follow the governmental fund statements in this report.

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

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

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

Notes to the Basic Financial Statements provide additional information that is essential to gain a full understanding of the basic financial statements. The notes can be found immediately following the basic financial statements.

Required Supplementary Information In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning Benton County's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements.

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

FINANCIAL HIGHLIGHTS

Government-wide

The total government-wide assets and deferred outflows of resources of the County exceeded the liabilities and deferred inflows of resources on December 31, 2020 by \$ 302,960,860. This is an increase of \$ 25,096,020 from the previous year when assets and deferred outflows of resources exceeds liabilities and deferred inflows of resources by \$ 277,864,840.

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

- (1) Net investment in capital assets of \$ 144,269,823 includes land, improvements, buildings, infrastructure, intangible assets, construction in progress, and other capital assets, net of accumulated depreciation/amortization, and is reduced by outstanding debt.
- (2) Net position of \$92,276,259 is restricted by constraints imposed from outside the County such as laws, regulations or grant restrictions.
- (3) Unrestricted net position represents the portion available to meet ongoing obligations to citizens and creditors is \$66,414,779.

Governmental Fund Financial Statements

As of December 31, 2020, County governmental funds reported combined fund balances of \$151,308,256. This reflects an increase of \$ 3,648,013 from the previous fiscal year. The current year total consists of combined restricted fund balance of \$86,767,692, committed fund balance of \$13,152,508, assigned fund balance of \$24,287,023, and unassigned fund balances of \$27,101,034 for fiscal year 2020.

The General fund is the principal operating fund of Benton County. At the end of the fiscal year, the unassigned fund balance of the County's General Fund was \$27,101,034.

The nonmajor governmental funds had total combined fund balances of \$29,346,341 on December 31, 2020. Of this amount, \$17,445,986 is restricted for special revenue and \$11,900,355 is committed (\$11,390,175 for special revenue, \$510,180 for debt service).

Long-Term Debt

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

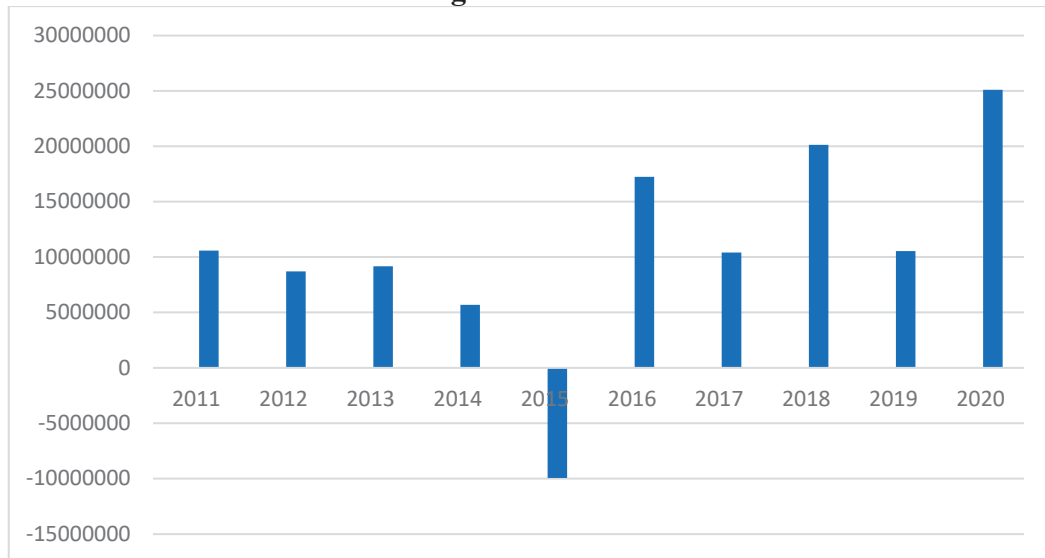
GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$302,960,860 for fiscal year 2020 and \$277,864,840 for fiscal year 2019. Revenues exceeded expenses during the current year, increasing net position by \$25,096,020.

Benton County, Washington
Management's Discussion and Analysis

Condensed Statement of Net Position		
	2020	2019
Current & other assets	181,359,349	175,018,079
Capital assets (net of depr.)	159,001,486	147,643,087
Total assets	340,360,835	322,661,166
Deferred outflows of resources	4,410,759	3,742,712
Long-term liabilities	26,019,646	28,877,161
Other liabilities	11,154,446	11,258,239
Total Liabilities	37,174,092	40,135,401
Deferred inflows of resources	4,636,641	8,403,637
Net position:		
Net investment in capital assets	144,269,823	130,032,867
Restricted	92,276,259	81,041,042
Unrestricted	66,414,779	66,790,931
Total net position	302,960,860	277,864,840

Change in Net Position



The largest portion of the County’s current fiscal year net position, \$14,4264,403, is invested in capital assets (e.g. land, improvements, buildings, equipment, and infrastructure) less any related outstanding debt used to acquire those assets. The primary use of these capital assets is to provide services to citizens; therefore, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

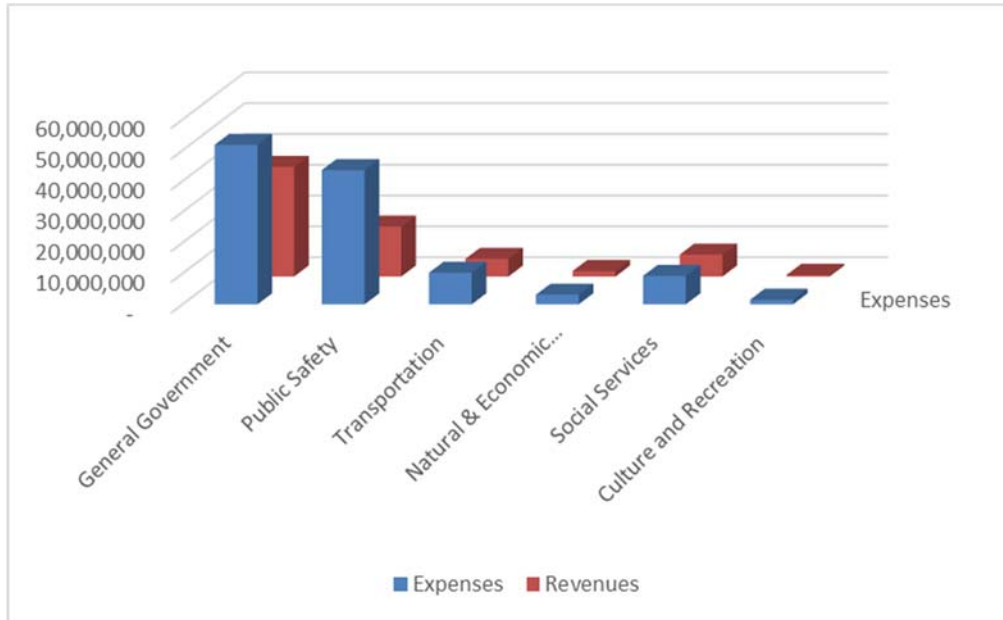
Another portion of the County's current fiscal year net position, \$66,897,931, represents unrestricted net position, which is normally available to meet the County's ongoing unrestricted obligations to citizens and creditors. The remaining balance of net position represents resources that are subject to external restrictions on how they may be used. A large portion of the restricted net position, \$46,599,500, is for use for public safety activities including those funded by the Public Safety Sales Tax which the County Citizens approved in 2014. It is used for activities that substantially assist the criminal justice system, which may include circumstances where ancillary benefit to the civil justice system occurs, and which includes domestic violence services such as those provided by domestic violence programs, community advocates, and legal advocates. Restricted net position of \$21,273,656 is related to general governmental activities subject to restrictions on how it may be used with much of the balance dedicated to funding public facilities serving economic development purposes in rural counties and finance personnel in economic development. \$10,460,924 is restricted for providing mental health services or community services for people with developmental disabilities. The \$8,156,855 restricted balance for transportation is mainly from property tax levy. Road levy must be used for planning, constructing, altering, repairing, improving, and maintaining county roads, bridges, and other county road purposes including pedestrian and bicycle facilities. Other restrictions include \$4,473,750 for housing assistance and assistance to indigent veterans. \$595,152 is restricted for park development, maintaining paths and trails and the operations and maintenance of the local pest board.

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

Condensed Statement of Activities		
	2020	2019
Revenues		
Program revenues:		
Charges for services	29,545,124	34,198,660
Operating grants and contrib.	28,534,876	6,660,458
Capital grants and contributions	6,012,021	1,130,776
General revenues:		
Taxes	73,776,418	73,311,105
Interest earning on invest.	3,191,007	4,311,685
Total revenues	141,059,447	119,612,684
Program Expenses		
General Government	48,874,421	38,293,215
Public Safety	44,212,792	42,654,117
Transportation	9,070,351	11,170,347
Natural & Economic Environment	2,998,815	5,679,282
Social Services	9,371,057	5,839,020
Culture and Recreation	1,156,141	1,511,245
Interest on Long Term Debt	279,850	433,387
Total expenses	115,963,427	105,580,614
Special Item	0	(2,237,237)
Change in net position	25,096,020	11,794,833
Net position as of Jan 1	277,864,840	266,070,007
Net position as of Dec 31	302,960,860	277,864,840

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

Program Revenues and Expenses - Governmental Activities

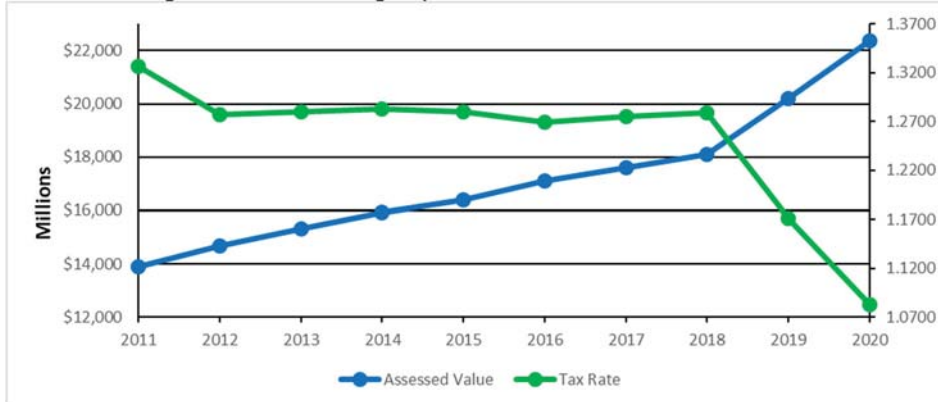


Revenues

For fiscal year ended December 31, 2020, revenues for the primary government totaled \$144,796,301.

Sales Taxes of \$32,010,988 is a large revenue source for general governmental activities and 22% of total revenues this is a \$0.72M decrease from prior year taxes of \$32,731,701. Property Taxes increased by 5.2% from the prior year. The tax rate was \$1.0830 per \$1000 of assessed value for fiscal year 2020. The taxable assessed value increased in fiscal year 2020 to \$ 22,360,652,009 from the taxable assessed value in the prior fiscal year of \$ 20,195,434,443.

Historical Comparison of the Property Tax Rate versus Taxable Assessed Valuation



Program revenues are derived from the program itself and reduce the cost of the function to the County. Total program revenues were \$67,119,939 or 46% of total revenues, which increased \$25,130,044 compared to the prior year. This increase is attributable to grants for Covid-19 mitigation efforts.

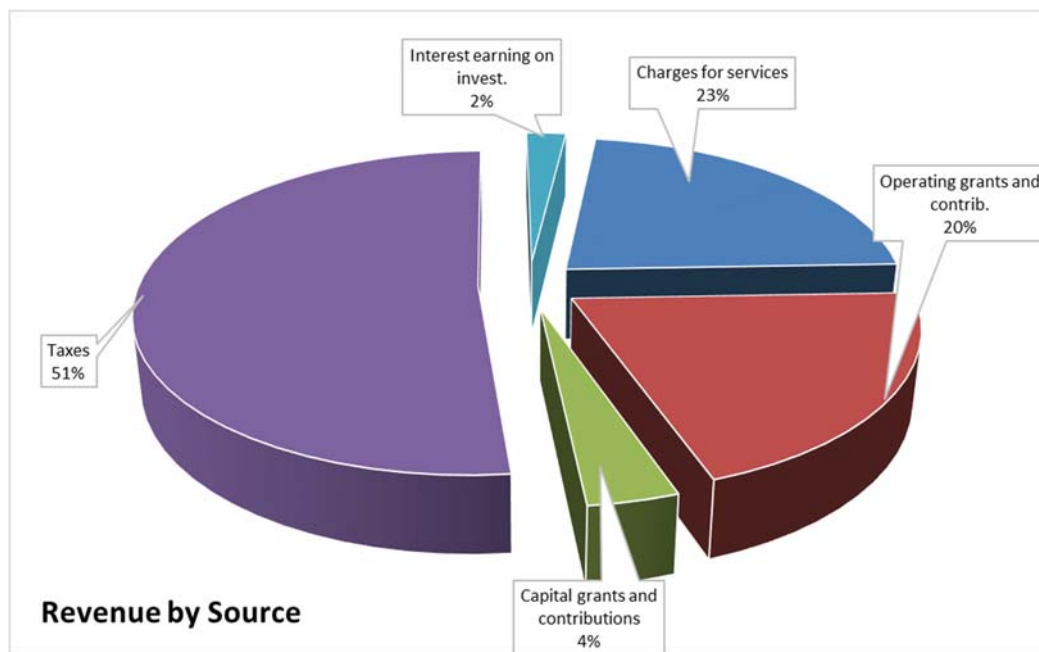
Benton County, Washington
Management's Discussion and Analysis

The largest portion of program revenues for 2020 is Operating Grants and Contributions of \$29,284,876. The County received \$19.4 million in Coronavirus Relief Fund awards and more than \$370,000 in election security funding for the general election. Over \$4.3 million was received for Covid-19 emergency housing. More than \$700,000 was allocated to the County for opioid treatment networks. Also, a capital apportionment from the State for \$750,000 was received for design and construction of a juvenile at-risk youth services center. Transportation funding increased by almost \$4.0 million compared to the prior year. Mainly due to infrastructure completion by developers.

Of that \$16,755,697 is from governmental activities, which includes fees collected from filing and recording by the courts, fees collected by the tax collector and fees for automobile registrations and recording. Public Safety charges for services of \$12,928,059 includes payments from the local jurisdictions for housing inmates and other Sheriff services. Due to Covid mitigation the jail reduced the inmate population. This is a decrease of over \$1.6 million from the prior year.

General revenues are revenues that cannot be assigned to a specific function. They consist of taxes (previously discussed), Earnings on Investments of \$ 3,191,007 (2.2% of total revenues), and other entitlements, impact and in-lieu payments of \$ 8,844,045 (6.1% of total revenues).

REVENUES BY SOURCE
Year ended December 31, 2020



Expenses

For fiscal year ended December 31, 2020, expenses for the primary government totaled \$115,963,426.

The County's largest governmental functions in 2020 are General Government, Public Safety and Social Services. The Covid-19 mitigation efforts allowed for the County to disburse over \$5.7 million to small businesses to

Benton County, Washington
Management's Discussion and Analysis

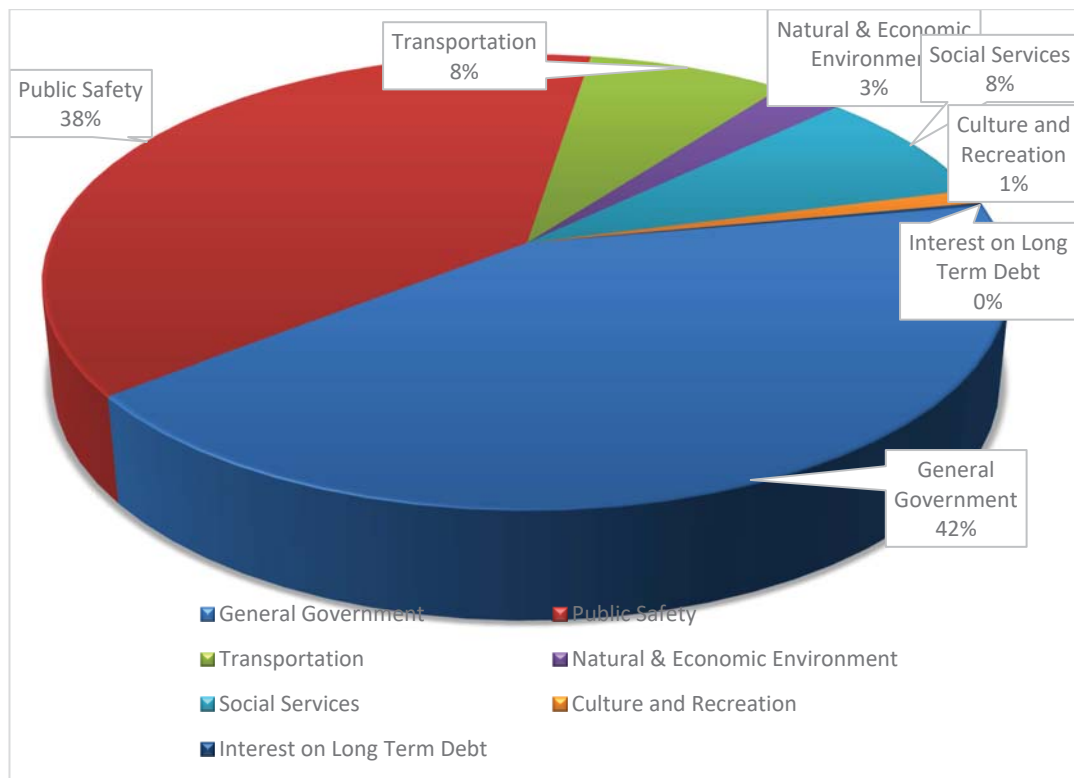
maintain business continuity during this unprecedented pandemic. Law enforcement and custody of prisoners encompasses the Public Safety expenditures. Technology upgrades were implemented in the jail and courts to allow for remote communications. The Human Services department focused on emergency housing for the local population experiencing homelessness or in need of quarantine or isolation due to the pandemic.

The expenses for the Roads and Bridges governmental activity's function were \$9,070,651 or 7.8% of total expenses. The County owns and maintains over 884 miles of roads and 52 bridges.

The Interest on long term debt was \$279,850 constituted 0.2% of total expenses and decreased \$153,537. The County retired the debt from the 2003 Limited Tax General Obligation Refunding Bonds.

The remaining governmental activities functions are Natural and Economic Environment and Culture and Recreation with expenses of \$4,154,956 or 3.6%, which includes operation of the County parks, fairgrounds, economic development, animal and pest control and the local extension office to name a few. Because of the pandemic rentals of the Fairgrounds and buildings was put on hold which decreased the costs of maintenance.

EXPENSES BY FUNCTION
 Year ended December 31, 2020



FINANCIAL ANALYSIS OF MAJOR FUNDS

The General fund, County Road, Benton-Franklin Juvenile Center, Human Services, 1/10% Criminal Justice, Rural County Capital, and Public Safety Tax funds account for 90% of all governmental fund revenue and 83% of all expenditures. The Capital Acquisition fund is considered a major fund by the merits of its total assets. The

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

Human Services fund, 1/10% Criminal Justice fund and Rural County Capital are classified as major funds because of their public interest to financial statement users. Together these eight funds account for 64% of total governmental fund balance.

The General fund is the principal operating fund of Benton County. At the end of the current fiscal year, unassigned fund balance of the General fund was \$27,101,034, which represents 38% of total General fund expenditures. The fund balance of General fund increased by \$8,872,972 during the current fiscal year. This increase is attributed to grant funding for Covid-19 Relief Fund activities and the addition of the Benton-Franklin Juvenile Center fund as a major fund this year adding almost four million to the major fund classification.

The fund balance of the County Road special revenue fund increased by 12% or \$881,979 during the current fiscal year. Grant revenues and transfers are lower than prior years and transfers from other funds increased for 2020.

The Public Safety Sales Tax fund balance decreased by \$1,101,333 or 5%. The purpose and goal of the Public Safety Sales Tax is to improve public safety, including combating criminal gangs. The tax funds the hiring of additional deputies, corrections officers, prosecutors, the Metro Drug Task Force, gang and crime prevention efforts, and court and clerk programs including drug, mental health, and veterans' courts. The tax is scheduled to expire December 31, 2024. More specific information regarding this tax can be found on the County's website.

As the County continues to upgrade the campus infrastructure the Capital Acquisition fund has received \$750,000 increase to fund balance from funding from the State of Washington for the final design and construction for an At-risk Youth Services Center. This Center has not been started at this time. The County also began construction of an administration building to house several administrative and service departments. Completion is expected Fall of 2021.

Benton County, Washington
Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

In 2018, Benton County adopted the budget for the 2019/2020 biennium. The following table shows the changes between the original and the final General Fund budget as of December 31, 2020.

Benton County, Washington
General Fund Changes in Budget
As of December 31, 2020

	2019 / 2020 Biennium		
	Original Budget	Final Budget	Changes Increase (Decrease)
<i>Revenues</i>			
Taxes	\$ 72,649,465	\$ 72,649,465	\$ 0
Licenses and Permits	192,030	192,030	0
Intergovernmental	10,311,828	26,622,392	16,310,564
Charges for Services	36,226,273	36,226,273	0
Fines and Forfeits	4,204,460	4,204,460	0
Miscellaneous Revenues	3,937,622	3,937,622	0
Total Revenues	<u>127,521,678</u>	<u>143,832,242</u>	<u>16,310,564</u>
<i>Expenditures</i>			
General Government	62,571,263	73,380,364	10,809,101
Public Safety	56,253,835	59,205,829	2,951,994
Natural & Economic Environment	2,353,491	3,457,423	1,103,932
Social Services	1,781,279	1,834,971	53,692
Culture and Recreation	1,100,186	1,115,930	15,744
Capital Outlay	42,200	1,325,895	1,283,695
Total Expenditures	<u>124,102,254</u>	<u>140,320,412</u>	<u>16,218,158</u>
Excess (Deficit) Revenues Over Expenditures	<u>3,419,424</u>	<u>3,511,830</u>	<u>92,406</u>
<i>Other Financing Sources (Uses)</i>			
Operating Transfers In	2,105,997	2,105,997	0
Operating Transfers Out	<u>(6,470,272)</u>	<u>(10,171,361)</u>	<u>3,701,089</u>
Total Other Financing Sources (Uses)	<u>(4,364,275)</u>	<u>(8,065,364)</u>	<u>3,701,089</u>
Excess (Deficit) Resources Over Uses	(944,851)	(4,553,534)	(3,608,683)
Fund Balance, January 1	4,785,000	4,785,000	0
Fund Balance, December 31	<u>\$ 3,840,149</u>	<u>\$ 231,466</u>	<u>\$ (3,608,683)</u>

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

As mentioned previously, Benton County adopts a biennial budget. The year ended December 31, 2020, marks the completion of the County's 2019/2020 biennial budget cycle.

Seven budget adjustments were made to the County's budget during 2020. Adjustments were made for the Cash Carry Forward per the budget policy and to allow for expenditures associated with grants received after the initial budget was adopted. These grants included distributions related to Covid-19 mitigation. The budgetary comparison statement for the general fund provides both the original adopted and adjusted biennial budget for the general fund.

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

General Fund
For the Year Ended December 31, 2020

	Original Biennial Budget	Final Biennial Budget	2019 Actual	2020 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>					
Taxes	\$ 72,649,465	\$ 72,649,465	\$ 38,698,276	\$ 38,583,626	\$ 4,632,437
Licenses and Permits	192,030	192,030	110,376	156,961	75,307
Intergovernmental Revenues	10,311,828	26,622,392	6,296,356	23,519,070	3,193,035
Charges for Services	36,226,273	36,226,273	19,271,755	16,295,806	(658,712)
Fines and Forfeitures	4,204,460	4,204,460	1,870,883	1,634,638	(698,940)
Miscellaneous Revenue	3,937,622	3,937,622	3,439,774	3,396,858	2,899,011
Total Revenues	127,521,678	143,832,242	69,687,420	83,586,960	9,442,138
<u>Expenditures</u>					
General Government Services	62,571,263	73,380,364	29,163,093	38,480,573	(5,736,698)
Public Safety	56,253,835	59,205,829	28,271,423	29,625,075	(1,309,331)
Transportation	0	0	0	110	110
Natural & Economic Environment	2,353,491	3,457,423	1,257,502	1,923,208	(276,713)
Social Services	1,781,279	1,834,971	902,319	844,680	(87,973)
Culture and Recreation	1,100,186	1,115,930	530,090	533,944	(51,896)
Capital Outlay	42,200	1,325,895	8,932	465,079	(851,884)
Total Expenditures	124,102,254	140,320,412	60,133,359	71,872,668	(8,314,385)
Excess(Deficiency) of Revenues over Expenditures	3,419,424	3,511,830	9,554,062	11,714,292	17,756,523
<u>Other Financing Sources (Uses)</u>					
Sale of Capital Assets	0	0	0	19,100	19,100
Transfers In	2,105,997	2,105,997	1,190,605	987,121	71,729
Transfers Out	(6,470,272)	(10,171,361)	(3,098,953)	(3,843,306)	(3,229,102)
Total Other Financing Sources (Uses)	(4,364,275)	(8,065,364)	(1,908,348)	(2,837,085)	(3,319,932)
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	(944,851)	(4,553,534)	7,645,714	8,877,207	21,076,455
Fund Balance, January 1	4,785,000	4,785,000	10,582,348	18,228,062	5,797,348
Fund Balance, December 31	\$ 3,840,149	\$ 231,466	\$ 18,228,062	\$ 27,105,269	\$ 26,873,803

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. Benton County's investment in capital assets as of December 31, 2020, amounts to \$150,005,570 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, highways, and bridges.

The County's investment in capital assets increased 8%. Capital outlay in law enforcement equipment and road maintenance equipment was the most significant capital purchases completed this year.

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

Benton County's Capital Assets (net of depreciation)		
	2020	2019
Land	17,260,554	15,432,819
Construction in progress	10,020,293	866,521
Other improvements	2,459,323	2,686,641
Buildings	21,911,782	25,475,677
Equipment	13,354,586	11,009,866
Infrastructure	84,999,033	82,848,166
Total	150,005,570	138,319,690

Long-term Debt. At the end of the current fiscal year, Benton County had total bonded debt outstanding of \$4,335,000. The total amount of this debt is backed by the full faith and credit of the government. Benton County's total bonded debt decreased by \$2,250,000 (34%) during the current fiscal year. One of the two bonds was satisfied in 2020. The County has a continuing goal to sustain the County's debt rating. As of December 31, 2020, the bond rating services of Moody's Investors Service, Inc. and Standard & Poor's Ratings Services assigned the County long term bond ratings of Aaa and AAA, respectively.

See note 9 for further information about long term debt.

OTHER SIGNIFICANT MATTERS

In early 2021 the County was awarded approximately \$40 million in funds from the American Rescue Plan Act of 2021 (ARPA). The first installment of \$20 million has been received. Eligible uses of these funds include:

- Revenue replacement for the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, relative to revenues collected in the most recent fiscal year prior to the emergency,
- COVID-19 expenditures or negative economic impacts of COVID-19, including assistance to small businesses, households, and hard-hit industries, and economic recovery,
- Premium pay for essential workers,
- Investments in water, sewer, and broadband infrastructure.

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

Benton County, Washington
Management's Discussion and Analysis

REQUEST FOR INFORMATION

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

Benton County, Washington
Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

In 2018, Benton County adopted the budget for the 2019/2020 biennium. The following table shows the changes between the original and the final General Fund budget as of December 31, 2020.

Benton County, Washington
General Fund Changes in Budget
As of December 31, 2020

	2019 / 2020 Biennium		
	Original Budget	Final Budget	Changes Increase (Decrease)
<i>Revenues</i>			
Taxes	\$ 72,649,465	\$ 72,649,465	\$ 0
Licenses and Permits	192,030	192,030	0
Intergovernmental	10,311,828	26,622,392	16,310,564
Charges for Services	36,226,273	36,226,273	0
Fines and Forfeits	4,204,460	4,204,460	0
Miscellaneous Revenues	3,937,622	3,937,622	0
Total Revenues	<u>127,521,678</u>	<u>143,832,242</u>	<u>16,310,564</u>
<i>Expenditures</i>			
General Government	62,571,263	73,380,364	10,809,101
Public Safety	56,253,835	59,205,829	2,951,994
Natural & Economic Environment	2,353,491	3,457,423	1,103,932
Social Services	1,781,279	1,834,971	53,692
Culture and Recreation	1,100,186	1,115,930	15,744
Capital Outlay	42,200	1,325,895	1,283,695
Total Expenditures	<u>124,102,254</u>	<u>140,320,412</u>	<u>16,218,158</u>
Excess (Deficit) Revenues Over Expenditures	<u>3,419,424</u>	<u>3,511,830</u>	<u>92,406</u>
<i>Other Financing Sources (Uses)</i>			
Operating Transfers In	2,105,997	2,105,997	0
Operating Transfers Out	<u>(6,470,272)</u>	<u>(10,171,361)</u>	<u>3,701,089</u>
Total Other Financing Sources (Uses)	<u>(4,364,275)</u>	<u>(8,065,364)</u>	<u>3,701,089</u>
Excess (Deficit) Resources Over Uses	(944,851)	(4,553,534)	(3,608,683)
Fund Balance, January 1	4,785,000	4,785,000	0
Fund Balance, December 31	<u>\$ 3,840,149</u>	<u>\$ 231,466</u>	<u>\$ (3,608,683)</u>

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

As mentioned previously, Benton County adopts a biennial budget. The year ended December 31, 2020, marks the completion of the County's 2019/2020 biennial budget cycle.

Seven budget adjustments were made to the County's budget during 2020. Adjustments were made for the Cash Carry Forward per the budget policy and to allow for expenditures associated with grants received after the initial budget was adopted. These grants included distributions related to Covid-19 mitigation. The budgetary comparison statement for the general fund provides both the original adopted and adjusted biennial budget for the general fund.

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

General Fund
For the Year Ended December 31, 2020

	Original Biennial Budget	Final Biennial Budget	2019 Actual	2020 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>					
Taxes	\$ 72,649,465	\$ 72,649,465	\$ 38,698,276	\$ 38,583,626	\$ 4,632,437
Licenses and Permits	192,030	192,030	110,376	156,961	75,307
Intergovernmental Revenues	10,311,828	26,622,392	6,296,356	23,519,070	3,193,035
Charges for Services	36,226,273	36,226,273	19,271,755	16,295,806	(658,712)
Fines and Forfeitures	4,204,460	4,204,460	1,870,883	1,634,638	(698,940)
Miscellaneous Revenue	3,937,622	3,937,622	3,439,774	3,396,858	2,899,011
Total Revenues	127,521,678	143,832,242	69,687,420	83,586,960	9,442,138
<u>Expenditures</u>					
General Government Services	62,571,263	73,380,364	29,163,093	38,480,573	(5,736,698)
Public Safety	56,253,835	59,205,829	28,271,423	29,625,075	(1,309,331)
Transportation	0	0	0	110	110
Natural & Economic Environment	2,353,491	3,457,423	1,257,502	1,923,208	(276,713)
Social Services	1,781,279	1,834,971	902,319	844,680	(87,973)
Culture and Recreation	1,100,186	1,115,930	530,090	533,944	(51,896)
Capital Outlay	42,200	1,325,895	8,932	465,079	(851,884)
Total Expenditures	124,102,254	140,320,412	60,133,359	71,872,668	(8,314,385)
Excess(Deficiency) of Revenues over Expenditures	3,419,424	3,511,830	9,554,062	11,714,292	17,756,523
<u>Other Financing Sources (Uses)</u>					
Sale of Capital Assets	0	0	0	19,100	19,100
Transfers In	2,105,997	2,105,997	1,190,605	987,121	71,729
Transfers Out	(6,470,272)	(10,171,361)	(3,098,953)	(3,843,306)	(3,229,102)
Total Other Financing Sources (Uses)	(4,364,275)	(8,065,364)	(1,908,348)	(2,837,085)	(3,319,932)
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	(944,851)	(4,553,534)	7,645,714	8,877,207	21,076,455
Fund Balance, January 1	4,785,000	4,785,000	10,582,348	18,228,062	5,797,348
Fund Balance, December 31	\$ 3,840,149	\$ 231,466	\$ 18,228,062	\$ 27,105,269	\$ 26,873,803

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. Benton County's investment in capital assets as of December 31, 2020, amounts to \$150,005,570 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, highways, and bridges.

The County's investment in capital assets increased 8%. Capital outlay in law enforcement equipment and road maintenance equipment was the most significant capital purchases completed this year.

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

Benton County's Capital Assets (net of depreciation)		
	2020	2019
Land	17,260,554	15,432,819
Construction in progress	10,020,293	866,521
Other improvements	2,459,323	2,686,641
Buildings	21,911,782	25,475,677
Equipment	13,354,586	11,009,866
Infrastructure	84,999,033	82,848,166
Total	150,005,570	138,319,690

Long-term Debt. At the end of the current fiscal year, Benton County had total bonded debt outstanding of \$4,335,000. The total amount of this debt is backed by the full faith and credit of the government. Benton County's total bonded debt decreased by \$2,250,000 (34%) during the current fiscal year. One of the two bonds was satisfied in 2020. The County has a continuing goal to sustain the County's debt rating. As of December 31, 2020, the bond rating services of Moody's Investors Service, Inc. and Standard & Poor's Ratings Services assigned the County long term bond ratings of Aaa and AAA, respectively.

See note 9 for further information about long term debt.

OTHER SIGNIFICANT MATTERS

In early 2021 the County was awarded approximately \$40 million in funds from the American Rescue Plan Act of 2021 (ARPA). The first installment of \$20 million has been received. Eligible uses of these funds include:

- Revenue replacement for the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, relative to revenues collected in the most recent fiscal year prior to the emergency,
- COVID-19 expenditures or negative economic impacts of COVID-19, including assistance to small businesses, households, and hard-hit industries, and economic recovery,
- Premium pay for essential workers,
- Investments in water, sewer, and broadband infrastructure.

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

Benton County, Washington
Management's Discussion and Analysis

REQUEST FOR INFORMATION

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

BENTON COUNTY, WASHINGTON

Statement of Net Position

December 31, 2020

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<i>ASSETS</i>	
Cash/Cash Equivalents and Equity in Pooled Investments	\$ 157,246,830
Investments	8,357,991
Receivables	9,792,174
Due From Other Governments	3,823,927
Inventories, prepaids and other assets	2,138,427
Joint Ventures	4,713,309
Capital Assets:	
Land	5,326,093
Infrastructure	97,254,763
Construction in Progress	9,699,025
Other Capital Assets (Net of Depreciation)	37,725,691
Restricted Net Pension Asset	4,277,185
 Total Assets	 <u>340,355,415</u>
 <i>DEFERRED OUTFLOWS OF RESOURCES</i>	
Related to Pensions	4,270,942
Related to OPEB	139,817
Total Deferred Outflows of Resources	<u>4,410,759</u>
 Total Assets and Deferred Outflows of Resources	 \$ <u><u>344,766,174</u></u>
 <i>LIABILITIES</i>	
Accounts Payable and Other Current Liabilities	\$ 6,070,125
Accrued Liabilities	5,084,321
Long-Term Liabilities:	
Due within one year	823,218
Due in more than one year	8,252,954
Net pension liability	11,098,503
Total OPEB liability	5,844,970
Total Liabilities	<u>37,174,091</u>
 <i>DEFERRED INFLOWS OF RESOURCES</i>	
Deferred Inflows Related to Pensions	4,636,641
Total Deferred Inflows of Resources	<u>4,636,641</u>
 Total Liabilities and Deferred Inflows of Resources	 \$ <u><u>41,810,732</u></u>
 <i>NET POSITION</i>	
Net Investment in Capital Assets	\$ 144,269,823
Restricted for:	
General Government	21,273,656
Public Safety	47,082,652
Mental & Health Services	10,460,924
Economic Environment	4,707,019
Transportation	8,156,855
Culture & Recreation	595,152
Unrestricted	66,414,779
Total Net Position	<u>\$ 302,960,860</u>

BENTON COUNTY, WASHINGTON

Statement of Activities
Year Ended December 31, 2020

	Program Revenues			Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government
Functions/Programs					
Primary Government:					
Governmental Activities:					
General Government	\$ 48,874,420	\$ 14,217,853	\$ 18,852,587	\$ 0	\$ (15,803,980)
Public Safety	44,212,792	12,704,329	2,560,369	750,000	(28,198,095)
Transportation	9,070,351	431,712	0	5,088,302	(3,550,338)
Natural & Economic Environment	2,998,815	1,517,066	102,909	173,719	(1,205,122)
Social Services	9,371,057	362,857	6,765,912	0	(2,242,288)
Culture and Recreation	1,156,141	311,308	253,100	0	(591,733)
Interest on Long Term Debt	279,850	0	0	0	(279,850)
Total Governmental Activities	115,963,426	29,545,124	28,534,876	6,012,021	(51,871,405)
Total Primary Government	\$ 115,963,426	\$ 29,545,124	\$ 28,534,876	\$ 6,012,021	\$ (51,871,405)
General Revenues					
Taxes:					
Property					30,986,113
Sales					31,672,555
Entitlements, Impact & In-lieu Payments					8,844,045
Excise Taxes					1,590,453
Penalties & Interest on Delinquent Taxes					683,252
Interest and Investment Earnings					3,191,007
Total General Revenues					76,967,425
Change in Net Position					25,096,020
Net Position as of January 1					277,864,840
Net Position as of December 31					\$ 302,960,860

See accompanying notes to the financial statements

BENTON COUNTY, WASHINGTON

Balance Sheet
 Governmental Funds
 December 31, 2020

	Major Funds				
	General Fund	County Road	Benton Franklin Juvenile Center	Human Services	1/10% Criminal Justice Fund
<i>ASSETS</i>					
Cash and Pooled Investments	\$ 25,758,144	\$ 8,234,223	2,579,471	\$ 5,714,819	\$ 16,722,713
Taxes Receivable	2,955,599	137,019	0	0	951,043
Accounts Receivable	571,362	4,993	3,124	1,600	0
Assessments Receivable	0	0	0	0	0
Interest Receivable	0	17,941	0	0	0
Due From Other Funds	1,062,104	769,082	0	39,340	0
Prepayments	7,233	0	0	0	0
Due From Other Gvmmntl Units	2,269,040	20,095	225,745	1,154,332	0
Total Assets	<u>\$ 32,623,482</u>	<u>\$ 9,183,353</u>	<u>\$ 2,808,340</u>	<u>\$ 6,910,091</u>	<u>\$ 17,673,756</u>
<i>LIABILITIES</i>					
Accounts/Vouchers Payable	\$ 730,843	\$ 431,941	117,181	\$ 696,775	\$ 0
Warrants Payable	397,323	2,908	20,170	301,148	0
Due To Other Funds	74,653	181,814	967,532	444,274	0
Due To Other Governmental Units	0	0	0	241,898	0
Accrued Wages Payable	3,399,460	276,525	451,304	62,417	0
Total Liabilities	<u>4,602,278</u>	<u>893,187</u>	<u>1,556,187</u>	<u>1,746,512</u>	<u>0</u>
<i>DEFERRED INFLOWS</i>					
Unavailable Rev. - Property Tax	502,990	137,019	0	0	0
Unavailable Rev. - Court Judgments	417,180	0	0	0	0
Total Deferred Inflows of Resources	<u>920,170</u>	<u>137,019</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>FUND BALANCES</i>					
Restricted	0	8,153,146	0	5,163,579	17,673,756
Committed	0	0	1,252,152	0	0
Assigned	0	0	0	0	0
Unassigned	27,101,034	0	0	0	0
Total Fund Balances	<u>27,101,034</u>	<u>8,153,146</u>	<u>1,252,152</u>	<u>5,163,579</u>	<u>17,673,756</u>
Total Liabilities, Fund Balances and Deferred Inflows of Resources	<u>\$ 32,623,482</u>	<u>\$ 9,183,353</u>	<u>\$ 2,808,340</u>	<u>\$ 6,910,091</u>	<u>\$ 17,673,756</u>

BENTON COUNTY, WASHINGTON

Balance Sheet
 Governmental Funds
 December 31, 2020

	Major Funds			Other Governmental Funds	Total
	Rural County Capital Fund	Public Safety Tax Fund	Capital Acquisition		
<i>ASSETS</i>					
Cash and Pooled Investments	\$ 17,542,518	\$ 18,649,961	\$ 26,374,283	\$ 29,836,353	\$ 151,412,484
Taxes Receivable	860,716	1,594,943	0	154,931	6,654,251
Accounts Receivable	0	0	0	192,119	773,198
Assessments Receivable	0	0	0	5,880	5,880
Interest Receivable	0	40,492	0	25,464	83,897
Due From Other Funds	0	0	0	489,143	2,359,668
Prepayments	0	0	0	0	7,233
Due From Other Gvmntl Units	0	0	0	151,771	3,820,984
Total Assets	<u>\$ 18,403,234</u>	<u>\$ 20,285,396</u>	<u>\$ 26,374,283</u>	<u>\$ 30,855,662</u>	<u>\$ 165,117,596</u>
<i>LIABILITIES</i>					
Accounts/Vouchers Payable	\$ 266,772	\$ 303,023	\$ 1,265,156	\$ 246,106	\$ 4,057,797
Warrants Payable	0	85,913	6,483	293,534	1,107,479
Due To Other Funds	0	76,200	43,697	753,238	2,541,409
Due To Other Governmental Units	0	0	59	0	241,957
Accrued Wages Payable	0	375,495	21,865	194,555	4,781,621
Total Liabilities	<u>266,772</u>	<u>840,632</u>	<u>1,337,260</u>	<u>1,487,434</u>	<u>12,730,264</u>
<i>DEFERRED INFLOWS</i>					
Unavailable Rev. - Property Tax	0	0	0	21,887	661,896
Unavailable Rev. - Court Judgments	0	0	0	0	417,180
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,887</u>	<u>1,079,076</u>
<i>FUND BALANCES</i>					
Restricted	18,136,462	19,444,764	750,000	17,445,986	86,767,692
Committed	0	0	0	11,900,355	13,152,508
Assigned	0	0	24,287,023	0	24,287,023
Unassigned	0	0	0	0	27,101,034
Total Fund Balances	<u>18,136,462</u>	<u>19,444,764</u>	<u>25,037,023</u>	<u>29,346,341</u>	<u>\$ 151,308,256</u>
Total Liabilities, Fund Balances and Deferred Inflows of Resources	<u>\$ 18,403,234</u>	<u>\$ 20,285,396</u>	<u>\$ 26,374,283</u>	<u>\$ 30,855,662</u>	<u>\$ 165,117,596</u>

BENTON COUNTY, WASHINGTON

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2020

Total fund balances as shown on the Governmental Fund Balance Sheet:	\$ 151,308,256
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. This amount reflects the initial investment in capital assets, including construction in progress at 12/31/18. This amount does not include internal service fund capital assets, which are included as a reconciling item in a note further down on this page.	270,840,010
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.	(122,554,875)
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds.	7,605,054
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the funds.	4,265,102
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.	(4,469,101)
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.	21,101,635
Long-term liabilities that are not due and payable in the current period and are not reported in the funds.	(25,135,220)
Total Net Position, as reflected on the Statement of Net Position:	\$ 302,960,860

BENTON COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended December 31, 2020

	Major Funds				
	General Fund	County Roads	Benton Franklin Juvenile Center	Human Services	1/10% Criminal Justice Fund
<u>Revenues</u>					
Property Taxes	\$ 24,023,957	\$ 6,198,549	\$ 0	\$ 0	\$ 0
Sales and Use Taxes	13,646,388	0	0	0	5,043,384
Other Taxes	913,281	116,967	0	0	0
Licenses and Permits	156,961	7,000	0	0	0
Intergovernmental	23,519,070	3,675,890	1,544,641	6,705,356	0
Charges for Services	16,295,806	231,861	2,416,457	555,884	0
Fines and Forfeits	1,634,638	0	0	0	0
Interest Earnings	3,012,302	122,029	0	0	0
Donations	104,255	0	0	0	0
Other Revenues	280,302	85,669	5,099	0	0
Total Revenues	83,586,960	10,437,965	3,966,197	7,261,240	5,043,384
<u>Expenditures</u>					
Current:					
General Governmental Services	38,484,809	0	0	0	0
Public Safety	29,625,075	0	7,145,989	0	1,597,291
Transportation	110	9,291,098	0	0	0
Natural & Economic Environment	1,923,208	0	0	0	0
Social Services	844,680	0	0	6,380,231	0
Culture and Recreation	533,944	0	0	0	0
Debt Service:					
Principal	0	197,748	0	0	0
Interest	0	4,944	0	0	0
Capital Outlay	465,079	753,625	42,917	0	102,324
Total Expenditures	71,876,904	10,247,414	7,188,907	6,380,231	1,699,615
Excess (Deficit) Revenues Over Expenditures	11,710,056	190,550	(3,222,710)	881,009	3,343,769
<u>Other Financing Sources (Uses)</u>					
Proceeds of Capital Assets	19,100	0	3,245	0	0
Transfers In	987,121	711,784	3,715,879	0	0
Transfers Out	(3,843,306)	(20,355)	0	0	(1,782,994)
Total Other Financing Source (Uses)	(2,837,085)	691,429	3,719,124	0	(1,782,994)
Net Change in Fund Balance	8,872,972	881,979	496,414	881,009	1,560,775
Fund Balance-January 1	18,228,062	7,271,168	755,739	4,282,569	16,112,981
Fund Balance-December 31	\$ 27,101,034	\$ 8,153,147	\$ 1,252,153	\$ 5,163,578	\$ 17,673,756

BENTON COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended December 31, 2020

	Major Funds			Other Governmental Funds	Total
	Rural County Capital Fund	Public Safety Tax Fund	Capital Acquisition		
<u>Revenues</u>					
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 810,647	\$ 31,033,154
Sales and Use Taxes	4,579,028	8,403,755	0	0	31,672,555
Other Taxes	0	0	0	1,243,458	2,273,705
Licenses and Permits	0	0	0	1,031,176	1,195,138
Intergovernmental	0	0	1,139,473	1,948,822	38,533,252
Charges for Services	0	0	27,200	5,645,136	25,172,343
Fines and Forfeits	0	0	0	3,516	1,638,153
Interest Earnings	0	289,758	57,749	(29,602)	3,452,235
Donations	0	0	0	21,500	125,755
Other Revenues	0	0	15,000	1,225,717	1,611,787
 Total Revenues	 <u>4,579,028</u>	 <u>8,693,513</u>	 <u>1,239,422</u>	 <u>11,900,369</u>	 <u>136,708,077</u>
<u>Expenditures</u>					
Current:					
General Governmental Services	1,001,014	3,704,855	1,908,598	3,218,825	48,318,101
Public Safety	0	4,198,916	123,020	1,394,239	44,084,530
Transportation	0	0	0	0	9,291,208
Natural & Economic Environment	70,000	160,483	30,428	934,568	3,118,687
Social Services	0	0	0	1,970,187	9,195,097
Culture and Recreation	0	0	3,387	664,700	1,202,031
Debt Service:					
Principal	0	0	0	2,301,557	2,499,306
Interest	0	0	0	259,176	264,119
Capital Outlay	0	1,730,592	9,389,346	239,178	12,723,059
 Total Expenditures	 <u>1,071,014</u>	 <u>9,794,846</u>	 <u>11,454,778</u>	 <u>10,982,430</u>	 <u>130,696,138</u>
Excess (Deficit) Revenues Over Expenditures	<u>3,508,014</u>	<u>(1,101,333)</u>	<u>(10,215,357)</u>	<u>917,939</u>	<u>6,011,939</u>
<u>Other Financing Sources (Uses)</u>					
Proceeds of Capital Assets	0	0	101,436	8,175	131,956
Transfers In	0	0	18,435	1,098,441	6,531,660
Transfers Out	(6,069)	0	(2,475,608)	(899,291)	(9,027,623)
Total Other Financing Source (Uses)	<u>(6,069)</u>	<u>0</u>	<u>(2,355,736)</u>	<u>207,325</u>	<u>(2,364,007)</u>
Net Change in Fund Balance	3,501,944	(1,101,333)	(12,571,093)	1,125,265	3,647,932
Fund Balance-January 1	14,634,517	20,546,098	37,608,115	28,221,073	147,660,322
Fund Balance-December 31	<u>\$ 18,136,462</u>	<u>\$ 19,444,765</u>	<u>\$ 25,037,022</u>	<u>\$ 29,346,337</u>	<u>\$ 151,308,254</u>

BENTON COUNTY, WASHINGTON

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2020

Net change in fund balances as shown on Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance:	\$ 3,647,932
Internal Service Fund Interest, Misc Rev/Exp and Proceeds From Capital Asset Sales and Transfers	2,890,085
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.	16,925,527
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.	34,865
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.	2,499,306
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(431,883)
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.	(469,812)
Change in Net Position, as reflected on the Statement of Activities	\$ 25,096,020

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, 2020

	Original Biennial Budget	Final Biennial Budget	2019 Actual	2020 Actual	Variance with Final Budget Over (Under)
<i>Revenues</i>					
Taxes	\$ 72,649,465	\$ 72,649,465	\$ 38,698,276	\$ 38,583,626	\$ 4,632,437
Licenses and Permits	192,030	192,030	110,376	156,961	75,307
Intergovernmental Revenues	10,311,828	26,622,392	6,296,356	23,519,070	3,193,035
Charges for Services	36,226,273	36,226,273	19,271,755	16,295,806	(658,712)
Fines and Forfeitures	4,204,460	4,204,460	1,870,883	1,634,638	(698,940)
Miscellaneous Revenue	3,937,622	3,937,622	3,439,774	3,396,858	2,899,011
Total Revenues	127,521,678	143,832,242	69,687,420	83,586,960	9,442,138
<i>Expenditures</i>					
General Government Services	62,571,263	73,380,364	29,163,093	38,480,573	(5,736,698)
Public Safety	56,253,835	59,205,829	28,271,423	29,625,075	(1,309,331)
Transportation	0	0	0	110	110
Natural & Economic Environment	2,353,491	3,457,423	1,257,502	1,923,208	(276,713)
Social Services	1,781,279	1,834,971	902,319	844,680	(87,973)
Culture and Recreation	1,100,186	1,115,930	530,090	533,944	(51,896)
Capital Outlay	42,200	1,325,895	8,932	465,079	(851,884)
Total Expenditures	124,102,254	140,320,412	60,133,359	71,872,668	(8,314,385)
Excess(Deficiency) of Revenues over Expenditures	3,419,424	3,511,830	9,554,062	11,714,292	17,756,523
<i>Other Financing Sources (Uses)</i>					
Sale of Capital Assets	0	0	0	19,100	19,100
Transfers In	2,105,997	2,105,997	1,190,605	987,121	71,729
Transfers Out	(6,470,272)	(10,171,361)	(3,098,953)	(3,843,306)	(3,229,102)
Total Other Financing Sources (Uses)	(4,364,275)	(8,065,364)	(1,908,348)	(2,837,085)	(3,319,932)
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	(944,851)	(4,553,534)	7,645,714	8,877,207	21,076,455
Fund Balance, January 1	4,785,000	4,785,000	10,582,348	18,228,062	5,797,348
Fund Balance, December 31	\$ 3,840,149	\$ 231,466	\$ 18,228,062	\$ 27,105,269	\$ 26,873,803

BENTON COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (GAAP Basis) and Actual

County Road

Year Ended December 31, 2020

	Original Biennial Budget	Final Biennial Budget	2019 Actual	2020 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>					
Property Taxes	\$ 11,930,917	\$ 11,930,917	\$ 6,100,468	\$ 6,198,549	\$ 368,100
Excise and Other Taxes	260,000	260,000	111,759	116,967	(31,274)
Total Taxes	<u>12,190,917</u>	<u>12,190,917</u>	<u>6,212,228</u>	<u>6,315,516</u>	<u>336,826</u>
Licenses and Permits	0	0	3,000	7,000	10,000
Intergovernmental Revenues	9,367,362	9,367,362	4,657,459	3,675,890	(1,034,012)
Charges for Services	626,000	626,000	214,945	231,861	(179,194)
Interest Earnings	0	0	188,385	122,029	310,414
Miscellaneous Revenues	185,400	185,400	7,315	85,669	(92,416)
Total Revenues	<u>22,369,679</u>	<u>22,369,679</u>	<u>11,283,331</u>	<u>10,437,965</u>	<u>(648,383)</u>
<u>Expenditures</u>					
Transportation	24,802,335	24,964,335	10,306,162	9,291,098	(5,367,075)
Debt Service:					
Principal	395,500	395,500	197,748	197,748	(4)
Interest	10,880	10,880	5,932	4,944	(4)
Capital Outlay	7,528,600	7,598,244	1,702,510	753,625	(5,142,109)
Total Expenditures	<u>32,989,315</u>	<u>32,968,959</u>	<u>12,212,353</u>	<u>10,247,414</u>	<u>(10,509,192)</u>
Excess (Deficiency) of Revenues over Expenditures	(10,619,636)	(10,599,280)	(929,021)	190,550	9,860,809
<u>Other Financing Sources (Uses)</u>					
Proceeds of Capital Assets	3,000	3,000	0	0	(3,000)
Transfers In	5,438,000	5,438,000	107,061	711,784	4,619,155
Transfers Out	0	(20,356)	0	(20,355)	(1)
Total Other Financing Sources (Uses)	<u>5,345,000</u>	<u>5,420,644</u>	<u>107,061</u>	<u>691,429</u>	<u>4,616,155</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(5,274,636)	(5,178,636)	(821,961)	881,979	5,238,654
Fund Balance, January 1	7,600,000	7,600,000	8,093,129	7,271,168	493,129
Fund Balance, December 31	<u>\$ 2,325,364</u>	<u>\$ 2,421,364</u>	<u>\$ 7,271,168</u>	<u>\$ 8,153,147</u>	<u>\$ 5,731,783</u>

BENTON COUNTY, WASHINGTON

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Benton Franklin Juvenile Center
Year Ended December 31, 2020**

	Original Biennial Budget	Final Biennial Budget	2019 Actual	2020 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>					
Intergovernmental Revenues	2,732,324	2,736,324	1,245,219	1,544,641	53,536
Charges for Services	4,511,375	4,511,375	2,277,498	2,416,457	182,580
Donations	0	0	5,839	0	2,818
Miscellaneous Revenues	0	2,000	2,818	5,099	3,534,472
Total Revenues	<u>7,243,699</u>	<u>7,249,699</u>	<u>3,531,373</u>	<u>3,966,197</u>	<u>3,773,405</u>
<u>Expenditures</u>					
Public Safety	15,195,460	15,098,499	7,328,032	7,145,989	(624,478)
Capital Outlay	0	96,961	42,573	42,917	(11,470)
Total Expenditures	<u>15,195,460</u>	<u>15,195,460</u>	<u>7,370,605</u>	<u>7,188,907</u>	<u>(635,948)</u>
Excess (Deficiency) of Revenues over Expenditures	(7,951,761)	(7,945,761)	(3,839,232)	(3,222,710)	883,819
<u>Other Financing Sources (Uses)</u>					
Proceeds of Capital Assets	0	0	0	3,245	3,245
Interfund Loan Principal Payment	0	0	910	0	(910)
Transfers In	7,259,933	7,259,933	3,579,017	3,715,879	(34,963)
Total Other Financing Sources (Uses)	<u>7,259,933</u>	<u>7,259,933</u>	<u>3,579,927</u>	<u>3,719,124</u>	<u>(32,628)</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(691,828)	(685,828)	(259,305)	496,414	922,937
Fund Balance, January 1	1,100,000	1,100,000	1,015,044	755,739	(84,956)
Fund Balance, December 31	<u>\$ 408,172</u>	<u>\$ 414,172</u>	<u>\$ 755,739</u>	<u>\$ 1,252,153</u>	<u>\$ 837,981</u>

BENTON COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (GAAP Basis) and Actual

Human Services

Year Ended December 31, 2020

	Original Biennial Budget	Final Biennial Budget	2019 Actual	2020 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>					
Intergovernmental Revenues	4,920,645	4,920,645	2,573,602	6,705,356	4,358,313
Charges for Services	650,000	650,000	441,437	555,884	347,320
Miscellaneous Revenues	3,000	3,000	0	0	(3,000)
Total Revenues	<u>5,573,645</u>	<u>5,573,645</u>	<u>3,015,038</u>	<u>7,261,240</u>	<u>4,702,633</u>
<u>Expenditures</u>					
Social Services	12,008,317	9,771,080	3,055,525	6,380,231	(335,325)
Debt Service:					
Principal	<u>245,328</u>	<u>245,328</u>	<u>0</u>	<u>10,337</u>	<u>(234,991)</u>
Total Expenditures	<u>12,253,645</u>	<u>10,016,408</u>	<u>3,055,525</u>	<u>6,390,568</u>	<u>(570,316)</u>
Excess (Deficiency) of Revenues over Expenditures	(6,680,000)	(4,442,763)	(40,487)	870,672	5,272,949
Special item - Reserve transfer	0	2,237,237	(2,237,237)	0	(4,474,474)
Fund Balance, January 1	6,680,000	6,680,000	6,560,293	4,282,569	(119,707)
Fund Balance, December 31	<u>\$ 0</u>	<u>\$ 4,474,474</u>	<u>\$ 4,282,569</u>	<u>\$ 5,153,242</u>	<u>\$ 678,768</u>

BENTON COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (GAAP Basis) and Actual

1/10 Percent Criminal Justice Jail - Juvenile

Year Ended December 31, 2020

	Original Biennial Budget	Final Biennial Budget	2019 Actual	2020 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>					
Taxes	\$ 9,007,346	\$ 9,007,346	\$ 5,104,522	\$ 5,043,384	\$ 1,140,560
Licenses and Permits	0	0	0	0	0
Total Revenues	<u>9,007,346</u>	<u>9,007,346</u>	<u>5,104,522</u>	<u>5,043,384</u>	<u>1,140,560</u>
<u>Expenditures</u>					
General Government Services	0	0	0	0	0
Public Safety	1,847,650	5,532,506	2,497,500	1,597,291	(1,437,715)
Capital Outlay	4,075,000	390,144	287,453	102,324	(367)
Total Expenditures	<u>5,922,650</u>	<u>5,922,650</u>	<u>2,784,953</u>	<u>1,699,615</u>	<u>(1,438,082)</u>
Excess (Deficiency) of Revenues over Expenditures	3,084,696	3,084,696	2,319,569	3,343,769	2,578,642
<u>Other Financing Sources (Uses)</u>					
Transfers Out	(3,868,486)	(3,868,486)	(2,085,492)	(1,782,994)	0
Total Other Sources (Uses)	<u>(3,868,486)</u>	<u>(3,868,486)</u>	<u>(2,085,492)</u>	<u>(1,782,994)</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(783,790)	(783,790)	234,077	1,560,775	2,578,642
Fund Balance as of January 1	15,120,338	15,120,338	15,878,904	16,112,981	(16,871,547)
Fund Balance as of December 31	<u>\$ 14,336,548</u>	<u>\$ 14,336,548</u>	<u>\$ 16,112,981</u>	<u>\$ 17,673,756</u>	<u>\$ (14,292,905)</u>

BENTON COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual Rural County Capital Year Ended December 31, 2020

	Original Biennial Budget	Final Biennial Budget	2019 Actual	2020 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>					
Taxes	\$ 9,314,126	\$ 9,314,126	\$ 4,640,036	\$ 4,579,028	\$ (95,062)
Total Revenues	<u>9,314,126</u>	<u>9,314,126</u>	<u>4,640,036</u>	<u>4,579,028</u>	<u>(95,062)</u>
<u>Expenditures</u>					
General Government Services	20,986,428	20,986,428	0	1,001,014	(19,985,414)
Natural & Economic Environment	800,000	800,000	3,415,432	70,000	2,685,432
Total Expenditures	<u>21,786,428</u>	<u>21,786,428</u>	<u>3,415,432</u>	<u>1,071,014</u>	<u>(17,299,982)</u>
Excess (Deficiency) of Revenues over Expenditures	(12,472,302)	(12,472,302)	1,224,604	3,508,014	17,204,920
<u>Other Financing Sources (Uses)</u>					
Transfers Out	(2,730,134)	(2,730,134)	0	(6,069)	2,724,065
Total Other Sources (Uses)	<u>(2,730,134)</u>	<u>(2,730,134)</u>	<u>0</u>	<u>(6,069)</u>	<u>2,724,065</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(15,202,436)	(15,202,436)	1,224,604	3,501,944	19,928,985
Fund Balance as of January 1	15,202,436	15,202,436	13,409,913	14,634,517	(1,792,523)
Fund Balance as of December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,634,517</u>	<u>\$ 18,136,462</u>	<u>\$ 18,136,462</u>

BENTON COUNTY, WASHINGTON

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (GAAP Basis) and Actual
 Public Safety Tax Fund
 Year Ended December 31, 2020

	Original Biennial Budget	Final Biennial Budget	2019 Actual	2020 Actual	Variance with Final Budget Over (Under)
<u>Revenues</u>					
Taxes	\$ 15,648,000	\$ 15,648,000	\$ 8,543,688	\$ 8,403,755	\$ 1,299,443
Interest Earnings	139,200	139,200	412,746	289,758	563,304
Total Revenues	<u>15,787,200</u>	<u>15,787,200</u>	<u>8,956,435</u>	<u>8,693,513</u>	<u>1,862,747</u>
<u>Expenditures</u>					
General Government Services	10,387,276	8,752,156	2,768,407	3,704,855	(2,278,894)
Public Safety	10,497,711	10,090,931	4,044,154	4,198,916	(1,847,861)
Natural & Economic Environment	384,316	384,316	193,255	160,483	(30,578)
Capital Outlay	559,247	2,601,147	623,542	1,730,592	(247,013)
Total Expenditures	<u>21,828,550</u>	<u>21,828,550</u>	<u>7,629,358</u>	<u>9,794,846</u>	<u>(4,404,346)</u>
Excess (Deficiency) of Revenues over Expenditures	(6,041,350)	(6,041,350)	1,327,077	(1,101,333)	6,267,094
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(6,041,350)	(6,041,350)	1,327,077	(1,101,333)	6,267,094
Fund Balance as of January 1	18,710,160	18,710,160	19,219,021	20,546,098	508,861
Fund Balance as of December 31	<u>\$ 12,668,810</u>	<u>\$ 12,668,810</u>	<u>\$ 20,546,098</u>	<u>\$ 19,444,765</u>	<u>\$ 6,775,955</u>

BENTON COUNTY, WASHINGTON

Statement of Net Position

Proprietary Funds

December 31, 2020

	Governmental Activities
	<u>Internal Service Funds</u>
<i>ASSETS</i>	
<u>Current Assets</u>	
Cash and Pooled Investments	\$ 14,192,337
Accounts Receivable	2,584
Interest Receivable	23,571
Due From Other Funds	212,130
Due from Other Governmental Units	2,943
Inventories/Prepayments	<u>2,131,194</u>
Total Current Assets	<u>16,564,759</u>
<u>Noncurrent Assets</u>	
Capital Assets	
Land	221,020
Buildings	6,663,760
Improvements Other Than Buildings	91,393
Machinery and Equipment	11,266,454
Less Accumulated Depreciation	<u>(11,803,461)</u>
Total Noncurrent Assets	<u>6,439,166</u>
<u>Deferred Outflows of Resources</u>	
Deferred Outflows Related to Pensions	<u>145,657</u>
Total Deferred Outflows of Resources	<u>145,657</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 23,149,582</u>
<i>LIABILITIES AND NET POSITION</i>	
<u>Current Liabilities</u>	
Accounts/Vouchers Payable	\$ 381,340
Warrants Payable	523,510
Due To Other Funds	30,389
Accrued Wages Payable	<u>275,575</u>
Total Current Liabilities	<u>1,210,814</u>
<u>Noncurrent Liabilities</u>	
Compensated Absences	135,212
Net Pension Liability	<u>534,382</u>
Total Noncurrent Liabilities	<u>669,594</u>
Total Liabilities	<u>1,880,408</u>
<u>Deferred Inflows of Resources</u>	
Deferred Inflows Related to Pensions	<u>167,540</u>
Total Deferred Inflows of Resources	<u>167,540</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 2,047,947</u>
<u>Net Position</u>	
Investment in Capital Assets	\$ 6,439,166
Unrestricted	<u>14,662,469</u>
Total Net Position	<u>\$ 21,101,635</u>

BENTON COUNTY, WASHINGTON

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

Proprietary Funds

Year Ended December 31, 2020

	Governmental Activities
	<u>Internal Services</u>
	\$
<u>Operating Revenues</u>	
Net Charges for Services	9,391,563
Other Operating Revenue	88,102
	<u>9,479,665</u>
<u>Operating Expenses</u>	
Personal Services	2,818,394
Contractual services	3,330,061
Other Supplies and Expenses	1,188,304
Depreciation	1,070,748
Payment to Claimants	1,037,290
	<u>9,444,798</u>
Total Operating Expenses	9,444,798
Operating Income (Loss)	<u>34,867</u>
<u>Non-Operating Revenue (Expenses)</u>	
Interest Revenue	140,959
Interest Expense	(15,731)
Gain (Loss) on Disposition of Capital Assets	2,550
Other Non-Operating Revenues (Expenses)	266,344
	<u>394,122</u>
Total Non-Operating Revenue (Expenses)	394,122
Income (Loss) before Transfers	428,989
Transfers In	<u>2,495,963</u>
Change in Net Position	<u>2,924,952</u>
Net Position as of January 1	18,176,682
Net Position as of December 31	<u>\$ 21,101,634</u>

BENTON COUNTY, WASHINGTON

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2020

	Governmental Activities
	<u>Internal Services</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from Customers	\$ 14,371
Receipts from Interfund Services Provided	10,163,466
Miscellaneous Receipts	88,369
Payments to Employees	(2,151,788)
Payments to Suppliers	(5,580,701)
Payments for Interfund Services Used	(188,202)
Net cash provided (used) by operating activities	<u>2,345,515</u>
<u>Cash Flows From Noncapital Financing Activities:</u>	
Transfers from Other Funds	28,304
Transfers to Other Funds	0
Miscellaneous Receipts	192,884
Net cash provided (used) by noncapital financing activities	<u>221,188</u>
<u>Cash Flows From Capital And Related Financing Activities</u>	
Proceeds from sale of capital assets	16,600
Purchases of capital assets	(425,720)
Net cash provided (used) by capital and related financing activities	<u>(409,120)</u>
<u>Cash Flows From Investing Activities:</u>	
Interest Earnings	143,274
Net Cash Provided by Investing Activities	<u>143,274</u>
Net Increase (Decrease) in Cash & Cash Equivalents	2,300,858
Balances as of January 1	<u>12,218,490</u>
Balances as of December 31	<u>\$ 14,519,348</u>

BENTON COUNTY, WASHINGTON

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2020

	<u>Governmental Activities Internal Services</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>	
Operating Income/(Loss)	\$ <u>34,867</u>
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>	
Depreciation Expense	1,070,748
Other Non-Cash Revenue/Expense	245,380
<u>Changes in assets and liabilities:</u>	
Receivables, net	39,561
Inventories	389,125
Accounts and other payables	<u>568,947</u>
Net Cash Provided by Operating Activities	\$ <u><u>2,348,628</u></u>

BENTON COUNTY, WASHINGTON
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

	<u>External Investment Pool</u>	<u>Custodial Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 391,833,683	\$ 223,575,054
Cash with Fiscal Agents/Trustees	-	1,818,432
Receivables:		
Taxes for Other Governments	-	4,242,521
Special Assessments for Other Governments	-	360,880
Total current assets	<u>391,833,683</u>	<u>229,996,887</u>
TOTAL ASSETS	<u>391,833,683</u>	<u>229,996,886</u>
LIABILITIES		
Current liabilities:		
Warrants payable	<u>-</u>	<u>10,853,284</u>
Total current liabilities	<u>-</u>	<u>10,853,284</u>
TOTAL LIABILITIES	<u>-</u>	<u>10,853,284</u>
NET POSITION		
Individuals, organizations, and other governments	<u>391,833,683</u>	<u>219,143,603</u>
TOTAL NET POSITION	<u>\$ 391,833,683</u>	<u>\$ 229,996,887</u>

BENTON COUNTY, WASHINGTON
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
for the Year Ended December 31, 2020

	External Investment Pool	Custodial Funds
ADDITIONS		
Investment Earnings:		
Net increase (decrease) in fair value of investments	9,317,396	-
Interest, dividends, and other	-	664,505
Total investment earnings	<u>9,317,396</u>	<u>664,505</u>
Property tax collected for other governments	-	222,848,697
Sales tax collected for other governments	-	10,192,928
Other taxes and fees collected for other governments	-	40,350,504
Contributions by pool participants	15,684,768	-
Other additions	-	586,237,501
Total additions	<u>25,002,164</u>	<u>860,294,134</u>
DEDUCTIONS		
Taxes and fees distributed to other governments	-	977,130,444
Deductions by pool participants	133,109,136	-
Other deductions	-	88,089
Total deductions	<u>133,109,136</u>	<u>977,474,337</u>
Net increase (decrease) in fiduciary net position	<u>(108,106,972)</u>	<u>(117,180,203)</u>
Net Position - beginning	499,940,655	40,513,292
Prior period adjustments	-	306,663,795
Restated net position	<u>499,940,655</u>	<u>347,177,088</u>
Net Position - ending	<u>\$ 391,833,683</u>	<u>\$ 229,996,885</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

Program revenue includes:

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

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

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

Fiduciary funds are excluded from the government-wide presentation of the financial statements.

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

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The custodial fund financial statements do not have a measurement focus and are prepared using the accrual basis of accounting. Under the economic resources measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Benton County reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- The *County Road Fund*, funded with tax revenues and state and federal grants and assistance, accounts for the design, construction, and maintenance of County roads.
- The *Benton Franklin Juvenile Services Fund*, funded with state and federal grants and assistance and charges for services. The Benton-Franklin Counties Juvenile Court and its Juvenile Justice Center is a branch of the Superior Court.
- The *Human Services Fund*, funded with tax revenues and state and federal grants and assistance, accounts for the financial operations of County health programs including, but not limited to, mental health, developmental disabilities, alcoholism and drug abuse treatment and prevention programs.
- The *1/10% Criminal Justice Fund*, funded with sales tax revenue to assist the financing of the construction, maintenance and operation of the adult and juvenile jails.
- The *Rural County Capital Fund*, funded with retail sales tax for the purpose of financing public facilities.
- The *Public Safety Tax Fund*, funded with retail sales tax for the purpose of financing public safety, judicial and mental health programs.
- The *Capital Acquisition Fund* accounts for the expenditures incurred for the acquisition or construction of capital assets that are not identified with other capital funds.

Additionally, the County reports the following fund types:

- *Special revenue funds* account for and report the proceeds of specific revenue sources that are restricted or committed to finance specific activities or functions, as required by law or administrative regulation.
- *Capital project funds* account for and report resources that are restricted, committed or assigned to be used for acquisition or construction of capital projects or other capital assets.
- *Debt service funds* account for and report financial resources that are restricted, committed or assigned to be used for payment of principal and interest on long-term debt.
- *Internal Service Funds* account for equipment rental, central services, worker's compensation insurance, insurance management and accumulated leave, provided to other departments or agencies of the government, or to other governments on a cost reimbursement basis.
- *Fiduciary Funds* are used to account for assets held in a trustee capacity or as an agent on behalf of other governments, special districts, private organizations or individuals. Fiduciary funds include Private Purpose Trust funds and Custodial Funds. Custodial Funds account for resources that are held by the county in a custodial capacity. These funds include two separate classifications: funds used to account for resources of other governments and special districts and their investments balances identified in the external investment pool. The County does not have any private purpose trust funds. The fiduciary funds use the economic resources measurement focus of accounting for reporting assets and liabilities.

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

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

3. Amending the Budget

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

When the County Commission determines that it is in the best interest of the County to increase or decrease the appropriation for a particular fund or department, it may do so by resolution, approved by a simple majority, after holding two public hearings.

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

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

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

1. Cash/Cash Equivalents and Equity in Pooled Investments

It is the County's policy to invest all temporary cash surpluses. At December 31, 2020, the County Treasurer was holding \$391,526,102 in investments of surplus cash as reported on the Benton County Treasurer's investment activity report. The County's portion of this amount, \$180,025,756 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 2020 were approximately \$16,358,261.

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

2. Temporary Investments - See Note 4

3. Receivables

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

Special Assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2020, \$6,210 of special assessments receivable were delinquent.

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

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from

*Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020*

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. Inventories

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

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

6. Capital Assets - See Note 6

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

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

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

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

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

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

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

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

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

7. Other Property and Investments - See Note 4.

8. Compensated Absences

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

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

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

9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

10. Long-Term Debt - See Note 9

11. Unearned Revenues

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

12. Deferred Inflows of Resources

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

Deferred inflows of resources in the fund financial statements include pension related items, delinquent taxes and court judgments that are earned, but not yet available under the modified 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 spendable form or (b) legally or contractually required to be maintained intact, including items that are not expected to be converted to cash.

Benton County, Washington
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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 13% of appropriated expenditures.
- Capital Projects. A fund balance of at least \$5,000,000.
- Central Services. A fund balance of at least \$350,000.
- Election Reserve. A fund balance of at least \$500,000.
- Park Development. A fund balance of at least \$500,000.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

15. Detailed Fund Balance Constraints

Fund Balances:	Major Special Revenue Funds									
	General	County	Benton Franklin	Human	1/10% Criminal	Rural County	Public Safety	Capital	Other	Total
Restricted for:	Fund	Roads	Juvenile Center	Services	Justice Fund	Capital Fund	Tax Fund	Projects	Funds	
Public Safety							19,444,764		-	19,444,764
Detention and/or Correction					17,673,756			750,000	3,335,385	21,759,141
Education									112,969	112,969
Financial and Records Services						18,136,462			1,672,962	19,809,423
Housing & Community Dev									3,594,316	3,594,316
Judicial									996,132	996,132
Juvenile Services									31,580	31,580
Legal									468,101	468,101
Mental & Health Services				5,163,579					5,297,345	10,460,924
Park Facilities									482,183	482,183
Planning & Community Dev									571,871	571,871
Transportation		8,153,146							3,709	8,156,855
Veterans Services									879,434	879,434
Committed to:										
Central services									2,968,543	2,968,543
Cultural & Recreational Facilities									342,270	342,270
Debt Service									510,180	510,180
Detention and/or Correction									304,936	304,936
Solid Waste									1,307,397	1,307,397
Housing & Community Dev									1,480,477	1,480,477
Judicial									890,618	890,618
Juvenile Services				1,252,152					-	1,252,152
Law Enforcement									759,917	759,917
Legislative									83,976	83,976
Transportation									3,252,040	3,252,040
Assigned to:										
Capital Projects								24,287,023		24,287,023
Unassigned										
General Fund	27,101,034									27,101,034
	27,101,034	8,153,146		1,252,152	5,163,579	17,673,756	18,136,462	19,444,764	25,037,023	29,346,341
										151,308,257

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

Benton County, Washington
Notes to the Financial Statements
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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	\$ 661,896
Unavailable Revenue – Court Judgements	417,180
Interest Earned, unavailable for >90 days	128,129
Restricted Net Pension Asset	4,277,185
A/R Superior & District Courts, Treasurers O&M	<u>2,120,664</u>
 Net Adjustment to Increase Total Governmental Funds to Arrive At Net Position Governmental Funds	 <u>\$7,605,054</u>

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

Bonds Payable	\$ (4,335,000)
Special Assessment Debt	(514,335)
Long-Term Loans	(842,820)
Compensated Absences	(3,142,060)
Less Internal Service Funds Amount	<u>135,212</u>
Net Compensated Absences	(3,006,848)
Interest Payable	(27,125)
OPEB Liability	(5,844,970)
Net Pension Liability	(11,098,503)
Less Internal Service Funds Amount	<u>534,382</u>
Net Pension Liability	<u>(10,564,122)</u>
Net Adjustment to Reduce - Total Governmental Funds to Arrive at Net Position – Governmental Activities	 <u>\$(25,135,220)</u>

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

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

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

Benton County, Washington
Notes to the Financial Statements
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The details of this difference is as follows:

Costs of Capital Assets	\$ 18,068,544
Donated Capital Assets	4,662,236
Change in Joint Venture Equity	175,901
Depreciation	<u>(5,981,154)</u>
Net Adjustment to Increase Net Changes in Fund Balance - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$ 16,925,527</u>

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

The details of this difference are as follows:

Principal Payments:	
General Obligation Debt	<u>2,499,306</u>
Net Adjustment to Increase Net Changes in Fund Balances Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$ 2,499,306</u>

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

The details of this difference are as follows:

Accrual for Superior Court A/R	\$ (48,121)
Accrual for District Court A/R	(124,339)
State of Washington Contribution to LEOFF 2	223,730
Change in Interest Receivable between 2019 & 2020	(402,187)
Deferred Tax Inflow 2020	(47,041)
Other accrued revenue adjustment	<u>(33,925)</u>
Net Adjustment to Increase Net Changes in Fund Balance - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$ (431,884)</u>

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

The details of this difference are as follows:

Pension expenses	\$ 589,851
OPEB expense	560,013
Accrued interest expense	27,099
Compensated absences adjustment	(157,282)
Other full accrual adjustments	<u>(1,489,493)</u>
Net Adjustment to Increase Net Changes in Fund Balance - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$ (469,812)</u>

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 - DEPOSITS AND INVESTMENTS

DEPOSITS

The County's deposits, certificates of deposit and securities are fully covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

INVESTMENTS

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

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

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

The County measures and reports investments at fair value using the valuation input hierarchy established by Generally Accepted Accounting Principles (GAAP), as follows:

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

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Notes to the Financial Statements
For the Year Ended December 31, 2020*

At December 31, 2020, the County had the following investments measured at fair value:

Investments by fair value level	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
U.S. government & agency securities	307,515,970	307,515,970	-0-	-0-
Total Debt Securities	\$307,515,970	\$307,515,970	-0-	-0-

As of December 31, 2020, the County had the following investments:

BENTON COUNTY ALL FUNDS

Investment Type	Weighted Average Maturity Years	Fair Value of County's Investments	Fair Value of Non- County Investments	Total
Federal Agricultural Mortgage Corporation	2.38	\$ 56,754,770	\$ -	\$ 56,754,770
Federal Farm Credit Bank	2.21	\$ 102,070,450	\$ -	\$ 102,070,450
Federal Home Loan Bank	1.45	\$ 25,785,270	\$ -	\$ 25,785,270
Federal Home Loan Mortgage Corporation	2.56	\$ 12,142,440	\$ -	\$ 12,142,440
Federal National Mortgage Association	3.32	\$ 39,130,790	\$ -	\$ 39,130,790
Treasuries	2.05	\$ 71,632,250	\$ -	\$ 71,632,250
State Pool	1.00	\$ 84,010,132	\$ -	\$ 84,010,132
GRAND TOTAL		\$ 391,526,102	\$ -	\$ 391,526,102

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

Interest Rate Risk – Investments

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

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterpart 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 2020 for each type of investment of which the Primary Government participates.

*Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020*

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

*Ratings from Moody's

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

With regard to the County's participation in the LGIP, all investment transactions conducted by the County are done on a delivery versus payment ("DVP") basis. In accordance with RCW43.250, the State Finance Committee provides oversight over the LGIP pool portfolio. Other forms of oversight include the annual state and independent audits that the LGIP undergoes and as a result of that extensive oversight, the LGIP publishes monthly, quarterly and annual reports that allow participants to stay abreast of LGIP issues and activity. The LGIP portfolio is managed in a manner generally consistent with SEC regulated Rule 2a-7 money market funds. Such LGIP investment guidelines are spelled out in the LGIP Investment Policy. Accordingly, participants' balances in the LGIP have minimal interest rate risk, as the weighted average maturity of the portfolio will not exceed 60 days. The credit risk of the LGIP is limited, as most investments are either obligations of the US government; government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. The fair value of County shares in the LGIP is dollar for dollar equal to the value of pool shares for withdrawals and deposits.

External Investment Pool

The TIP is not registered with the U.S. Securities and Exchange Commission (the "SEC") as an investment company. Oversight is provided by the Finance Committee. In 2012 the Board of Commissioners, Finance Committee and County Treasurer authorized the expansion of the Treasurer Investment Pool and with that expansion, an alternative investment vehicle is available not only to the County, but also allows for participation by other legally separate entities such as special districts and public agencies, for which the County is ex officio Treasurer. Participation in the TIP by districts and agencies is voluntary, with a signed Investment Service Agreement submitted to the Treasurer. Participants withdrawing one or more funds completely from the TIP, wherein the value being redeemed equals or exceeds \$10 million, must provide ten (10) business days- notice prior to withdrawal. The County and districts are able take advantage of higher yielding investment opportunities by combining purchasing power while maintaining the objectives of safety, liquidity, and yield. The TIP has grown from four participants with 34 funds at its implementation to 25 participants involving 165 funds in 2020. It is expected that the growth of the TIP will continue.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

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, 2020.

BENTON COUNTY TREASURER'S INVESTMENT POOL

BENTON COUNTY TREASURERS INVESTMENT POOL					
Investment Type	Weighted Average Maturity Years	Fair Value of County's Investments		Total	
Federal Agricultural Mortgage Corporation	2.38	\$	56,754,770	\$	-
Federal Farm Credit Bank	2.21	\$	102,070,450	\$	-
Federal Home Loan Bank	1.45	\$	25,785,270	\$	-
Federal Home Loan Mortgage Corporation	2.56	\$	12,142,440	\$	-
Federal National Mortgage Association	3.32	\$	39,130,790	\$	-
Treasuries	2.05	\$	71,632,250	\$	-
State Pool	1.00	\$	84,010,132	\$	-
GRAND TOTAL		\$	391,526,102	\$	-

BENTON COUNTY TREASURERS INVESTMENT POOL

Investment Type	FMV	PRINCIPLE AMOUNT	INTEREST RATE RANGE	MATURITY RANGE
TREASURIES & AGENCIES	307,515,970	297,889,855	0.50%-3.05%	1/1/2020-12/31/2025
STATE POOL	84,010,132	84,010,132	0.16%	12/31/2020
TOTAL	391,526,102	381,899,988	0.16 %-3.05%	1/1/2020-12/31/2025

The Benton County Treasurer's Investment Pool is comprised of United State Treasuries and Agency securities and the Washington State LGIP investments. All securities are traded in active markets with readily available market pricing, or in the case of the Washington LGIP, pricing is provided daily on the State Treasurer's website as well as the 12/31/2020 LGIP account statement. As the Benton County Investment pool doesn't contain securities that would have assumptions made regarding their fair market value, additional value disclosures are not necessary.

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

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Realized gains and losses from investments will be credited or charged to investment income at the time of sale. Pool participants are one hundred percent invested in the pool with purchase and redemption calculated on average daily balances which is the same methodology for reporting.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Assets	
Cash, Cash Equivalents & Pooled Investments	\$391,526,102
Receivables	-0-
Total Assets	<u>\$391,526,102</u>
 Liabilities	
Total Liabilities	-0-
Net Position Held in Trust for Pool Participants	<u>\$391,526,102</u>

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

Net Position Beginning of Year	\$417,122,260
Net Change in Investments by Pool Participants	-25,596,158
Net Position Year-End	<u>\$391,526,102</u>

Concentration of Credit Risk – Investments

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

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

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

Presented below are investments in any one issuer in which the Primary Government participated as of December 31, 2020:

BENTON COUNTY INVESTMENT CONCENTRATION

BENTON COUNTY INVESTMENT CONCENTRATION			
INVESTMENT	% Of County Investments	% of Other Districts	Total
Federal Agricultural Mortgage Corporation	14.50%	0.00%	14.50%
Federal Farm Credit Bank	26.07%	0.00%	26.07%
Federal Home Loan Bank	6.59%	0.00%	6.59%
Federal Home Loan Mortgage Corporation	3.10%	0.00%	3.10%
Federal National Mortgage Association	9.99%	0.00%	9.99%
Treasuries	18.30%	0.00%	18.30%
State Pool	21.46%	0.00%	21.46%
GRAND TOTAL	100.00%	0.00%	100.00%

Custodial Credit Risk – Investments

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

NOTE 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

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 2020, the County levied the following property taxes:

Purpose of Levy	Per \$1,000	Levy Amount
General Government (A)	\$1.0467	\$23,405,816
County Roads (B)	1.3631	6,825,514
Human Services (A)	0.0250	559,016
Veterans' Assistance (A)	0.0113	252,675
Totals	\$2.4461	\$31,043,021

(A) assessed value of \$ 22,360,652,009

(B) assessed value of \$ 5,007,221,880

NOTE 6 – CAPITAL AND INTANGIBLE ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Deletions	Adjustment	Ending Balance
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 14,485,906	\$ 1,827,735	\$ 0	\$ 0	\$ 16,313,641
Rights and Easements	890,250	0	0	0	890,250
Construction in progress	866,521	8,740,228	464,940	878,484	10,020,293
Total capital assets, not being depreciated	16,242,677	10,567,963	464,940	878,484	27,224,184
Capital assets, being depreciated:					
Quarries	81,941	0	0	0	81,941
Buildings	101,106,714	101,818	0	0	101,208,532
Improvements	4,588,168	0	0	0	4,588,168
Intangibles	1,436,318	0	0	0	1,436,318
Machinery and equipment	24,881,821	4,368,386	51,970	0	29,198,237
Infrastructure	117,337,117	3,299,440	4610	0	120,631,947
Total capital assets being depreciated	249,432,079	7,769,644	56,581	0	257,145,143
Less accumulated depreciation for:					
Quarries	25,278	0	0	0	25,278
Buildings	75,631,037	3,665,713	0	0	79,296,750
Improvements	1,901,527	227,318	0	0	2,128,845
Intangibles	996,867	176,560	0	0	1,173,427
Machinery and equipment	14,311,406	1,839,158	44,022	0	16,106,542
Infrastructure	34,488,951	1,148,573	4610	0	35,632,914
Total accumulated depreciation	127,355,066	7,057,322	48,632	0	134,363,756
Total capital assets being depreciated, net	122,077,013	712,322	7,948	0	122,781,387
Governmental activities capital assets, net	\$ 138,319,690	\$ 11,280,285	\$ 472,888	\$ 878,484	\$ 150,005,570

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

Depreciation expense was charged to functions as follows:

General Government	\$ 3,627,973
Public Safety	649,407
Transportation	1,228,303
Natural & Economic Environment	99,916
Social Services	65,355
Culture and Recreation	310,200
Total Depreciation - Governmental Activities	<u>\$ 5,981,154</u>

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

	<u>1,076,167</u>
Total governmental activities depreciation expense	<u>\$ 7,057,322</u>

NOTE 7 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (11,098,505)
Pension assets	\$ 4,277,185
Deferred outflows of resources	\$ 4,270,942
Deferred inflows of resources	\$ (4,636,640)
Pension expense/expenditures	\$ 589,851

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

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Notes to the Financial Statements
For the Year Ended December 31, 2020*

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 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	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.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

* For employees participating in JBM, the contribution rate was 19.75%.

The County’s actual PERS plan contributions were \$1,701,837 to PERS Plan 1 and \$2,146,316 to PERS Plan 2/3 for the year ended December 31, 2020.

Public Safety Employees’ Retirement System (PSERS)

Benefits Provided

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.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

PSERS covered employers include:

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

PSERS Plan 2

Benefits Provided

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

Contributions

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

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2020 were as follows:

PSERS Plan 2		
Actual Contribution Rates	Employer	Employee
January – August 2020		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.14%	7.20%
September – December 2020		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.25%	7.20%

The County's actual plan contributions were \$528,941 to PSERS Plan 2 and \$352,406 to PERS Plan 1 for the year ended December 31, 2020.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Benefits Provided

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 2019. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2

Benefits Provided

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

Contributions

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% as of July 1, 2020.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – December 2020		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%
Ports and Universities	8.59%	8.59%
Administrative Fee	0.18%	
Total	8.77%	8.59%

The County's actual contributions to the plan were \$354,342 for the year ended December 31, 2020.

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, 2020, the state contributed \$76,297,643 to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is \$223,730.

Actuarial Assumptions

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

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.

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For the Year Ended December 31, 2020

- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA’s assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the 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 (CMA’s) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA’s and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the county’s proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the county’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

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Notes to the Financial Statements
For the Year Ended December 31, 2020

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 10,266,142	\$ 8,196,149	\$ 6,390,901
PERS 2/3	18,059,240	2,902,357	(9,579,345)
PSERS 2	1,806,670	(165,956)	(1,727,190)
LEOFF 1	(376,602)	(462,685)	(537,161)
LEOFF 2	(72,230)	(3,648,544)	(6,576,832)

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, 2020, the County reported a total pension liability of \$11,098,506 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$8,196,149
PERS 2/3	2,902,357
PSERS 2	(165,956)
LEOFF 1	(462,685)
LEOFF 2	(3,648,544)

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	(462,685)	(3,648,544)
State's proportionate share of the net pension asset associated with the employer	(3,129,588)	(2,332,968)
TOTAL	(3,592,273)	(5,981,512)

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

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.240030%	0.232150%	(0.007880%)
PERS 2/3	0.234132%	0.226934%	(0.007198%)
PSERS 2	1.562805%	1.206079%	(0.356726%)
LEOFF 1	0.024131%	0.024500%	(0.000369%)
LEOFF 2	0.177226%	0.178863%	(0.001637%)

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 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, 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

*Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020*

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 2020, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the County recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 70,374
PERS 2/3	41,495
PSERS 2	368,337
LEOFF 1	(30,317)
LEOFF 2	139,962
TOTAL	589,851

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, 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	(45,633)
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	862,332	0
TOTAL	\$862,332	(\$45,633)

PERS 2 & 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,039,002	(363,735)
Net difference between projected and actual investment earnings on pension plan investments	0	(147,398)
Changes of assumptions	41,338	(1,982,561)
Changes in proportion and differences between contributions and proportionate share of contributions	0	(940,321)
Contributions subsequent to the measurement date	1,082,419	0
TOTAL	\$2,162,758	(\$3,434,015)

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PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	228,016	(12,411)
Net difference between projected and actual investment earnings on pension plan investments	8,873	0
Changes of assumptions	847	(313,716)
Changes in proportion and differences between contributions and proportionate share of contributions	0	(68,442)
Contributions subsequent to the measurement date	268,458	0
TOTAL	\$506,194	(\$394,569)

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	(4,840)
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	(\$4,840)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	504,836	(64,710)
Net difference between projected and actual investment earnings on pension plan investments	0	(40,666)
Changes of assumptions	5,286	(564,956)
Changes in proportion and differences between contributions and proportionate share of contributions	48,430	(87,252)
Contributions subsequent to the measurement date	181,106	0
TOTAL	\$739,658	(\$757,584)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,771,854	(440,856)
Net difference between projected and actual investment earnings on pension plan investments	8,873	(238,537)
Changes of assumptions	47,471	(2,861,233)
Changes in proportion and differences between contributions and proportionate share of contributions	48,430	(1,096,015)
Contributions subsequent to the measurement date	2,394,315	0
TOTAL	\$4,270,942	(\$4,636,641)

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Notes to the Financial Statements
For the Year Ended December 31, 2020

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, 2021. 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 2	LEOFF 1	LEOFF 2
2021	(207,084)	(1,422,232)	(54,301)	(17,276)	(275,111)
2022	(6,513)	(505,798)	(20,109)	(901)	(40,665)
2023	63,187	(166,343)	5,846	4,911	49,434
2024	104,777	90,287	31,014	8,426	117,509
2025	0	(183,760)	(20,162)	0	(29,089)
Thereafter	0	(165,828)	(99,121)	0	(21,111)

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, 2020, 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 \$20 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2020, Benton County selects a per-occurrence deductible of \$100,000.

Members make an annual contribution to fund the Pool. The Pool acquires excess and reinsurance for further protection from larger losses. For the first \$10,000,000 of coverage, the Pool acquires reinsurance. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the amount of the layer of coverage below. For 2019-20, the Pool's SIR was \$2,000,000. The reinsurance agreements respond up to the applicable policy limits and the agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$30 million (lowest reinsured layer), and \$50 million (second layer). The Pool purchases excess coverage for the additional \$10,000,000 with an aggregate limit of \$100,000,000. Since the Pool is a cooperative program, there is a joint liability among the participating members. Sixteen of the Pool's 26 member counties group purchase an additional \$5,000,000 policy in excess of the pooled \$20,000,000.

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

The Pool is fully funded by its member participants. Claims are filed directly with the Pool by members and adjusted by one of the six staff members responsible for evaluating each claim for coverage, establishing reserves, and

Benton County, Washington
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investigating for any risk-shared liability. The Pool does not contract with any third party administrators for claims adjustment or loss prevention services.

During 2019-20, Benton County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the

participating counties' buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes 'All Other Perils ("AOP")' coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. The Pool carries a \$100,000 per claim deductible, while each participating county is responsible for paying their selected deductible within the Pool's deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

Benton County also participates in the jointly purchased cyber risk and security coverage from a highly-rated commercial insurer. The Pool carries a \$100,000 per claim SIR, while participating member counties do not have deductibles.

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

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

During 2019-20, the WCRP's assets increased to \$61 million while its liabilities decreased to \$36.3 million. The Pool's net position was \$24.7 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2020 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.

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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 12/31/2018	\$ -0-
Claims incurred	128,508
Claims paid	<u>(128,508)</u>
Claims liability at 12/31/2019	-0-
Claims incurred	37,578
Claims paid	<u>(37,578)</u>
Claims liability at 12/31/2020	<u>\$ -0-</u>

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

Claims liability at 12/31/2018	\$ 761,155
Claims incurred	824,652
Claims paid	(897,535)
Claims adjustments	<u>(411)</u>
Claims liability at 12/31/2019	723,032
Claims incurred	628,800
Claims paid	(805,722)
Claims adjustments	<u>(9,394)</u>
Claims liability at 12/31/2020	<u>\$ 295,892</u>

NOTE 8C - RISK MANAGEMENT

The County maintains insurance against most normal hazards, except for workers' compensation and unemployment, where it has elected to become self-insured. The County is required by the State to set aside for protection, to the Workers' Compensation Fund, \$100,000 in cash reserves. Workers' Compensation Fund reserves, at December 31, 2020, were \$3,137,599.

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 \$241,898. 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.

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

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

Year Ending December 31	Trust Fund Loan		
	Principal	Interest	Total
2021	197,748	3,955	201,703
2022	197,748	2,966	200,714
2023	197,748	1,978	199,726
2024	197,748	989	198,737
Totals	\$ 790,993	\$ 9,887	\$ 800,880

B. Special Assessment Bonds

On May 1, 2003 Benton County issued \$382,995 in Special Assessment bonds payable by levy against real property in the County's Road Improvement District (CRID) numbers 11 and 12. This CRID was paid off in May 2018. There remains \$891 in delinquent special assessment receivables on December 31, 2020.

On December 31, 2005, Benton County issued \$899,598 in Special Assessment bonds payable by levy against real property in the County's Road Improvement District numbers 15 and 16. This CRID was paid off in 2017. There remains \$1,268 in delinquent special assessment receivables on December 31, 2020.

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 \$4,051 in delinquent special assessment receivables on December 31, 2020.

Debt service requirements for special assessment bonds will be met by the collection of assessment receivable that have been levied against property owners. Benton County has established a CRID Guaranty fund whereby the County will cover expenses if the property owners do not pay the assessments necessary to finance the debt. The County will recover all funds spent in this manner, as the assessments are liens against the property and subject to foreclosure.

Year Ending December 31	Special Assessment Bonds		
	Principal	Interest	Total
2021	\$ 51,558	19,712	\$71,270
2022	51,558	17,736	\$69,294
2023	51,558	15,760	\$67,318
2024	51,557	13,822	\$65,379
2025	51,557	11,808	\$63,365
2026-2030	256,547	29,418	\$285,965
Totals	\$514,335	\$108,256	\$622,591

C. Long-Term Debt

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

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

On February 22, 2018 Benton County issued a \$5,345,000 Limited Tax General Obligation Refunding Bond to refinance the 2006 Limited Tax General Obligation Bonds. This bond has a fixed interest rate of 3.03% with maturity

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in December 2031. Anticipated The principal outstanding on December 31, 2020 is \$ 4,335,000.

The County entered into a financing contract with KS StateBank for the purchase of election ballot processing/sorting equipment. Outstanding principal on December 31, 2020 is \$51,827.

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

Years	Health Building 2018 refunding	CRID21 Special Assessment Debt 2016	Public Works Trust Fund Loan	Elections Equipment KS StateBank	Total Debt Payments
2021	476,351	71,270	\$ 201,703	\$ 54,803	\$804,127
2022	475,897	69,294	200,714	0	\$745,905
2023	470,141	67,318	199,726	0	\$737,185
2024	474,232	65,379	198,737	0	\$738,348
2025	477,870	63,365		0	\$541,235
2026-2030	2,336,944	285,965	0	0	\$2,622,909
2031-2034	443,029		0	0	\$430,000
Totals	\$5,154,464	\$622,591	\$800,880	\$54,803	\$6,632,738

General Obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
Health Building (refunded 2018)	Fixed 3.03%	4,335,000
Total		\$ 4,335,000

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

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
2021	\$ 345,000	\$ 131,351	\$476,351
2022	355,000	120,897	\$475,897
2023	360,000	110,141	\$470,141
2024	375,000	99,232	\$474,232
2025	390,000	87,870	\$477,870
2026-2030	2,080,000	256,944	\$2,336,944
2031	430,000	13,029	\$443,029
Totals	\$ 4,335,000	\$819,464	\$ 5,154,464

At December 31, 2020, the County has \$152,341 available in Debt Service funds to service the general obligation bonded debt.

The County is meeting debt service requirements. The County has sufficient assets in a variety of different funds to meet current and future debt service payments. At December 31, 2020, the County had \$510,180 available in reserve in governmental debt service funds to service general obligation and assessment debt. The County's general obligation debt, as noted above, will be funded by cash balances and future revenue streams.

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Under Washington State law RCW 39.36.020, a County may incur general obligation debt for general County purposes, with or without a vote, in an amount not to exceed two and one-half percent of the value of all taxable

property within the County. State law requires all property to be assessed at 100 percent of its true and fair value. The County is limited to a non-voted debt capacity of one and one-half percent and a voted debt capacity of two and one-half percent of the assessed valuation. The County's legal non-voted debt limit is \$335,409,780 with \$330,560,445 still available. The legal voted debt limit with 3/5 vote is \$559,016,300 with \$544,166,965 still available.

NOTE 10 – LEASES

Operating Leases

The County leases office machines, equipment and office space under non-cancelable operating leases. Total cost for such leases was \$149,068 for the year ended December 31, 2020. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2021	\$ 215,113
2022	205,808
2023	65,526
2024	41,968
2025	11,578
2026-2030	-0-
Total	\$ 539,933

NOTE 11 – CHANGES IN GENERAL LONG-TERM LIABILITIES

During the year ended December 31, 2019, the following changes occurred in Long-Term Liabilities:

Description	Balance 01/01/20	Additions	Reductions	Balance 12/31/20	Due Within One Year
Employee Leave Benefits*	\$ 3,304,193	2,728,732	2,890,866	3,142,060	\$ 177,085
DSHS Working Advances	252,235		10,337	241,898	0
Economic Development Loan	988,741		197,748	790,993	197,748
2016 CRID21 Special Assessment	565,892		51,557	514,335	51,557
BF Health District Bldg Refunding	4,665,000		330,000	4,335,000	345,000
Justice Center and Jail Expansion	1,920,000		1,920,000	0	0
KS StateBank Elections	100,841		49,013	51,828	51,828
Total OPEB Liability	6,541,429		696,459	5,844,970	0
Net Pension Liability	11,504,224		405,719	11,098,505	0
Total Debt	\$29,842,556	\$ 2,728,732	\$ 6,551,699	\$ 26,019,589	\$ 823,218

*Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$135,212 of internal service funds are included in compensated absences. Compensated absence liabilities for governmental funds are typically liquidated by the fund in which the employee is being compensated reports his/her time. Additionally, the County liquidates and funds past and future pension and OPEB obligations through employee and employer paid pension and medical benefit obligations.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

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, 2020, is as follows:

Due To	Due From	Amount
General Fund	General fund	21,868
	Benton Franklin Juvenile Justice Cntr	967,261
	Public Safety Tax	72,975
	Sub-total	1,062,104
County Road Fund	General Fund	9
	Capital Fund	43,697
	NonMajor Governmental funds	710,718
	Internal Service Fund	14,658
	Sub-total	769,082
Human Services	NonMajor Governmental Funds	39,340
	Sub-total	39,340
NonMajor Governmental Funds	General Fund	29,345
	Human Services	444,067
	Internal Service Fund	15,731
	Sub-total	489,143
Internal Service Funds	General Fund	23,432
	County Road	181,814
	Human Services	207
	Public Safety Tax Fund	3,225
	Benton Franklin Juvenile Justice Cntr	271
	NonMajor Governmental Funds	3,181
	Sub-total	212,130
	Totals	\$ 2,571,799

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 equipment rental fees and material purchases of approximately \$208,590. Other interfund transactions include legal fees, administrative charges and outstanding transfers.

2. Transfers

Transfers represent subsidies and contributions provided to operating funds and capital project funds with no corresponding debt or promise to repay. Transfers out on non-major governmental funds generally represent debt service and capital project funding. Interfund transfers occurring between individual major funds and non-major governmental funds of the County during the year ended December 31, 2020 are as follows:

Transferring In Fund	Transferring Out Fund	Amount
General Fund	1/10% Criminal Justice Tax Fund	\$ 967,122
	NonMajor Governmental Funds	20,000
	Sub-total	987,122
County Roads	General Fund	9
	Rural County Capital Fund	6,069
	NonMajor Governmental Funds	705,715
	Sub-total	711,784
Benton-Franklin Juvenile Cntr	General Fund	2,900,006
	1/10% Criminal Justice Tax Fund	815,873
	Sub-total	3,715,879
Capital Projects Fund	NonMajor Capital Project fund	18,435
	Sub-total	18,435
NonMajor Governmental Funds	General Fund	943,291
	NonMajor Governmental Funds	831,941
	Sub-total	1,098,441
Internal Services Funds	County Road Fund	20,355
	Capital Projects Fund	2,475,608
	Sub-total	2,495,963
	Total	\$ 9,027,624

For the year ended December 31, 2020, the following transfers were significant or of a nonroutine nature:

- \$3.58 million transferred to the Benton Franklin Juvenile Center to fund operations, consisting of the following: \$2.9 million from the General Fund and \$0.82 million from the 1/10% Criminal Justice Jail-Juvenile Fund.
- \$0.97 million from 1/10% Criminal Justice Jail-Juvenile Fund to the General Fund for maintenance and operation of the adult and juvenile jails.
- 2.48 million transferred from the Capital Projects Fund to the Equipment Rental & Revolving fund for the forgiveness of an interfund loan.

3. Interfund Loans

One interfund loan arose during 2016 to repay the Capital Projects fund for financing the construction of the ER&R maintenance shop. The loan was to be repaid over 20 years with the final payment in July, 2036. In September of 2020 the Board of County Commissioners, by resolution, ended the interfund loan resulting in a nonreciprocal interfund activity. This nonexchange transaction is recorded as a transfer between funds.

NOTE 14 – RESTRICTED NET POSITION

The government-wide statement of net position reports \$92,276,259 of restricted net position, of which \$92,276,259 is restricted by enabling legislation.

*Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020*

NOTE 15 - JOINT VENTURES

A. Benton County Emergency Services (BCES)

BCES was formed January 1, 1997 through an interlocal agreement entered into by the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County. A second amended and restated interlocal agreement was made and entered into by and between the following entities: Benton County, Franklin County, the Cities of Kennewick, Richland, West Richland, Prosser, Benton City, and Pasco, Benton County Fire Protection Districts and the Public Utility District #1 of Benton County. An Executive Board oversees the operations of BCES and consists of the City Managers (or designee) from the Cities of Kennewick, Pasco and Richland, City Administrators from Prosser and West Richland, a Council member from Benton City, a Benton County Commissioner, a Franklin County Commissioner and a single representative collectively representing Benton County Fire Protection Districts. The City of Richland serves as the operating jurisdiction providing all the necessary administrative support services and reporting for BCES. The total amount paid by BCES in 2020 for these services was \$482,913. No distributions of income to the City are expected since charges are assessed only to recover anticipated expenses.

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

1. SECOMM

The Southeast Communications Center provides public safety communications services to the Cities of Kennewick, Richland, Pasco and the Counties of Benton and Franklin. Each owns an equal share of SECOMM's net assets. Financial participation is allocated among the five participants based on equal shares of capital expenses, predetermined fixed costs, direct costs and percentages of use. SECOMM also provides service through contracts to the Cities of West Richland and Prosser, Connell and the Benton and Franklin County Fire Protection Districts, Port of Pasco, Walla Walla Fire District #5 and the North Franklin County Hospital district. Service contract agencies are assessed on a cost per capita or cost per call basis. Benton County's equity interest in SECOMM as of December 31, 2020 was \$1,126,712 which is reported as an asset in the government-wide Statement of Net Assets. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

2. 800 MHz Radio

The 800 MHz Radio Project fund provides communication infrastructure and technology for the dispatching of public safety agencies throughout Benton County. The Cities of Kennewick, Richland and Benton County each owns a share of 800 MHz's net assets. User agencies are Benton County's Sheriff Office, Jail, Juvenile Justice Center, Public Utility District, and Animal Control; the Cities of Richland, Kennewick, Prosser, Pasco and West Richland, as well as PNNL, DEA, and the Areva Corporation. Radios are charged an annual fee per radio to generate the funds to maintain and upgrade the system. Benton County's equity interest in 800 MHz as of December 31, 2020 was \$1,742,848 which is reported as an asset in the government-wide Statement of Net Position. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net position will be shared equitably among the participants.

3. BCEM

Benton County Emergency Management provides disaster response planning, exercise coordination, response assistance and disaster recovery for Benton County and its political subdivisions per RCW 38.52. Four grant programs fund BCEM: Radiological Emergency Preparedness, DOE Emergency Preparedness, State Homeland Security Program and Emergency Management Program. The six (6) participating jurisdictions are the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County participate in the grant programs through the Interlocal Agreement for Emergency Management. Financial position is allocated based on equal shares of a predetermined basic charge and a variable charge calculated using population

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

percentages and assessed valuations. Benton County's equity interest in BCEM as of December 31, 2020 was \$23,203, which is reported as an asset in the government-wide Statement of Net Assets. The change in equity is reflected under Public Safety in the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

4. Microwave

The microwave system is accounted for separately within its own fund and the user groups are charged a portion of costs based on number of circuits utilized. The Cities of Kennewick, Richland and Benton County each owns an equal share of Microwave's net assets. Benton County's equity interest in Microwave as of December 31, 2020 was \$46,815 which is reported as an asset in the government-wide Statement of Net Position. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net position will be shared equitably among the participants.

Complete and separate financial statements for BCES may be obtained from the City of Richland, 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 \$61,788 on June 30, 2020. The County does not anticipate any income distribution from Metro since charges are assessed only to recover anticipated expense. Complete separate financial statements for Metro may be obtained at the City of Kennewick, 210 West Sixth Avenue, Kennewick, WA.

C. Bi-County Police Information Network

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

The allocation of financial participation among the participating jurisdictions is based upon the approved budget for that year and is billed quarterly in advance to each agency. On dissolution of the Inter-local Agreement, the net position will be shared based upon participant contribution. Effective January 1, 1992, the City of Kennewick assumed responsibility for operation of the BI-PIN system. As the Operating Jurisdiction, the City of Kennewick provides all of the necessary support services for the operation of BI-PIN. These services include accounting, legal services, risk management and information systems. The total amount paid by BI-PIN, in 2020, for these transactions were \$119,000.

BI-PIN is currently in the process of implementing a new RMS/JMS system as well as upgrading all

Benton County, Washington
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supporting infrastructure. The County's equity interest in BI-PIN was \$1,711,943 on December 31, 2020. The change in equity is reflected in the government-wide statement of activities under Public Safety. The County does not anticipate any income distributions from BI-PIN since charges are assessed only to recover anticipated expenses.

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

NOTE 16 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The following table represents the aggregate other postemployment benefits other than pension amounts for the county's single employer plan subject to the requirements of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for the year 2020:

OPEB liabilities	\$ 5,844,970
Deferred outflows of resources	\$ 139,817
OPEB expenses/expenditures	\$ 560,013

OPEB Plan Description

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

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

At December 31, 2020, the following were covered by the benefit terms:

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

Contributions

The county has authority to establish and amend contribution requirements. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. For the year ending December 31, 2020 benefit payments made by the county were \$162,591.

Actuarial Assumptions The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The county's total OPEB liability of \$5,844,970 was measured as of June 30, 2020 with a valuation date of June 30, 2020. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The entry age normal actuarial cost method and the recognized immediately amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

- Inflation: 3.0% total economic inflation
- Discount Rate: 3.87% beginning of measurement year, 3.50% end of measurement year
- Healthcare cost trend rate: for medical costs, 6.0% decreasing to 5.0% in 2020's; for long-term care, 4.5%; Medicare Part B premiums vary, approximately 5%.

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

Sensitivity of the Total OPEB Liability

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

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
Total OPEB Liability	\$ 5,282,038	\$ 5,844,970	\$ 6,496,389

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

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB Liability	\$ 6,548,762	\$ 5,844,970	\$ 5,252,094

Changes in the Total OPEB Liability

Total OPEB Liability at 01/01/2020	\$ 5,576,038
Service cost	0
Interest	190,111
Changes in Experience Data and Assumptions	369,902
Benefit payments	(291,081)
Total OPEB Liability at 12/31/2020	\$ 5,844,970

At December 31, 2020, the county reported deferred outflows of resources only for deferred outflows subsequent to the measurement date in the amount of \$139,817. This will be recognized as expense in the period ending December 31, 2021. Other changes in the total OPEB liability will be expensed immediately.

NOTE 17 – TAX ABATEMENT

The State of Washington has several tax abatements. The information provided by Washington State is based upon calendar 2019 as a proxy for fiscal year 2020. The State Department of Revenue provides this information. There are two programs which affect Benton County sales and use tax received. RCW 82.32.585(4) prohibits disclosure of information by jurisdiction when there are less than three taxpayers within a county.

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Notes to the Financial Statements
For the Year Ended December 31, 2020*

The High Unemployment Deferral for Manufacturing Facilities exemption under RCW 82.60 is intended to promote economic stimulation and new employment opportunities in distress areas. The tax abated for this program cannot be disclosed.

The High Technology sales and use tax deferral program under RCW 82.63, which was available to entities that qualified to start new research and development or pilot scale manufacturing operations, or expand or diversify a current operation by expanding, renovating or equipping an existing facility anywhere in Washington. The tax abated for this program is \$12,169.

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. Accounting and Reporting Changes

The County early implemented GASB 84, Fiduciary Activities in 2019 – The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement improves financial reporting by enhancing consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The original implementation date of this statement was for the county's 2019 c. However, because of the COVID-19 virus, the Governmental Accounting Standards Board (GASB) has moved the implementation date back one year. At the time of this notification by GASB, the county was substantially complete with its GASB 84 implementation. Therefore, it was decided to early implement this standard with the 2019 ACFR.

GASB Statement No. 83, Certain Asset Retirement Obligations ("GASB 83"), addresses accounting and financial reporting for certain asset retirement obligations (AROs), and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Implementation of GASB 83 did not have an impact on the County's financial statements or disclosures.

C. Prior Period Adjustments

The County reported an adjustment of (\$306,663,795) in the Custodial External Investment Pool Fiduciary Funds. The County early implemented GASB 84 in 2019 and these adjustments were necessary to more correctly align a portion of the liability and equity balances from 2019 to 2020.

D. COVID -19 Pandemic

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus, COVID-19. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, cancelling public events, and limiting gathering sizes. Effective March 17, 2020 the County was closed to public access and imposing strict social distancing for staff, with some essential staff either tele-working from home, or placed on paid administrative leave.

Benton County, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2020

The County received a distribution of funding from the Coronavirus Relief Funds for Local Government's through the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Fund is designed to provide ready funding to address unforeseen financial needs and risks created by the COVID-19 public health emergency and may not be used to fill shortfalls in local government revenue to cover expenditures that would not otherwise qualify under the CARES Act.

While it is still too early to estimate the financial impact of this emergency, the full extent of the financial impact on the County is unknown at this time.

NOTE 19– DEFERRED COMPENSATION PLAN

The County maintains an Internal Revenue Code (IRC) Section 457 plan for all permanent employees. Section 457 requires that the assets and income of the plans be held in trust for the exclusive benefit of participants and their beneficiaries. Monthly contributions to the plan are deducted from the wages of employees who choose to participate as prescribed by federal law and regulations. The contributions are deposited with a third party in the County's name and in trust on behalf of the County's employees. The County has little administrative involvement and does not perform investing functions for this plan, therefore, this plan is not shown in the County's financial statements. In January 2019 the County began matching contributions for the members of the Deputy Sheriff's Guild. The County will match employee contributions up to 2.50% of the employees base wage into the County sponsored International City/County Management Association (ICMA) 457 plan.

The County recognized \$105,810 in contribution expense for 2020. The year end liability for the employer contributions is \$9,026.

NOTE 20 – SUBSEQUENT EVENTS

In January 2021, the United States Department of the Treasury began distribution of the Emergency Rental Assistance Program as authorized by the United States Congress as part of its response to the COVID-19 pandemic. Nationally, this program provides \$25 billion to qualifying households that are unable to pay rent and utilities. Funds are provided directly to States, U.S. Territories, local governments, and Indian tribes. The County's initial allocation from this program was \$6.124 million, received in March 2021. These funds will be distributed according to eligibility requirements set forth in federal law and pursuant to guidance from the Treasury Department.

On March 11, 2021, the President signed the American Rescue Plan Act of 2021 authorizing the Emergency Assistance (ERA 2) program to provide financial assistance and housing stability services to eligible households, and cover the costs for other affordable rental housing and eviction prevention activities for eligible households. In May 2021, the County received a 40% allocation from the total \$4,875,836 made available by agreement with the U.S. Department of the Treasury.

The American Rescue Plan Act (ARPA) was signed into law by President Biden on March 11, 2021, and includes \$65.1 billion in direct aid to all counties in America. Benton County was allocated \$39.70 million in pandemic response and recovery funding, and received half of the funds, \$19.85 million, on May 19, 2021. The second half will be received in May 2022.

In July 2021, the County issued \$3.855 million of Limited Tax General Obligation Refunding Bonds. The proceeds from these bonds were used to refund \$4.335 million of the County's Limited Tax General Obligation Refunding Bond, 2018. The Bonds are being issued so that the County can obtain the benefit of savings in total debt service requirements. The proceeds of the Refunded Bond were originally used to pay costs of refinancing the acquisition, design, construction, furnishing and equipping of a facility to accommodate the Benton Franklin Health District Center.

BENTON COUNTY, WASHINGTON

Required Supplementary Information
 Schedule of Changes in Total OPEB Liability and Related Ratios
 LEOFF I OPEB
 December 31, 2020

	<u>2020</u>	<u>2019</u>
Total OPEB liability		
Interest	\$ 190,111	\$ 225,534
Changes of assumptions or other inputs	369,902	(312,741)
Benefit payments	(291,081)	(325,942)
Net change in total OPEB liability	<u>268,932</u>	<u>(413,149)</u>
Total OPEB liability beginning	<u>5,576,038</u>	<u>5,989,187</u>
Total OPEB liability ending	<u>\$ 5,844,970</u>	<u>\$ 5,576,038</u>
Covered payroll	-0-	-0-
Total OPEB liability as a percentage of covered employee payroll	N/A	N/A

Notes to schedule

1. Changes of assumptions

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

2019	3.50%
2020	2.21%

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

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

BENTON COUNTY, WASHINGTON

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability

June 30, 2020

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

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

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

BENTON COUNTY, WASHINGTONRequired Supplementary Information
Schedule of Employer Contributions
December 31, 2020

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

Notes: GASB 68 was implemented for the 2015 financial statements so only six 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, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSP)	School Breakfast Program	10.553	N/A	12,393	-	12,393	-	1
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via OSP)	National School Lunch Program	10.555	N/A	25,398	-	25,398	-	1
			Total Child Nutrition Cluster:	37,791	-	37,791	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	WA 19-62210-002	22,042	-	22,042	18,542	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	WA 18-62210-002	56,150	-	56,150	52,650	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via CDBG General Purpose Grant)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	17-62210-019	567,550	-	567,550	-	1
			Total CFDA 14.228:	645,742	-	645,742	71,192	

The accompanying notes are an integral part of this schedule.

Benton County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	COVID 19 - Emergency Solutions Grant Program	14.231	20-4613C-102	234,266	-	234,266	135,236	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Continuum of Care Program	14.267	WA0072LOT11 811	-	86,039	86,039	67,215	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Continuum of Care Program	14.267	WA0072L0T011 912	-	12,974	12,974	11,392	1
OJP BUREAU OF JUSTICE ASSISTANCE, JUSTICE, DEPARTMENT OF	COVID 19 - Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX- 0753	-	36,857	36,857	-	1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Crime Victim Assistance	16.575	SFY 2020 V/W Assistance Grant	73,253	-	73,253	-	1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via City of Kennewick)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	(JAG) 2019- H3867-WA-DJ	7,099	-	7,099	-	1
Total CFDA 14.267:				-	99,013	99,013	78,607	

The accompanying notes are an integral part of this schedule.

Benton County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

							Expenditures		
Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	Note	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	STOP School Violence	16.839	BJA-2019-15117	-	105,416	105,416	-	1	
Highway Planning and Construction Cluster									
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	STPR-A039 (004)	12,534	-	12,534	-	1	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	HSIP-000S (499)	328,156	-	328,156	-	1	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	HSIP-000S (556)	17,024	-	17,024	-	1	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	TAP-3509(005)	500	-	500	-	1	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	TAP-3509(008)	14,713	-	14,713	-	1	
Total Highway Planning and Construction Cluster:							372,927	-	372,927
Highway Safety Cluster									
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	2020-HVE-3774 -WTSC	3,245	-	3,245	-	1	
Total Highway Safety Cluster:							3,245	-	3,245

The accompanying notes are an integral part of this schedule.

Benton County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	21-00021-232	759,699	-	759,699	-	1
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-003	15,135,000	-	15,135,000	-	1
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Administrative Office of the Courts)	COVID 19 - Coronavirus Relief Fund	21.019	N/A	556,175	-	556,175	-	1
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	21-4614C-102	2,978,755	-	2,978,755	-	1
Total CFDA 21.019:				19,429,629	-	19,429,629	-	
ELECTION ASSISTANCE COMMISSION, ELECTION ASSISTANCE COMMISSION (via U.S. Elections Assistance Commission)	COVID 19 - 2018 HAVA Election Security Grants	90.404	EAC1651DB20 20DR-2020- 61000001- 410001- EAC190800000 0	209,262	-	209,262	-	1
ELECTION ASSISTANCE COMMISSION, ELECTION ASSISTANCE COMMISSION (via U.S. Elections Assistance Commission)	COVID 19 - 2018 HAVA Election Security Grants	90.404	EAC1651DB20 20XX-2020- 61000001- 410001- EAC190800000 0	158,599	-	158,599	-	1
Total CFDA 90.404:				367,861	-	367,861	-	

The accompanying notes are an integral part of this schedule.

Benton County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
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	55,889	-	55,889	53,277	1
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services)	Child Support Enforcement	93.563	2110-80578 / 75 -1501-0-1-609	260,947	-	260,947	-	1, 2, 3
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services)	Child Support Enforcement	93.563	2110-80578 / 75 -1501-0-1-609	493,873	-	493,873	-	1, 2, 3
Total CFDA 93.563:				754,820	-	754,820	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS-Juvenile Rehabilitation Admin.)	Foster Care Title IV-E	93.658	110393	773	-	773	-	1
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Opioid STR	93.788	HCA contract K3286 & K4879	623,764	-	623,764	-	1

The accompanying notes are an integral part of this schedule.

Benton County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Opioid STR	93.788	K3904	105,919	-	105,919	99,537	1
Total CFDA 93.788:				729,683	-	729,683	99,537	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Department of Social & Health Services - Division of Alcohol & Substance Abuse)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K3904	66,074	-	66,074	66,074	1
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	LE: MLE1102	11,285	-	11,285	-	1
Total Federal Awards Expended:				22,790,337	241,286	23,031,623	503,923	

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, 2020**

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 \$74,097.



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Benton County January 1, 2020 through December 31, 2020

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

Finding ref number: 2020-001	Finding caption: The County’s internal controls over preparing financial statements were inadequate for ensuring accurate financial reporting.
Name, address, and telephone of County’s contact person: Aileen Coverdell, Chief Accountant P.O. Box 470 Prosser, WA 99350	
Corrective action the auditee plans to take in response to the finding: <i>The County will take a more active role in grant management to insure proper reporting by the departments. The County will also provide education to grant reporting departments to mitigate future reporting misstatements. The County will also continue to train and monitor County departmental staff to ensure compliance with the Uniform Guidance requirements. The accounting staff will continue to participate in continuing education to keep knowledgeable of authoritative guidance and how it applies to financial reporting.</i>	
Anticipated date to complete the corrective action: ongoing	

Finding ref number: 2020-002	Finding caption: The County had inadequate internal controls for ensuring compliance with federal requirements for suspension and debarment and subrecipient monitoring.
Name, address, and telephone of County's contact person: Aileen Coverdell, Chief Accountant P.O. Box 470 Prosser, WA 99350	
Corrective action the auditee plans to take in response to the finding: <i>The Department of Human Services amended all subrecipient contracts to include language that ensures compliance with suspension and debarment requirements. The County will review all contracts including federal funds for compliance and amend as necessary.</i>	
Anticipated date to complete the corrective action: 06/2021	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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