

**NEW ISSUE  
BOOK-ENTRY ONLY  
BANK QUALIFIED**

**INSURANCE: MBIA Insurance Corporation  
RATINGS: Moody's: Aaa (Underlying A2)  
Standard & Poor's: AAA (Underlying A+)  
Fitch: AAA**

(See "MUNICIPAL BOND INSURANCE POLICY" and "RATINGS" herein)

*In the opinion of Bond Counsel, under existing federal law and assuming compliance by the County with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals. However, while interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest on the Bonds may have other federal tax consequences for certain taxpayers. The County has designated the Bonds as "Qualified Tax-Exempt Obligations" for banks, thrift institutions and other financial institutions. (See "Federal Income Tax Exemption" and "Certain Other Federal Tax Consequences" herein.)*

**\$5,410,000**

**BENTON COUNTY, WASHINGTON  
LIMITED TAX GENERAL OBLIGATION BONDS, 2001**

**DATED: November 1, 2001**

**DUE: December 1, as shown below**

Benton County, Washington (the "County") provides this Official Statement in connection with the issuance of its Limited Tax General Obligation Bonds, 2001 (the "Bonds"). The Bonds mature on December 1, in each of the years and amounts set forth below, subject to optional redemption as hereinafter described, and will bear interest from November 1, 2001, to their respective maturities or dates of prior redemption, at the rates per annum as shown below.

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield To Maturity</u>	<u>Price</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield To Maturity</u>	<u>Price</u>
2002	\$170,000	3.00%	2.20%	100.795%	2012	\$265,000	4.10%	4.15%	99.561%
2003	195,000	2.50	2.50	100.000	2013	275,000	4.25	4.30	99.534
2004	200,000	2.70	2.73	99.913	2014	285,000	4.40	4.45	99.509
2005	205,000	3.75	3.03	102.699	2015	300,000	4.50	4.55	99.485
2006	210,000	3.50	3.27	101.054	2016	315,000	4.55	4.60	99.461
2007	220,000	3.75	3.50	101.344	2017	330,000	4.65	4.67	99.775
2008	230,000	3.70	3.70	100.000	2018	345,000	4.75	4.76	99.883
2009	235,000	3.80	3.85	99.657	2019	360,000	4.80	4.83	99.641
2010	245,000	3.90	3.95	99.623	2020	375,000	4.85	4.90	99.385
2011	255,000	4.00	4.05	99.591	2021	395,000	4.95	4.95	100.000

The Bonds will be issued as fully registered bonds under a book-entry system, initially registered to Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases of Bonds will be made in the principal amount of \$5,000, or integral multiples thereof within a single maturity. The purchasers will not receive certificates representing their interest in the Bonds, as long as the bonds are in book-entry form. Interest will be payable semi-annually on June 1 and December 1, commencing June 1, 2002. The Washington State Fiscal Agent, currently The Bank of New York and Wells Fargo Bank, N.A., will serve as registrar, paying agent and transfer agent (the "Registrar") for the Bonds. For so long as the Bonds are held by DTC in book-entry format, principal and interest payments will be made as described herein, see "The Bonds - Book-Entry System".

The Bonds are limited tax general obligations of the County. For as long as any of the Bonds are outstanding, the County has irrevocably pledged to include in its budget and to levy taxes annually on all taxable property within the County within the constitutional and statutory limits applicable to non-voted general obligations, in an amount sufficient, together with other money legally available and to be used therefore, for the prompt payment of the principal of and interest on the Bonds. In addition, the County has pledged the proceeds of certain real estate excise tax and local option sales and use excise taxes to pay a portion of the principal of and interest on the Bonds when due. The proceeds of the Bonds will be used, together with other available funds of the County, for the purpose of financing the costs of completing certain renovations to jail, court and criminal justice facilities of the County and for other lawful County purposes (the "Project") and paying costs related to the issuance and sale of the Bonds. The Bonds maturing on and after December 1, 2012 are subject to optional redemption prior to maturity. (See "The Bonds - "Authorization," "Security," "Purpose and Use of Proceeds" and "Redemption" herein.)

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.



The Bonds are offered by the Underwriter when, as and if issued by the County, subject to the opinion as to legality and tax-exemption of the Bonds of Foster Pepper & Shefelman PLLC, Seattle, Washington, Bond Counsel, which opinion will be delivered with the Bonds. The fee of Bond Counsel is contingent on the issuance of Bonds. It is expected that the Bonds, in definitive form, will be available for book-entry delivery through the facilities of DTC on or about November 27, 2001.

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to making an informed investment decision.*

**D.A. DAVIDSON & CO.**

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### **Certain Elected County Officials:**

Board of County Commissioners ..... Leo Bowman, Chairman  
Max Benitz, Jr.  
Claude Oliver  
Assessor ..... Barbara Wagner  
Auditor ..... Bobbie Gagner  
Clerk ..... E. Kay Staples  
Prosecuting Attorney ..... Andy Miller  
Treasurer ..... Darwin Parker

### **Underwriter**

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### **Bond Counsel**

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**\$5,410,000**  
**Benton County, Washington**  
**Limited Tax General Obligation Bonds, 2001**

**SUMMARY STATEMENT**

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement.

ISSUER .....Benton County, Washington (the "County") is located in southern Washington and has a total population of 144,800, as estimated for 2001 by the Washington State Office of Financial Management. (See "The County" herein.)

INTEREST AND  
REDEMPTION .....Interest on the Bonds is payable semi-annually each June 1 and December 1, commencing June 1, 2002. The Bonds maturing on and after December 1, 2012 are subject to optional redemption prior to maturity. (See the "The Bonds - Description of the Bonds" and "The Bonds - Redemption" herein.)

AUTHORITY  
FOR ISSUANCE .....The Bonds will be issued in accordance with the provisions of the Constitution and laws of the State of Washington, particularly chapters 36.67, 39.36, 39.46 and 70.48 RCW, and pursuant to Resolution No. 01-601 of the County (the "Resolution"), adopted on November 8, 2001, authorizing the issuance of Bonds. (See "The Bonds - Authorization" herein.)

SOURCE OF  
REPAYMENT .....The Bonds are limited tax general obligations of the County. For as long as any of the Bonds are outstanding, the County irrevocably has pledged to include in its budget and to levy taxes annually on all taxable property within the County (within the constitutional and statutory limits applicable to non-voted general obligations), in an amount sufficient, together with other money legally available and to be used therefore, to pay the principal of and interest on the Bonds. The full faith, credit and resources of the County have been irrevocably pledged for the timely payment of such principal and interest, within the constitutional and statutory limitations applicable to non-voted general obligations. In addition, the County has pledged the proceeds of certain real estate excise tax and local option sales and use taxes to pay a portion of the principal of and interest on the Bonds, when due. (See "The Bonds - Security" herein.)

USE OF  
PROCEEDS .....The proceeds of the Bonds will be used, together with other available funds of the County, for the purpose of financing the costs of completing certain renovations to jail, court and related facilities of the County and for other lawful County purposes (the "Project") and paying costs related to the issuance and sale of the Bonds. (See "The Bonds - Purpose and Use of Proceeds" herein.)

## THE BONDS

### Description of the Bonds

The Bonds will be issued in the aggregate amount of \$5,410,000 in fully registered form, will be in the denomination of \$5,000 each or any integral multiple thereof within a single maturity and will be dated November 1, 2001. The Bonds shall mature on December 1 in the years and amounts set forth on the cover hereof. The Washington State Fiscal Agent, currently The Bank of New York, in New York, New York and Wells Fargo Bank, N.A., in Seattle, Washington, will serve as registrar, paying agent and transfer agent (the "Registrar") for the Bonds.

The Bonds will bear interest from November 1, 2001, or the most recent interest payment date to which interest has been paid or duly provided for, whichever is later, at the rates per annum set forth on the cover hereof. Interest on each Bond will be calculated on the basis of a 360-day year consisting of twelve 30-day months, and will be payable semi-annually on June 1 and December 1, commencing June 1, 2002, until the date of maturity or the date of prior redemption of such Bond, whichever occurs first. For so long as the Bonds are held by DTC in book-entry form, principal and interest payments will be made as described herein under the heading "The Bonds - Book-Entry System".

### Redemption

**Optional Redemption.** Bonds maturing in the years 2002 through and including 2011 are not subject to redemption prior to their stated maturities. Bonds maturing on or after December 1, 2012 are subject to redemption at the option of the County on or after December 1, 2011, in whole or in part (by lot in the manner determined by the Registrar within one or more maturities selected by the County) at any time, at the price of par plus interest accrued to the date of redemption, if any.

Bonds in denominations larger than \$5,000 may be redeemed in part in any integral multiple of \$5,000. The Registered Owner of any Bond redeemed in part shall receive, upon surrender of such Bond to the Registrar, one or more new Bonds in authorized denominations equal in principal amount to the unredeemed portion of the Bond so surrendered.

**Notice of Redemption.** For so long as the Bonds are held by DTC in book-entry only form, the County will provide notice of redemption to DTC (or its nominee) as provided in DTC's Letter of Representations and the County will not provide such notices to beneficial owners of the Bonds (other than as described in Appendix B hereto). The Resolution requires that such notice be sent no more than 60 days, nor less than 30 days, before the scheduled redemption date. See "The Bonds - Book-Entry System" below for a discussion of how redemption notices will be given by DTC to the beneficial owners of the Bonds. The County cannot and does not give any assurances that DTC, its direct participants or others will distribute any redemption notices to the beneficial owners or that they will do so on a timely basis.

Pursuant to the County's continuing disclosure undertaking, the County is required to provide timely notice of material bond calls to each NRMSIR (or MSRB) and to any SID. See "Commitment to Provide Continuing Disclosure" herein for definitions of the terms "NRMSIR," "MSRB" and "SID" and a description of the County's undertaking to provide certain notices.



***Failure to Redeem Bonds.*** When so called for redemption, such Bonds shall cease to accrue interest on the specified redemption date provided funds for redemption are on deposit at either of the principal corporate trust offices of the Registrar at that time. Bonds called for redemption shall not be deemed to be outstanding as of such redemption date provided funds for redemption are on deposit with the Registrar at such time. The Registrar shall hold the funds in trust for the Registered Owner, uninvested and without interest.

## **Book-Entry System**

When the Bonds are issued, ownership interest will be available to purchasers only through a book-entry system (the “Book-Entry System”) maintained by DTC or such other depository institution designated by the County pursuant to the Resolution. If the Bonds are removed from the Book-Entry System and delivered to the persons named as the registered owners of the Bonds on the registration records maintained by the Registrar (the “Registered Owners”) in physical form, as described below, the discussion herein of the Book-Entry System will not apply. The following information has been provided by DTC, and the County makes no representation as to the accuracy or completeness thereof.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$400 million, one certificate will be issued with respect to each \$400 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.
2. DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. “Direct Participants” include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.
3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of

the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.
5. Conveyances of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.
6. Redemption notices, if any, shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor such other DTC nominee), will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested, by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the County on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to Beneficial Owners shall be the responsibility of Direct and Indirect Participants.
9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

10. The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.
11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

## **Authorization**

The Bonds will be issued pursuant to the provisions of the Constitution and laws of the State of Washington, particularly chapters 36.67, 39.36, 39.46 and 70.48 RCW and Resolution No. 01-601 (the "Resolution"), adopted by the Board of County Commissioners (the "Board") on November 8, 2001.

## **Security**

**General Ad Valorem Tax Pledge.** The Bonds are limited tax general obligations of the County. They are payable from general ad valorem taxes which the County has covenanted in the Resolution to include in its budget and to levy annually on all taxable property in the County, within the constitutional and statutory limits applicable to non-voted general obligations, in an amount sufficient, together with other money legally available and to be used therefor, to pay the principal of and interest on the Bonds. The full faith, credit and resources of the County have been irrevocably pledged for the annual levy and collection of those taxes and the prompt payment of such principal and interest. The Bonds are not obligations of the State of Washington or any other municipal corporation other than the County.

**Limitation on Sources of Payment for the Bonds.** Limited tax general obligation bonds, such as the Bonds, are payable solely from amounts in the County's Current Expense Fund, together with any other money of the County legally available to pay debt service on such bonds. The County is not authorized to levy any additional or excess tax for purposes of repaying its limited tax general obligation bonds. The primary source of funds to repay such bonds are the County's regular property tax and various excise taxes. See "The Bonds – Property Tax Limitations" and "The Bonds - Property Tax Levy Procedure" herein for a discussion of the County's regular property tax collection procedures and limitations thereon. Because regular property tax revenues are used to operate County government, a pledge to repay limited tax general obligation bonds directly affects a County's operating budget. Consequently, any money budgeted to pay debt service on limited tax general obligation bonds is necessarily diverted from other County services.

**Excise Tax Pledge.** In the resolution the County has pledged the proceeds of its real estate excise tax imposed pursuant to Chapter 82.46 RCW and its local option sales and use tax imposed pursuant to RCW 82.14.350 for juvenile detention facilities and jails (the "Jail Tax") to pay a portion of the principal of and interest on the Bonds when due, subject to certain limitations described below. Pursuant to RCW 82.14.350, an election was held within the County on November 7, 1995, at which election a majority of the County's voters authorized the Jail Tax. The Jail Tax is imposed at the rate of 0.1% of the selling price (or the case the sales tax) or value of the article used (or the case of the use tax). The County imposes the real state excise tax at the rate of 0.25% of the selling price of the real property sold in the unincorporated area of the County. The portion of the proceeds of the Jail Tax are pledged to the payment of the Bonds, and the County pledges and covenants that the Jail Tax shall be maintained and continued for so long as the Bonds remain

outstanding. The County has pledged \$500,000 per year to the payment of their Limited Tax General Obligation Bonds, 2000, on a parity basis with the Bonds. The County reserves the right to pledge the proceeds of the Jail Tax to the payment of other obligations on a parity basis. (See "County Financial Information – Trends in Tax Receipts" and Appendix A "Historical Taxable Retail Sales".)

### **Statutory Debt Limitations**

The power of the County to contract debt of any kind is controlled and limited by state law. All debt must be set forth in accordance with detailed budget procedures and paid for out of identifiable receipts and revenues. The budget must be balanced for each fiscal year. It is unlawful for an officer or employee of the County to incur liabilities in excess of budgetary appropriations. (See "County Financial Information - The Budgetary Process" herein.)

***Unlimited and Limited General Obligation Debt.*** The County may issue general obligation bonds in an amount not to exceed 2½% of the assessed value of all taxable property within the County. Unlimited tax general obligation bonds require an approving vote, and any election to validate general obligation bonds must have a voter turnout of at least 40% of those who voted in the last State general election. Of those voting, 60% must vote in the affirmative. The Board, may by resolution, authorize the issuance of limited tax general obligation bonds - such as the Bonds - in an amount, including all other limited tax debt of the County, up to 1½% of the assessed valuation within the County without a vote of the people. No combination of limited or unlimited tax bonds may exceed 2½% of the County's assessed valuation. (See "County Financial Information - Calculation of Debt Capacity" herein.)

### **Initiative and Referendum**

Under the State Constitution, the voters of the State have the ability to initiate legislation and modify existing legislation through the powers of initiative and referendum, respectively. The initiative power in Washington may not be used to amend the State Constitution. Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least eight percent (initiative) and four percent (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Any law approved in this manner by a majority of the voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all members elected to each house of the Legislature. After two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws.

***Initiative 747.*** Initiative Measure No. 747 ("I-747") was approved by the voters on November 6, 2001. As written, I-747 will reduce the limit on the total dollar amount of regular property taxes that may be levied annually by a taxing district (including the County) without a vote of its electors from 106 percent to 101 percent of the highest levy in the three previous years (excluding new construction, improvements and State-assessed property). I-747 is expected to reduce increases in future property tax revenue to the County. That reduction will have an effect on budgeted current expense fund expenditures. However, the full impact of I-747, if approved by the voters, cannot be predicted at this time.

***Future Initiative Legislation.*** Other tax and fee initiative measures have been and may be filed, but it cannot be predicted whether any such initiatives might gain sufficient signatures to qualify for submission to the Legislature and/or the voters or, if submitted, whether they ultimately would be approved.

## **Property Tax Levy Limitations**

The Bonds are secured, in part, by money received by the County from its regular property tax levy. There is no authority for the County to levy taxes in excess of the regular property tax levy to pay the principal of and interest on limited tax general obligation bonds, such as the Bonds. Nonvoted regular property tax levies are subject to four limitations more specifically described below. Regular property tax levy receipts may be used for the payment of the principal of and interest on nonvoted general obligations for any lawful County purpose. Under existing laws and circumstance, none of the property tax limitations presently affect the ability of the County to levy regular property taxes at rates sufficient to pay the debt service on its outstanding obligations. Information relating to regular property tax limitations is based on currently existing statutes, constitutional provisions and circumstances. Changes in the same could alter adversely the impact of other interrelated tax limitations on the County.

***County Maximum Rate Limitations.*** In the State of Washington, a county may levy taxes at a maximum rate of \$1.80 per \$1,000 of assessed value against all the real and personal property in the county subject to taxation for general county purposes, including the payment of principal of and interest on bonds issued by the county without a vote of the people, such as the Bonds. This rate, however, can be increased to a rate not to exceed \$2.475 per \$1,000 of assessed value for general county purposes if the total levies for both the county and any road district within the county do not exceed \$4.050 per \$1,000 of assessed value and no other taxing district has its levy reduced as a result of the increased county levy. See “County Financial Information - Tax Levies” herein for a summary of the County's historical tax levy rates.

***The 106% Limitation.*** The “106% limitation” (chapter 84.55 RCW) is a limitation on the amount of tax levies by individual taxing districts. All municipal regular property tax levies, including those by the State for the support of common schools, are subject to the 106% limitation. Chapter 84.55 RCW provides, in substance, that unless a higher rate is approved by a majority of the voters at an election, the regular property tax levy by a taxing district must be set so that the amount of the property taxes which will become payable in a given year will be limited by an amount of 100% of the highest property tax levy of the three most recent years multiplied by a limit factor, plus a full value adjustment for new construction. The limit factor is defined as: (i) the lesser of 106% or 100% plus inflation, or (ii) 106% or less, if approved by a majority plus one vote of the governing body of the municipality upon a finding of substantial need. Since the 106% limitation applies to the dollar amount levied rather than to levy rates, increases in property values exceeding 6% per year result in decreasing tax levy rates. RCW 84.55.050 allows a taxing district to increase its regular tax levy by more than the 6% limit factor after obtaining a majority vote of its electors. See “County Financial Information - Tax Levies” herein for a summary of the County's historical tax levy rates. On November 6, 2001, the State's voters approved I-747, which reduces the 106% limitation to a 101% limitation. (See “The Bonds - Initiative and Referenda” herein.)

***The One Percent Aggregate Regular Levy Limitation.*** Article VII, Section 2 of the Washington Constitution limits aggregate regular property tax levies by the State of Washington and all taxing districts, except port districts and public utility districts, to one percent (1.00%) of the true and fair value of property. RCW 84.52.050 provides the same limitation by statute. The County does not have any property that is subject to the One Percent Limitation. Washington law also permits the creation of airport districts, which, if created, could levy taxes at the rate of \$.75/\$1,000 with approval of their electors. The \$.75/\$1,000, if levied, would also count against the One Percent Limitation, but not against the \$5.90/\$1,000 Limitation.

***\$5.90/\$1,000 Aggregate Non-Voted Levy Limitation.*** RCW 84.52.043(2) imposes an aggregate limitation on non-voted tax levies by all taxing districts, except the State, ports and public utility districts, of \$5.90/\$1,000 of assessed value. This statute also gives certain “senior” taxing districts, such as the County, a priority on the permissible aggregate levy up to their maximum authorized levies as follows:

- - - - - Incorporated Areas - - - - -			- - - - - Unincorporated Areas - - - - -		
Senior	Maximum		Senior	Maximum	
<u>Taxing Districts</u>	<u>Levy Rate</u>	<u>2001 Levy</u>	<u>Taxing Districts</u>	<u>Levy Rate</u>	<u>2001 Levy</u>
County <sup>1</sup>	\$1.800	\$1.587	County <sup>1</sup>	\$1.800	\$1.587
City	\$3.380	city specific	Road District	<u>\$2.250</u>	<u>\$1.977</u>
City Pension <sup>2</sup>	<u>\$0.230</u>	city specific	Total	\$4.050	\$3.564
Total	\$5.410				

<sup>1</sup> Pursuant to RCW 84.52.043(1), a county may increase its levy from \$1.80 to a rate not to exceed \$2.475 for general county purposes if (i) the total levies for both the county and any road district within the county do not exceed \$4.05 and (ii) no other taxing district has its levy reduced as a result of the increased county levy.

<sup>2</sup> RCW 14.16.060. Not levied by cities incorporated after 1970.

RCW 84.52.010 provides, in general, that if aggregate levies certified by all taxing districts exceed the aggregate levy limitation, levies certified by junior taxing districts are reduced or eliminated in order to bring the aggregate levy into compliance with statutory maximums.

## Property Tax Levy Procedures

***Valuations and Assessments of Property for Taxation Purposes.*** The County Assessor (the “Assessor”) determines the value of all real and personal property throughout the County which is subject to ad valorem taxation. The Assessor is an elected official whose duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the Department of Revenue of the State of Washington. For tax purposes, the assessed value of property is set at 100% of its true and fair value as of January 1 of each year. All property is subject to revaluation at least once every four years and to an on-site appraisal at least once every six years. The property is listed by the Assessor on a tax roll at its current assessed value and the tax roll is filed in the Assessor's office. The Assessor's determination is subject to revisions by the County Board of Equalization and, for certain property, subject to further revisions by the State Board of Equalization. After all administrative procedures are completed, the Board receives the Assessor's final certificates of assessed value of property within the County.

***Property Tax Collection Procedures.*** Property taxes are levied in specific amounts, and the rate for all taxes levied for all taxing districts in the County are determined, calculated and fixed by the Assessor based upon the assessed valuation of the property within the various taxing districts. The Assessor extends the taxes to be levied within each taxing district upon a tax roll which contains the total amount of taxes to be so levied and collected and assigns a tax account number to each tax lot. The tax roll is delivered to the County Treasurer (the “Treasurer”), an elected official, by January 15 of each year. By the first Monday in January, the County Auditor must issue a warrant to the Treasurer authorizing the collection of taxes listed on the Assessor's certified tax roll. The Treasurer creates a tax account for each taxpayer and is responsible for the collection of taxes due to each account, together with any fines, forfeitures or penalties thereon. All taxes are due and payable on the 30th of April of each year, but if the amount due from a taxpayer exceeds \$50.00, one-half may be paid then and the balance paid no later than October 31 of that year.

The method of giving notice of payment of taxes due, the Treasurer's accounting for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedure are all covered by detailed statutes.

***Tax Liens and Foreclosure.*** Property taxes and all charges and expenses relating to the taxes constitute a statutory lien on the property taxed. The lien attaches to the property from and including January 1 in the year in which the tax is levied, and is discharged only when the taxes are paid. In other respects, and subject to the "Homestead Exemption," the lien for delinquent property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. The courts have not decided whether the Homestead Law (chapter 6.13 RCW) may give the occupying homeowner a right in the forced sale of the family residence for delinquent general property taxes to retain the first \$40,000 of proceeds of the sale (see *Algona v. Sharp*, 30 Wn. App. 837, 638 P.2d 627 (1982), holding the homestead right superior to liens for local improvement district assessments).

By law, the Treasurer must commence in superior court foreclosure of a tax lien on real property after three years have passed since the first delinquency. The Treasurer must sell the property to the highest and best bidder for cash upon entry of the order of foreclosure. The minimum bid allowable is the total amount of the taxes, interest, penalty and costs due. To the extent property is stricken to the County at a foreclosure sale, that property is exempt from taxation for so long as it is held by the County. A property owner may redeem his property at any time prior to the foreclosure sale by paying the Treasurer the amount of the certificate of delinquency and all taxes, interest and costs accruing after the certificate of delinquency is issued, together with interest on such amount at the rate of 12% per annum.

### **Authorized Investments, County Investment Policy**

Chapter 39.59 RCW limits the investment of public funds to the following authorized investments: bonds of the State and any local government in the state, which bonds are rated at the time of investment in one of the three highest credit ratings by a nationally recognized rating agency; general obligation bonds of other states and subdivisions thereof so long as those bonds are rated in one of the three highest categories of a nationally recognized rating agency; registered warrants of a local government within the same county as the entity making the investment; and any investment authorized by law for the State Treasurer or any local government exclusive of certificates of deposit of banks or bank branches not located in the State. Under chapter 43.84 RCW, the State Treasurer may invest in non-negotiable certificates of deposit in designated qualified public depositories; in obligations of the U.S. government, its agencies and wholly owned corporations; in bankers' acceptances; in commercial paper; in repurchase agreements; in the obligations of the federal home loan bank, federal national mortgage association and other government corporations subject to statutory provisions. Utility revenue bonds and warrants of any city and bonds or warrants of a local improvement district are also eligible investment (RCW 35.39.030).

Any municipal corporation may authorize the investment by the county treasurer of funds not required for immediate expenditure. Such funds of the County, including debt service funds, have been invested by the Treasurer. The county treasurer may, upon the request of one or more units of local government that invest their money with the county, combine those moneys for the purposes of investment (RCW 36.29.022). The office of the county treasurer receives up to 5% of the earnings on such investments, subject to a maximum of \$50 on each transaction, as its investment service fee. The county treasurer may reimburse its office for any expenses incurred in the establishment and maintenance of such a county investment pool (RCW 36.29.024).

***Authorized Investments for Bond Proceeds.*** In addition to the eligible investments discussed above, bond proceeds only may also be invested in mutual funds with portfolios consisting of U.S. government and guaranteed agency securities with the average maturities of less than four years; municipal securities rated in one of the four highest categories; and money market funds consisting of the same, so long as municipal securities held in the fund(s) are in one of the two highest rating categories of a nationally recognized rating agency. Bond proceeds may also be invested in shares of money market funds with portfolios of securities otherwise authorized by law for investment by local governments (RCW 39.59.030).

***The County Investment Policy.*** It is the policy of the County Treasurer to invest public funds in accordance with all federal, state, and local governing statutes. The County Treasurer endeavors to invest public funds in a manner that preserves capital and ensures the protection of investment principal, allows adequate liquidity for the County and its junior taxing districts, and achieves the highest investment return consistent with the primary objectives of safety and liquidity.

This investment policy applies to all financial assets held or controlled by the County Treasurer other than trust fund assets held by third parties. Currently, the County Treasurer performs the investment function for approximately 110 funds of all types. These funds are administered by school districts, fire districts, port districts, irrigation districts, as well as by the County. In addition, any new fund created by the governmental entity shall apply under this policy.

Fund Managers can either request the County Treasurer invest their jurisdictions' money in the County Investment Pool, or request that the Treasurer purchase an investment with a specific term of one of their funds.

### **Purpose and Use of Proceeds**

The proceeds of the Bonds will be used, together with other available funds of the County, for the purpose of financing the costs of completing certain renovations to jail, court and related facilities of the County and for other lawful County purposes (the "Project") and paying costs related to the issuance and sale of the Bonds. The Project will complete the improvements to the County's correctional facilities described in the Pre-Design Report prepared by Ohasi-Augier Architectural Services dated January 26, 2000 that were not financed with the proceeds of the \$23,615,000 Limited Tax General Obligation Bonds, 2000, dated July 1, 2000. These primarily include installing improvements to the third floor of such correctional facilities.



The estimated sources and application of funds for the Project are shown in the table that follows.

***Sources of Funds:***

Proceeds of the Bonds	\$5,410,000.00
Original Issue Discount	(2,723.85)
County Reserves (from 1/10 of 1% Fund)	<u>2,000,000.00</u>
Total Sources of Funds	<u><u>\$7,407,276.15</u></u>

***Application of Funds:***

Deposit to the Justice Center Expansion Fund	\$7,300,000.00
Total Costs of Issuance, Insurance Premium and Contingency <sup>1</sup>	<u>107,276.15</u>
Total Application of Funds	<u><u>\$7,407,276.15</u></u>

<sup>1</sup> Includes the Underwriter's Discount, municipal bond insurance premium, Bond Counsel fees, rating agency fees, registration costs, printing expenses, miscellaneous expenses and contingency.

## COUNTY FINANCIAL INFORMATION

**Financial Summary**

(As of October 1, 2001, adjusted to reflect the issuance of the Bonds)

2001 Population Estimate .....	144,800
2001 Taxable Assessed Valuation .....	\$7,259,181,000
Direct Debt Outstanding (including the Bonds) .....	\$34,945,000
Estimated Overlapping Debt Outstanding .....	\$121,049,592
Direct and Estimated Overlapping Debt Outstanding .....	\$155,994,592

## Direct Debt and Estimated Overlapping General Obligation Debt

The following information sets forth the general obligation indebtedness of the County as of October 1, 2001 (adjusted to reflect the issuance of the Bonds) and of taxing entities with boundaries that overlap with the County.

### ***Direct General Obligation Debt:***

Voted General Obligation Bonds Outstanding	\$0
Non-Voted General Obligation Bonds Outstanding	29,535,000 <sup>1</sup>
The Bonds	<u>5,410,000</u>
Direct Debt of the County .....	\$34,945,000

### ***Estimated Overlapping General Obligation Debt:***

<u>Taxing Entity</u>	<u>Debt Outstanding</u>
School District No. 116 (Prosser)	\$12,190,991
School District No. 17 (Kennewick)	63,772,009
School District No. 400 (Richland)	27,976,000
School District No. 50 (Paterson)	517,078
School District No. 52 (Kiona-Benton City)	2,735,000
School District No. 53 (Finley)	7,258,642
Port of Benton	2,775,000
Plymouth Water District	56,009
Grandview Irrigation	290,000
Fire District No. 1 (Kennewick)	620,000
Fire District No. 2 (Benton City)	1,043,987
Fire District No. 3 (Prosser)	1,037,500
Fire District No. 4 (West Richland)	755,000
Fire District No. 6 (Plymouth/Sandpiper/Crowe Butte/Paterson/Sun Leaven)	<u>22,376</u>
Total Estimated Overlapping Debt .....	<u>\$121,049,592</u>
Total Direct and Estimated Overlapping General Obligation Debt .....	<u>\$155,994,592</u>

<sup>1</sup> See "County Financial Information - Schedule of General Obligation Bond Debt Service" herein.

## General Obligation Debt Ratios

Assessed Valuation Per Capita .....	\$50,132.46
Direct Debt Per Capita .....	\$241.33
Direct and Estimated Overlapping Debt Per Capita .....	\$835.98
Direct Debt to Assessed Valuation .....	0.48%
Direct and Estimated Overlapping Debt to Assessed Valuation.....	2.15%

## **Future Financing**

The County anticipates that it may from time to time issue additional limited and unlimited tax general obligation bonds to finance capital improvements. Other than the Bonds, the County does not foresee the issuance of such bonds within the next 12 months.

## **Debt Repayment Record**

The County has never defaulted on a payment of principal or interest on any of its general obligation bonds. Furthermore, the County has never issued refunding bonds for the purpose of avoiding an impending default on its general obligation bonds.

## **Calculation of Debt Capacity**

Washington municipalities, including the County, are limited by Constitution and statute as to the amount of bonded, or other, indebtedness they may incur. (See "The Bonds - Statutory Debt Limitations" herein.) The following chart sets forth the remaining debt capacities for voted and non-voted general obligation debt as of October 1, 2001, but adjusted to reflect the issuance of the Bonds. The 2001 Assessed Valuation for the County is \$7,259,181,000.

I. Non-Voted General Obligation	
Debt Capacity (1½% of Assessed Valuation).....	\$108,887,715
Less: Non-Voted G.O. Bonds Outstanding (including the Bonds).....	<u>34,945,000</u>
Remaining Non-Voted General	
Obligation Debt Capacity.....	<u>\$73,942,715</u>
Percent of Non-Voted Debt Capacity Remaining .....	67.91%
II. Total General Obligation Debt Capacity (2½% of Assessed Valuation) .....	\$181,479,525
Less: Voted G.O. Bonds Outstanding.....	0
Less: Non-Voted G.O. Bonds Outstanding .....	34,945,000
Less: Other General Obligations.....	<u>0</u>
Remaining General Obligation Debt Capacity.....	<u>\$146,534,525</u>
Percent of Total Debt Capacity Remaining.....	80.74%

## Schedule of General Obligation Bond Debt Service

In addition to the Bonds, the County has Limited Tax General Obligation Bonds, Series 1993E (the “1993E Bonds”) outstanding for Vista Field, Limited Tax General Obligation Bonds, Series 1996 (the “1996 Bonds”) outstanding for the Juvenile Detention Center and Limited Tax General Obligation Bonds, 2000 (the “2000 Bonds”) outstanding for the Justice Center and Jail expansion project. Set forth in the following table is the aggregate debt service schedule for all outstanding general obligations bonds of the County for each of the years as listed as of the date of issuance of the Bonds. (Several of the interest figures have been rounded.)

<u>Year</u>	<u>The Bonds</u>		<u>2000 Bonds</u>		<u>1996 Bonds</u>		<u>1993E Bonds</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2001	\$0	\$0	\$0	\$1,248,663	\$250,000	\$290,813	\$120,000	\$17,635	\$1,927,111
2002	170,000	244,330	770,000	1,248,663	245,000	279,562	125,000	12,115	3,094,670
2003	195,000	220,435	805,000	1,212,473	255,000	268,292	<u>130,000</u>	<u>6,240</u>	3,092,440
2004	200,000	215,560	845,000	1,173,833	270,000	256,307			2,960,700
2005	205,000	210,160	885,000	1,132,850	280,000	243,348			2,956,358
2006	210,000	202,472	930,000	1,089,485	295,000	229,767			2,956,724
2007	220,000	195,123	975,000	1,043,450	310,000	215,018			2,958,591
2008	230,000	186,872	1,025,000	994,700	325,000	199,362			2,960,934
2009	235,000	178,363	1,075,000	943,450	345,000	182,625			2,959,438
2010	245,000	169,432	1,130,000	889,163	360,000	164,513			2,958,108
2011	255,000	159,878	1,185,000	831,533	380,000	145,252			2,956,663
2012	265,000	149,677	1,245,000	770,505	400,000	124,543			2,954,725
2013	275,000	138,812	1,310,000	705,143	420,000	102,542			2,951,497
2014	285,000	127,125	1,380,000	635,713	445,000	79,443			2,952,281
2015	300,000	114,585	1,460,000	559,813	470,000	54,522			2,958,920
2016	315,000	101,085	1,540,000	479,513	<u>495,000</u>	<u>27,969</u>			2,958,567
2017	330,000	86,753	1,625,000	394,813					2,436,566
2018	345,000	71,407	1,710,000	305,438					2,431,845
2019	360,000	55,020	1,810,000	209,250					2,434,270
2020	375,000	37,740	<u>1,910,000</u>	<u>107,438</u>					2,430,178
2021	<u>395,000</u>	<u>19,553</u>							<u>414,553</u>
Total	<u>\$5,410,000</u>	<u>\$2,884,382</u>	<u>\$23,615,000</u>	<u>\$15,975,889</u>	<u>\$5,545,000</u>	<u>\$2,863,878</u>	<u>\$375,000</u>	<u>\$35,990</u>	<u>\$56,705,139</u>

## Trends in Assessed Valuations

Set forth in the following table are the historical and current assessed valuations of property located within the County. Assessed valuation within the County is based upon 100% of estimated actual valuation, excluding senior citizens tax base.

<u>Tax Year</u>	<u>Total County Assessed Valuation</u>	<u>Percent Change</u>
2001	\$7,259,181,001	2.5%
2000	7,085,611,360	9.8
1999	6,453,122,080	6.3
1998	6,069,993,087	3.9
1997	5,842,271,672	3.5

Source: County Assessor's Office

## Tax Levies

The following tables show the representative ad valorem tax levies in dollars per \$1,000 of assessable value for property located in the County for the tax years shown. The County is able to levy taxes higher than the maximum rate of \$1.80 per \$1,000 of assessed value, however, not to exceed \$2.475 per \$1,000 assessed value, if the total levies for both the County and the County road levies do not exceed \$4.05 per \$1,000 (see "The Bonds - Property Tax Levy Limitations" herein). The County Road Fund Levy can not exceed \$2.25 per \$1,000 of assessed value.

	- - - - - Tax Years - - - - -				
<u>Taxing Entity</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
State of Washington School Levy	3.8127	3.5681	3.3539	3.2795	3.2474
County General	1.5241	1.6532	1.6750	1.5959	1.5871
County Road	<u>1.9573</u>	<u>2.2374</u>	<u>2.0478</u>	<u>2.0830</u>	<u>1.9777</u>
Total	<u>7.2941</u>	<u>7.4587</u>	<u>7.0767</u>	<u>6.9584</u>	<u>6.8122</u>

Source: County Assessor's Office

## Property Tax Collections

Set forth in the following table are the total real and personal property tax levies and collections for the County for the fiscal years 1996 through 2000. The following is provided to show recent trends in the collection of property taxes within the County. Property taxes are due and payable on April 30 of each year succeeding the levy. The entire tax or first half must be paid on or before April 30, and if not paid on a timely basis, the total amount becomes delinquent on May 1. The second half of the tax, if the total taxes due for the taxpayer is more than \$50.00, is payable on or before October 31, becoming delinquent November 1.

<u>Tax Year</u>	<u>Total Tax Levy<sup>1</sup></u>	<u>Total Tax Collections in Year Levied</u>	<u>Percentage of Levy Collected</u>	<u>Total Tax Collections<sup>2</sup></u>	<u>Collections as a Percent of Levy</u>
2000	\$99,652,159	\$95,303,880	95.64%	\$98,474,297	98.82%
1999	94,402,464	91,782,389	97.22	95,505,989	101.17
1998	92,007,043	90,196,806	98.03	91,411,539	99.35
1997	86,853,375	84,519,248	97.31	86,737,589	99.87
1996	77,303,645	74,568,396	96.46	76,539,639	99.01

<sup>1</sup> Does not include supplements and/or cancellations.

<sup>2</sup> Total collections also include the collection of delinquent taxes from prior years.

Source: County Treasurer's Office

## Major Taxpayers

The following table lists the ten largest taxpayers within the County on the basis of their 2001 assessed valuation.

	<u>Taxpayer</u>	<u>Business</u>	<u>2001 Assessed Valuation</u>
1.	Siemens Nuclear Power Corp.	Fuel Production	\$87,634,356
2.	GTE Northwest Inc.	Electric Utility	81,985,864
3.	Columbia Mall Partnership	Retail Mall	55,234,550
4.	K 2 H Farms Inc.	Agriculture	54,335,170
5.	Union Oil of California	Petroleum Distribution	53,680,948
6.	Allied Technology Group Inc.	Nuclear Related	38,123,750
7.	Burlington Northern	Railroad	41,033,214
8.	Battelle Memorial Institute	Nuclear Research	38,123,750
9.	Ste Michelle Vinters Inc.	Winery	34,729,800
10.	Oregon Metalurgical Corp.	Fabrication	34,074,000
	Total		<u>\$495,281,367*</u>

\* This amount represents 6.82% of the total 2001 assessed valuation of the County of \$7,259,181,001.

Source: County Assessor's Office

## **Trends in Tax Receipts**

Set forth in the following table is a breakdown of the taxes received by the County for the Current Expense Fund for the past five fiscal years. Other taxes include leasehold excise tax, real estimate excise tax and interest and penalties on real and personal property taxes.

<u>Year</u>	<u>Property Taxes</u>	<u>Sales Taxes</u>	<u>Other Taxes</u>
2000	\$10,461,842	\$4,662,753	\$1,355,399
1999	10,573,786	4,966,036	1,364,956
1998	9,736,551	3,896,751	1,169,346
1997	8,643,525	3,792,264	983,871
1996	8,083,073	3,766,391	853,949

Source: County Annual Financial Report

## **Auditing of County Finances**

The State Auditor is required to examine the affairs of counties at least once every three years. The examination must include, among other things, the financial condition and resources of the county, whether the laws and Constitution of the State are being complied with, and the methods and accuracy of the accounts and reports of the county. Reports of the auditor's examinations are required to be filed in the office of the State Auditor and in the auditing department of the County. The County's last audit was for the year ended December 31, 2000. That report and the County's 20000 audited financial statements have been filed with the NRMSIR's pursuant to the County's continuing disclosure undertakings relating to its outstanding bonds. These financial statements and audit report are incorporated herein by this reference.

## **The Budgetary Process**

Chapter 36.40 RCW describes the procedure for presentation and adoption of the County's annual budget. Operations of the County are guided by an annual budget prepared under the direction of the County Auditor pursuant to statute. All estimates for receipts and expenditures for the ensuing year must be fully detailed in the annual budget and must be classified according to standards prescribed by the State Auditor. In August of each year, the heads of each County department must file detailed estimates of the probable revenues and expenditures of the County for the ensuing fiscal year, and the Board must prepare an estimate of the construction to be financed by bonds in the ensuing year. Upon receiving the estimates, the County Auditor must prepare the preliminary budget for the ensuing fiscal year, which must be submitted to the Board in September. After a series of public hearings, the Board must adopt the budget in its final form. By statute, the final budget must be balanced. Once adopted, the annual budget may be revised or amended only after a public hearing has occurred.

## Historical and Budgeted Current Expense Fund Operating Results

**Historical Current Expense Operating Results.** The financial information that follows was extracted from the County's annual audited financial statements for the fiscal years ending December 31, 1996 through 2000. The 2000 Audit contained certain negative findings as described in the footnote below. Additional information which may interpret clarify or modify the data presented below may be contained in the complete financial audits, including the accompanying footnotes, which may be obtained by contacting the County Auditor upon payment of charges for copying, mailing and handling. See also "County Financial Information - Auditing of County Finances" above.

	----- Fiscal Year Ending December 31 -----				
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000*</u>
Beginning Fund Balance (Reserved)	\$2,833,748	\$5,683,845	\$6,836,920	\$5,492,391	\$6,842,553
REVENUES:					
Taxes	\$12,703,413	\$13,419,660	\$14,802,648	\$16,904,778	\$16,479,994
Licenses and Permits	369,835	368,142	379,553	426,335	336,455
Intergovernmental	5,615,076	5,160,119	5,724,913	7,817,713	8,793,378
Charges for Services	1,422,563	1,729,532	1,855,337	2,020,856	2,196,909
Fines and Forfeits	874,684	1,050,005	1,122,214	1,138,384	1,074,267
Miscellaneous	<u>1,618,294</u>	<u>2,141,066</u>	<u>2,328,401</u>	<u>2,495,531</u>	<u>3,194,591</u>
Total Revenues	<u>\$22,603,865</u>	<u>\$23,868,524</u>	<u>\$26,213,066</u>	<u>\$30,803,597</u>	<u>\$32,075,594</u>
EXPENDITURES:					
General Government	\$9,567,133	\$10,808,368	\$11,181,662	\$12,082,866	\$12,110,511
Public Safety	6,120,316	6,961,900	7,841,248	8,981,315	10,366,840
Physical Environment	1,018,466	1,194,496	1,273,851	1,030,810	1,197,761
Economic Environment	957,665	934,266	992,916	1,017,471	1,143,219
Physical & Mental Health	482,939	532,178	548,936	541,198	556,223
Culture & Recreation	432,464	319,977	363,953	411,245	433,385
Capital Outlay	<u>248,962</u>	<u>505,266</u>	<u>426,565</u>	<u>535,426</u>	<u>416,171</u>
Total Expenditures	<u>\$18,827,945</u>	<u>\$21,256,451</u>	<u>\$22,629,131</u>	<u>\$24,600,331</u>	<u>\$26,224,110</u>
Excess of Resources Over (Under) Expenditures	\$3,775,920	\$2,612,073	\$3,583,935	\$6,203,266	\$5,851,484
Net Transfers and Adjustments	<u>(908,104)</u>	<u>(1,350,751)</u>	<u>(4,870,676)</u>	<u>(4,831,360)</u>	<u>(5,433,792)</u>
Ending Fund Balance (unrestricted)	<u>\$5,683,845</u>	<u>\$6,836,920</u>	<u>\$5,492,391</u>	<u>\$6,642,553</u>	<u>\$7,260,245</u>

\* The 2000 Audit contained certain negative findings that related to the following three areas: (1) the County Treasurer's Office should improve internal controls, (2) the County Treasurer's Office does not have adequate procedures in place to ensure the accuracy of its records, and (3) the County Assessor's Office did not meet statutory reporting requirements. All three findings have been or are currently being resolved.



**Current Expense Budget.** The following financial data was extracted from the County's 2001 Current Expense Budget. For comparative purposes, the County's 2000 Current Expense Budget is also shown below.

	<u>2000 Budget</u>	<u>2001 Budget</u>
Beginning Fund Balance	\$2,450,884	\$4,287,299
Revenues:		
Property Taxes	\$10,370,000	\$10,990,762
Sales Tax	4,500,000	4,300,000
Taxes Misc	2,130,000	1,915,000
Other Revenue	<u>14,400,000</u>	<u>13,114,741</u>
Total Revenues	<u>\$31,400,000</u>	<u>\$30,320,503</u>
Total Resources	<u>\$33,850,884</u>	<u>\$34,607,802</u>
Expenditures:		
Operating Expenditures	\$26,000,000	\$28,507,502
Tranfers Out	<u>5,950,466</u>	<u>3,133,047</u>
Total Expenditures	<u>\$31,950,466</u>	<u>\$31,640,549</u>
Excess of Resources Over (Under) Expenditures	<u>\$1,900,418</u>	<u>\$2,967,253</u>
Ending Fund Balance (unrestricted)	<u>\$1,900,418</u>	<u>\$2,967,253</u>

\* The actual ending fund balance in 2000 was \$7,260,245.

## THE COUNTY

### General Information

The County is located in the south central portion of the State along the Washington/Oregon border. The County encompasses 1,772 square miles of land. The County is the 22<sup>nd</sup> largest in the State based on land area. The County, in 2001, had an estimated population of 144,800. The County is the 10<sup>th</sup> largest in the state based on population. The City of Prosser serves as the County seat. The County's population since the 1990 census has grown approximately 28.64%. As of 2001, the cities of Richland and Kennewick (located in the County) and the City of Pasco (located in Franklin County) (together known as the "Tri-Cities") had an aggregate population of 128,140, a combined increase of 35.16% since 1990.

### Form of Local Government and Governing Officials

The County is a political subdivision of the State of Washington and operates as a class A county. The County's executive, legislative, and policy-making body is the Board, composed of three commissioners who are elected at large by the voters of the County to serve overlapping four-year terms.

Shown below are the names of the individuals who comprise the present Board and other key elected officials as well as the dates in which their respective terms of office expire.

<u>Name</u>	<u>Office</u>	<u>Expiration of Term (December 31)</u>
Leo Bowman, Chairman	Commissioner	2004
Max Benitz, Jr.	Commissioner	2002
Claude Oliver	Commissioner	2004
Barbara Wagner	Assessor	2002
Bobbie Gagner	Auditor	2002
E. Kay Staples	Clerk	2002
Floyd Johnson	Coroner	2002
Andy Miller	Prosecuting Attorney	2002
Larry Taylor	Sheriff	2002
Darwin Parker	Treasurer	2002

## **Facilities**

The County has several facilities. The Courthouse, Courthouse annex, Planning Department, WSU/Cooperative Extension buildings and a leased satellite Sheriff's office are located in the City of Prosser, the County seat. The Justice Center (courts, prosecutor and county jail), two temporary modular inmate housing units, two mobile office units, Kennewick Annex, Benton-Franklin Counties Juvenile Justice Center, Benton-Franklin Counties Human Services department and the Benton County Fairgrounds are county-owned facilities located in the City of Kennewick. The County has two leased office spaces in the City of Richland. One office provides a satellite office of the Auditor. The second building houses the Coroner, Facilities and Parks, Personnel, Sheriff's office detectives Civil Service, Sustainable Development Departments, and a satellite office for the Central Services Department.

The County has 2,398 acres of park land and vista points. Two Rivers Park, a large day use park with a boat launch on the Columbia River, and Vista Park, a small neighborhood park, are developed. Horn Rapids Park, located on the Yakima River, is being developed to include a public overnight campground, and day use park area and future equestrian/special event area. Hover Park, a large rural park, is an excellent site for future development. Other County park lands are currently being enjoyed in their natural state.

## **Principal Governmental Services**

The County provides a number of basic governmental services to its residents. The Sheriff's Department and correctional facilities employ approximately 61 people. The appropriations allocated to the Sheriff's Department are funded primarily from regular property tax collections. The County is responsible for maintaining approximately 870 miles of roads, as well as clearing snow, ice and debris as necessary. This department employs 54 people and is funded in part by State gasoline tax receipts and by regular property tax receipts. Other services provided by the County include: land use planning and zoning enforcement and park and recreation facilities.

## **Liability Insurance**

The County is a member of the Washington Counties Risk Pool (the "Risk Pool"). The Risk Pool allows members to establish a plan of self-insurance, jointly purchase excess or reinsurance insurance coverage and provides related services. The Risk Pool was formed on August 18, 1988, when the counties in the State of Washington joined together by signing an Interlocal Government Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Twenty-five counties have joined the Pool. The Pool allows members to establish a plan of self-insurance, jointly purchase excess or reinsurance and provide related services. All Pool joint self-insurance liability coverages, including public officials' errors and omissions, are on an "occurrence" basis. Members make an annual contribution to fund the Pool. The Pool acquires reinsurance from unrelated underwriters that are subject to a Pool per-occurrence self-insured retention of \$100,000. A member may elect a deductible ranging from \$10,000 to \$250,000. All Risk Pool joint self-insurance liability coverages are on an "occurrence" basis. There are no annual aggregate limits to the payments the Risk Pool can make for any one county or all counties combined. The Risk Pool also provides optional group purchased insurance coverage for its members. The Risk Pool acquires reinsurance from unrelated underwriters that are subject to a per-occurrence self-insured retention of \$100,000. Reinsurance carriers cover losses over \$100,000 to the maximum limits of each policy. Since the Risk Pool is a cooperative program, there is joint liability among the members. Members contract to remain in the Risk Pool for a minimum of five years, and must give notice one year before terminating participation.

## **Employment and Labor Relations**

The County had approximately 560 full-time and 58 part-time employees as of April 30, 2001.

State law requires municipalities to bargain collectively with formally recognized collective bargaining units. Currently, 10 unions represent approximately 64% of the County's employees. Expiration dates of negotiated agreements with the unions and the respective employees they represent are as follows:

<u>Bargaining Unit</u>	<u>Number of Employees Covered</u>	<u>Expiration Date of Contract</u>
Courthouse & AFL-CIO	117	December 31, 2003
Facilities & Parks: Teamsters	9	December 31, 2001
Appraisers: AFL-CIO	12	December 31, 2001
Sheriff's Deputy: Teamsters	47	December 31, 2002
Sheriff's Clerical: Teamsters	17	December 31, 2001
Sheriff's Correction: Teamsters	68	December 31, 2001
Roads Teamsters	29	December 31, 2001
Juvenile Justice AFL-CIO	56	December 31, 2003
Juvenile Justice Detention Teamsters	25	December 31, 2003
Crisis Response AFL-CIO	15	December 31, 2003

## Pension Plans

It is mandatory for all permanent County employees, including part time employees who work 70 hours per month during five consecutive months to participate in one of the following statewide local government retirement systems administered by the Department of Retirement Systems, under cost-sharing multiple-employer public employee retirement systems. The County made the following contributions as of the fiscal year ended December 31, 2001, on behalf of County employees who participated in the pension plans listed below.

	<u>Number of Participants</u>	<u>County Contribution Fiscal Year 2001</u>
Public Employees Retirement System (PERS)		
PERS Plan I <sup>1</sup> (hired before 10/1/77).....	58	\$118,168
PERS Plan II <sup>2</sup> .....	<u>429</u>	<u>688,291</u>
Total PERS .....	<u>487</u>	<u>\$806,459</u>
Law Enforcement Officers and Firefighters (LEOFF)		
LEOFF Plan I <sup>3</sup> (hired before 10/1/77) .....	1	\$2,247
LEOFF Plan II <sup>4</sup> .....	<u>49</u>	<u>99,988</u>
Total LEOFF .....	<u>50</u>	<u>\$102,235</u>

## APPROVAL OF BOND COUNSEL

Legal matters incident to the authorization, issuance and sale of the Bonds by the County are subject to the approving legal opinion of Foster Pepper & Shefelman PLLC, Bond Counsel. A form of the opinion of Bond Counsel is attached hereto as Appendix C. Bond Counsel will be compensated only upon the issuance and sale of the Bonds. Bond Counsel expresses no opinion on the completeness or accuracy of any Official Statement, offering circular or other sales material relating to the Bonds. Bond Counsel has reviewed this document only to confirm that the portions of it describing the Bonds and the authority to issue them conform to the Bonds and the applicable laws under which they are issued.

## FEDERAL INCOME TAX EXEMPTION

**Exclusion from Gross Income.** In the opinion of Bond Counsel, under existing federal law and assuming compliance by the County with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes under existing federal law and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals.

**Continuing Requirements.** The County is required to comply with certain requirements of the Code after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances, and the requirement to comply with the arbitrage rebate requirements to the extent applicable to the Bonds. The County has covenanted in the Resolution to comply with those requirements, but if the County fails to comply with those

requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. Bond Counsel has not undertaken and does not undertake to monitor the County's compliance with such requirements.

***Corporate Alternative Minimum Tax.*** While interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, under Section 55 of the Code, tax-exempt interest, including interest on the Bonds, received by corporations is taken into account in the computations of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations (as defined for federal income tax purposes). Under the Code, alternative minimum taxable income of a corporation will be increased by 75% of the excess of the corporation's adjusted current earnings (including any tax-exempt interest) over the corporation's alternative minimum taxable income determined without regard to such increase. A corporation's alternative minimum taxable income, so computed, that is in excess of an exemption of \$40,000, which exemption will be reduced (but not below zero) by 25% of the amount by which the corporation's alternative minimum taxable income exceeds \$150,000, is then subject to a 20% minimum tax.

For taxable years beginning after December 31, 1997, the corporate alternative minimum tax is repealed for a small business corporation that had average gross receipts of less than \$5 million for the three-year period beginning after December 31, 1994, and such a small business corporation will continue to be exempt from the corporate alternative minimum tax so long as its average gross receipts do not exceed \$7.5 million.

***Tax on Certain Passive Investment Income of S Corporations.*** Under Section 1375 of the Code, certain excess net passive investment income, including interest on the Bonds, received by an S corporation (a corporation treated as a partnership for most federal tax purposes) that has Subchapter C earnings and profits at the close of the taxable year may be subject to federal income taxation at the highest rate applicable to corporations if more than 25% of the gross receipts of such S corporation is passive investment income.

***Foreign Branch Profit Tax.*** Interest on the Bonds may be subject to the foreign branch profits tax imposed by Section 884 of the Code when bonds are owned by, and effectively connected with a trade or business of, a United States branch of a foreign corporation.

## **CERTAIN OTHER FEDERAL TAX CONSEQUENCES**

***Bonds Are "Qualified Tax-Exempt Obligations" for Financial Institutions.*** Section 265 of the Code provides that 100 percent of any interest expense incurred by banks and other financial institutions for interest allocable to tax-exempt obligations acquired after August 7, 1986, will be disallowed as a tax deduction. However, if the tax-exempt obligations are obligations other than private activity bonds, are issued by a governmental unit that, together with all entities subordinate to it, does not reasonably anticipate issuing more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) in the current calendar year, and are designated by the governmental unit as "qualified tax-exempt obligations," only 20 percent of any interest expense deduction allocable to those obligations will be disallowed.

The County is a governmental unit that, together with all subordinate entities, reasonably anticipates issuing less than \$10,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) during the current calendar year, and has designated the Bonds as

“qualified tax-exempt obligations” for purposes of the 80 percent financial institution interest expense deduction. Therefore, only 20 percent of the interest expense deduction of a financial institution allocable to the Bonds will be disallowed for federal income tax purposes.

***Reduction of Loss Reserve Deductions for Property and Casualty Insurance Companies.*** Under Section 832 of the Code, interest on the Bonds received by property and casualty insurance companies will reduce tax deductions for loss reserves otherwise available to such companies by an amount equal to 15% of tax-exempt interest received during the taxable year.

***Effect on Certain Social Security and Retirement Benefits.*** Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take receipts or accruals of interest on the Bonds into account in determining gross income.

***Other Possible Federal Tax Consequences.*** Receipt of interest on the Bonds may have other federal tax consequences as to which prospective purchasers of the Bonds may wish to consult their own tax advisors.

## **LITIGATION**

There is no controversy or litigation of any nature now pending or, to the knowledge of the County, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the County taken with respect to the issuance or sale thereof, or the validity of the levy of taxes for the payment thereof.

## **UNDERWRITING**

D. A. Davidson & Co. (the “Underwriter”) has agreed, subject to the terms of a Bond Purchase Agreement, to purchase the Bonds from the County at a price of 99.275% of the par value of the Bonds, plus accrued interest. The Bonds are being offered for sale to the public at the prices shown on the cover of this Official Statement. Concessions from the initial offering price may be allowed to selected dealers and special purchasers. The initial offering prices are subject to change after the date hereof.

## **MUNICIPAL BOND INSURANCE POLICY**

### **The MBIA Insurance Corporation Insurance Policy**

The following information has been furnished by MBIA Insurance Corporation (“MBIA”) for use in this Official Statement. Reference is made to Appendix for a specimen of MBIA’s policy.

MBIA’s policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA’s policy shall be made in

such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bonds the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

## **MBIA**

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of

the information regarding the policy and MBIA set forth under the heading “Municipal Bond Insurance Policy”. Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

### **MBIA Information**

The following documents filed by the Company with the Securities and Exchange Commission (the “SEC”) are incorporated herein by reference:

- (1) The Company’s Annual Report on Form 10-K for the year ended December 31, 2000;
- (2) The Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2001; and
- (3) The report on Form 8-K filed by the Company on January 30, 2001.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company’s Annual Report on Form 10-K for the year ended December 31, 2000, (2) the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, and (3) the report on Form 8-K filed by the Company on January 30, 2001) are available (i) over the Internet at the SEC’s web site at <http://www.sec.gov>; (ii) at the SEC’s public reference room in Washington D.C.; (iii) over the Internet at the Company’s web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2000, MBIA had admitted assets of \$7.6 billion (audited), total liabilities of \$5.2 billion (audited), and total capital and surplus of \$2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2001, MBIA had admitted assets of \$8.1 billion (unaudited), total liabilities of \$5.8 billion (unaudited), and total capital and surplus of \$2.3 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.



## **Financial Strength Ratings of MBIA**

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch, Inc. rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

## **RATINGS**

As noted on the cover page of this Official Statement, Moody's Investors Service, New York, New York, Standard & Poor's Rating Group, New York, New York and Fitch, New York, New York have assigned their municipal bond ratings of "Aaa", "AAA" and "AAA", respectively, to the Bonds, with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by MBIA Insurance Corporation. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. Each rating reflects only the view of the applicable rating organization and an interpretation of such rating may be obtained only from the rating agency furnishing the same. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if, in the judgment of such agencies, circumstances so warrant. Any such revision or withdrawal of either such rating may have an adverse effect on the market price of the Bonds.

Moody's has assigned its municipal rating of "A2" to this issue of Bonds (the "underlying rating"). Standard & Poor's has assigned its municipal rating of "A+" to this issue of Bonds (the "underlying rating"). The underlying ratings reflect only the view of Moody's, Standard & Poor's. There is no assurance that the underlying ratings will be retained for any given period of time or that the underlying ratings will not be revised downward or withdrawn entirely by the rating agencies if, in its judgement, circumstances so warrant. Any downward revision or withdrawal of the underlying ratings would be likely to have an adverse effect on the market price of the Bonds. Any further explanation of the underlying ratings may be obtained from Moody's, Standard & Poor's at the above referenced addresses.

## **NO CONFLICTS OF INTEREST**

The County is not aware of the existence of any actual or potential conflict of interests, breach of duty or less than arm's-length transaction regarding the selection of the Underwriter, Bond Counsel and other participants in the offering of the Bonds. Further, the County is not aware of any undisclosed payments to obtain underwriting assignments and undisclosed agreements or arrangements, including fee splitting, between the Underwriter and other participants in the offering of the Bonds.

## **COMMITMENT TO PROVIDE CONTINUING DISCLOSURE**

Pursuant to Rule 15c2-12 ("Rule 15c2-12") of the Securities and Exchange Commission (the "SEC"), the County has undertaken for the benefit of holders of the Bonds to provide certain financial information and operating data relating to the County by not later than nine months after the end of in each fiscal year, commencing with the fiscal year ending on December 31, 2001 (the "Annual Financial Information"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Financial Information will be filed by or on behalf of the County with each nationally recognized municipal securities information repository formally recognized by the SEC ("NRMSIR") and with the State Information Depository for the State of Washington, if one is hereafter recognized by the SEC for purposes of Rule 15c2-12 (the "SID"). Notices of material events will be filed on behalf of the County with the NRMSIRs or with the Municipal Securities Rulemaking Board (the "MSRB"), and with the SID, if any.

The County's undertaking to provide on-going disclosure will be substantially in the form set forth in Appendix B hereto. The County has not failed to comply with the requirements of any previous undertaking specified in paragraph (b)(5)(i) of Rule 15c2-12.

## **ADDITIONAL INFORMATION AND MISCELLANEOUS**

The descriptions herein of the Resolution and other documents are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents and contracts, copies of which are available, upon request and upon payment to the County of a charge for copying, mailing and handling, from the County, 620 Market Street, P.O. Box 7304, Prosser, Washington 99350, telephone (509) 786-2255, attention County Commissioners.

The summaries and descriptions contained in this Official Statement and the Appendices hereto of the provisions of the Bonds, the Resolution and all reference to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. This Official Statement is not to be construed as a contract or agreement between the County and the Underwriter or holders of any of the Bonds.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact. No representation is made that any of such statements will be realized.

## **DISCLOSURE STATEMENT**

The County will deliver to the Underwriter at the time of the delivery of the Bonds statements substantially to the effect that the Official Statement, including any appendices, and in any supplements or amendments hereto, delivered by the County (which shall be deemed an original part hereof for the purposes of such statement) did not, at the time the Bonds are issued contain any untrue statement of a material fact or omit to state a material fact where necessary to make a statement not misleading in light of the circumstances under which it was made, and was true and correct in all material respects.

## **APPROVAL OF OFFICIAL STATEMENT**

The execution and delivery of this Official Statement have been duly authorized by the County.

**BENTON COUNTY, WASHINGTON**

By: /s/ Leo Bowman  
Chairman, Board of County Commissioners

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## **APPENDIX A**

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### **Economic and Demographic Information**

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## **COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION**

### **Local Economic Overview**

The County is located in south central Washington. The region has three major rivers: the Columbia, Snake, and Yakima. The rivers give abundant water for both irrigation and energy, a major transportation channel, and a major recreational resource. The Horse Heaven Hills lie in the southwest. The County covers 1,772 square miles and ranks 22<sup>nd</sup> largest in the state. The county seat is the City of Prosser. In 2001, the County had an estimated population of 144,800 as estimated by the U.S. Bureau of Economic Census and the Office of Financial Management.

The County is closely tied to the economy of neighboring Franklin County. The economy of the “Tri-Cities” (the City of Richland and the City of Kennewick in the County and the City of Pasco in Franklin County) changed dramatically in 1942 with the federal government's development of the 560 square Hanford Reservation, which lies a few miles north of the City of Richland (“Hanford”). Hanford includes nuclear power plants, energy research and development facilities, and a variety of related operations administered by the U.S. Department of Energy and conducted by several major contractors. Today, the region's economy continues to be strongly tied to energy production and research, which is complemented by food products processing, higher education, tourism, health care, and a growing business/commercial sector in the Tri-Cities.

Intersecting at the Tri-Cities are the Columbia River and the Snake River. The 182 spur provides access to U.S. Interstate Highway 82. The highway, which opened in 1986, has enlarged commuting opportunities between Benton and Franklin counties across the Columbia River. Interstate 82 is the major north-south portion of the interstate highway system in eastern Washington and Oregon.

### **Science and Energy Industry**

The Tri-Cities area experienced rapid growth during the 1970's due to the expansion of Hanford. Hanford has become one of the largest nuclear industrial centers in the United States. Hanford encompasses various nuclear-related projects, and today serves as a national energy resource center, with a focus on energy research, environmental remediation, nuclear waste management and related technology development and implementation. This industry's major employers in the area are the U.S. Department of Energy (“DOE”), its contractors (as listed in the table on the following page) and Energy Northwest (formerly, the Washington Public Power Supply System).

Department of Energy maintains two distinct field offices, the Richland Operations Office and the Office of River Protection, which was established in 1998 to manage the Department of Energy's largest, most complex environmental cleanup project (Hanford tank waste retrieval, treatment, and disposal). Richland Operations Office has three primary contractors; Fluor Hanford, which manages Hanford site operations; Bechtel Hanford Inc., which provides environmental remediation along the river corridor; and Battelle Memorial Institute, which manages the Pacific Northwest National Laboratory and the Environmental Molecular Sciences Laboratory. The Office of River Protection has two primary contractors; CH2M-Hill Hanford Group, which manages tank farm operations and Bechtel National, which is constructing a \$4 Billion dollar waste vitrification facility.

Hanford Employment (as of 08/01/01)

<u>DOE/Prime Contractors</u>	<u>Employees</u>	<u>Contract Expires</u>
Department of Energy, Richland Operations Office	373	N/A
Fluor Hanford, Inc. (Team)	4,324	09/30/06
Bechtel Hanford, Inc. (Team)	898	06/30/02
Battelle Memorial Institute	3,570	09/30/02
Department of Energy, Office of River Protection	123	N/A
CH2M-Hill Hanford Group	1,346	09/30/06
Bechtel National	<u>1,260</u>	12/30/10
Totals	11,894	

Source Tri-City Herald, Monday, October 22, 2001, "Former Enterprise Firms Evolving, Page B-2

Federal dollars spent at Hanford have been increasing over the past several years. After a steep decline in 1994, the budget stabilized at approximately \$1.5 billion. In 2001, the Federal Government spent \$1.636 Billion and the 2002 Hanford budget is currently in Conference Committee with the House budgeting \$1.814 billion and Senate budgeting \$1.834 billion. Employment has also started to rise due to the construction of the High Level Radioactive Waste Vitrification Plant. Current estimates predict construction employment should peak in 2004 at 4500 jobs.

A 48-year plan was released by the DOE in July of 1998, which identifies the projects and timelines associated with Hanford cleanup through the year 2046. The plan estimates the total cost of cleanup to be \$50.8 billion in 1998 dollars or \$85.3 billion after inflation.

An Environmental and Molecular Science Laboratory, ("EMSL") has been constructed at Hanford at a cost of \$230 million. The 200,000 square-foot facility in Richland houses up to 300 permanent staff, plus visiting scientists and students. The EMSL has an annual research and operating budget of approximately \$65 million. A \$15 million IBM supercomputer has been installed at the EMSL to evaluate waste cleanup processes at the molecular level, the most powerful computer of its type ever built. The world's first nuclear magnetic resonance spectrometer, which cost \$10 million, has been installed at the laboratory for the study of compounds at the molecular level in their natural state.

An \$89 million Solid Waste Disposal processing plant at Hanford called the Waste Receiving and Processing Facility Module 1 ("WRAP 1") has been in operation since the fall of 1999. Analysis and repackaging of the waste containers left from Hanford defense production period will be conducted at the 52,000 square-foot facility. WRAP 1 workers will also prepare the containers for permanent radioactive waste disposal. The facility will also process Solid Waste Disposal generated by the cleanup work at Hanford.

A facility to house a Laser Interferometer Gravitational Wave Observatory for the National Science Foundation at Hanford ("LIGO") is now partially complete. This facility will enable scientists to study ripples in space caused by violent disruptions in the distant universe. It is estimated that the observatory will be fully operational by 2002.

The Hazardous Materials Management and Emergency Response Education and Training Center ("HAMMER") was dedicated in September 1997. The 80-acre site includes equipment for workers in hazardous material management and emergency response as well as worker safety and health, with a classroom/administrative center, a training support building and several other structures. HAMMER is recognized nationally as the first facility to provide realistic "hands on" training for worker health and safety. Fluor Daniel Hanford and an academic consortium of Tulane and Xavier Universities are the principal contractors and grantees and are implementing the linked training and evacuation program aspects of the project for both public agencies and private sector groups.

Energy Northwest, headquartered in Richland, operates two generating stations -- the Columbia Generating Station on land leased from the U.S. Department of Energy on the Hanford Site near Richland and the Packwood Generating Station in the Cascade Mountains near Packwood, Washington. In the past five years Energy Northwest has undergone a concerted effort to cut the cost of power from its 1,250-megawatt commercial nuclear plant. During that time the cost of electricity generated at Columbia Generating Station has dropped nearly 40 percent, from 3.45 cents a kilowatt-hour to 2.3 cents a kilowatt-hour. This was accomplished by reducing plant's annual operating budget from \$251 million to \$158 million while greatly increasing plant efficiency and reliability.

Energy Northwest also has two licensed natural gas-fired combustion turbine sites at Satsop in Grays Harbor County. The utility also provides a variety of energy services for such entities as Grant County Public Utility District and the city of Richland. Energy Northwest is a marketing affiliate of Hometown Connections, a suite of services for utilities assembled by the American Public Power Association. Battelle's Pacific Northwest National Laboratory is making significant investments in the Tri-Cities to create technology-based businesses and jobs. Part of the investment is being used to add facilities and equipment at its existing laboratory, and other funds will be applied toward research. Battelle's plan will provide money to create and attract new businesses and to provide technical assistance to businesses. In fiscal year 1997, Battelle spent approximately \$11 million in the Tri-Cities procuring local goods and services, creating an estimated 420 jobs and \$18 million in local income.

The Tri-Cities Science and Technology Park is being developed by Battelle Pacific Northwest Laboratories, the Port of Benton, Washington State University Tri-Cities, and several private property owners. This park is including state-of-the-art communications equipment and is designed as a GTE "Smart Park". The complex includes information science buildings for Battelle that will allow Battelle to consolidate its offices, currently located in various buildings throughout the City of Richland, on one campus. The park encompasses over 2,600 acres and employs approximately 10,000 people working for 90 tenants.

### **Tri-Cities Retail Activity**

Retail trade continues to expand in Benton County. Wal Mart has added a Supercenter store in the City of Kennewick and a regular store in the City of Richland. Also new to the area in the past year, Bed, Bath and Beyond, REI, and Olive Garden. Both Bed, Bath and Beyond are located near the regions retail hub focused on the Columbia Center located in the City of Kennewick. This shopping center is the largest covered mall in eastern Washington and houses four major department stores: The Bon Marche, J.C. Penney, Sears, and Lamonts, as well as a total of approximately 90 retail outlets. The mall recently underwent an expansion and remodeling project that added \$15.5 million of value and brought the total square footage of the mall to 833,000 square feet.



The City of Richland is aggressively pursuing development of Columbia Point, located at the confluence of the Columbia and Yakima Rivers. Recent accomplishments at Columbia Point include the completion of an 18-hole municipal golf course, construction of an anchor store for its high access area, and several condominium developments. The City of Richland is also negotiating for a mixed use (commercial/residential) development that will incorporate and improve the existing marina.

Dakotah Direct, a nationwide Spokane-based telemarketing company operates a new call center at Pasco's Broadmoor Park. Dakotah now employs 60 people at this new bi-lingual call center in direct marketing, taking catalog orders and responding to 24-hour toll free numbers. Columbia Basin College's Work Force Training Center provides a variety of courses designed to prepare people for employment at Dakotah.

A \$7.5 million strip mall was built in West Pasco. The 66,000 square-foot project was completed in 2000.

### **Agriculture and Food Processing**

Farmland comprises the majority of the County's land area. Irrigation has led to increased productivity and a wider variety of crops in the County. The County has an estimated total farm acreage of 729,000 acres comprised of 164,000 irrigated acres, 135,000 dryland acres and 430,000 rangeland acres. The major crops grown in the County, listed in order of their value include; potatoes, apples, corn (all varieties), cherries, wine grapes, hops, wheat, onions, concord grapes, and hay.

With the growth in farm production in the surrounding area, food processing has become a major factor in the County economy. The Yakima River Valley offers excellent wine grape growing conditions. Production and processing of wine grapes is of significant importance to the County's economy. Stimson Lane Vineyards and Estates (Chateau Ste. Michelle Vintners) is the State's largest winery/vineyard operation with 3,500 acres in the County devoted to grape production. The Company's Columbia Crest Winery, in Patterson, employs between 250 and 400 people, depending on the season. The Hogue Cellars in Prosser, recently acquired by Vincor, has over 60 full-time employees with over 2,500 acres of wine grapes in production.

Other major food processors in the County include Lamb-Weston Inc., which processes frozen potato products. Lamb-Weston's corporate headquarters in the City of Kennewick and potato processing laboratory facility in the City of Richland together employ 575 people. The company's regional (including northeastern Oregon) employment is 2,500. Lamb-Weston and Columbia Colstor have jointly established the Lamb-Weston Northwest Distribution Center, at the former Colstor facility at the Port of Kennewick's Finley Industrial Park. The expanded facility has generated 50 to 75 new jobs. Storage space increased from 58 million pounds of capacity to 130 million pounds, and 240,000 square feet were added to the previous 200,000 square foot facility. The expansion project provides cold storage primarily for potato products, but also for hand-held breakfast sandwich products and fruit turnovers. The distribution center allowed the company to consolidate its products in Finley from other locations throughout the country.

Welch's Foods Inc. in the City of Kennewick employs 142 people in fruit juice processing. The City of Kennewick led a successful effort to retain Welch's Foods, who disclosed in 2000 they would seek a new location. The effort led to a modernization and expansion of the existing plant. Baker Produce in the City of Kennewick is a large vegetable warehouse and packing facility that employs an average of 350 people. Twin City Foods and Seneca Foods Corporation operate major food processing operations in the Prosser area, employing an average of 500 and 100 people, respectively, based on a 10 month work year.

The Pasco Processing Center, a 240-acres industrial park designed for the food processing industry, was completed in 1995. The Pasco Processing Center provides food processors the unique advantage of wastewater disposal via Pasco's wastewater system, with additional capacity for growth. The Center was developed jointly by the Port of Pasco and Franklin County Public Utility District. The City of Pasco works with the Port of Pasco and the Franklin County Public Utility District to market and provide services to the Center. J.R. Simplot Food Group, which has its headquarters in Idaho, opened a \$32 million 160,000 square foot frozen vegetable processing plant at the Center in 1995. The facility handles 180 million pounds of asparagus, corn, peas, and carrots a year. The company has 426 full-time employees in the City of Pasco and up to another 500 additional seasonal workers.

Construction of a new 100,000 square foot industrial "shell" building has been completed in the Pasco Processing Center. The project is part of an ongoing campaign to invigorate and continue to diversify the local economy. It is the result of efforts led and underwritten by Fluor Daniel Inc. and is a collaboration effort between the Tri-City Industrial Development Council, Flour Global Services, Fluor Hanford's Official Economic Transition.

Reser's Fine Foods constructed a \$3.5 million potato processing plant in the City of Pasco. The 100,000 square foot plant employs 100 people at the Pasco Processing Center.

Twin City's Foods employs approximately 500 people, with about 200 to 250 of those employed year-round and the remaining employed for almost 10 months out of the year at its five processing plants in Washington, Idaho, and Michigan. Twin City Foods is one of the top producers of frozen peas and cut corn in the world. The company recently completed a \$20 million frozen corn processing plant in north Pasco which employs 100 people year-round and up to 300 people during the peak seasons.

Agri Northwest, with extensive farmland along the Columbia River Basin employs 250 people year-round and another 400 during harvest seasons. The company raises a variety of vegetables, wheat and apples.

The Agri Business Commercialization and Development Center is a newly developed technology transfer clearinghouse for businesses that are interested in developing new products from agricultural commodities. The Center, which is the first of its kind in the country, was established through a joint effort between the Port of Benton, Washington State University, Battelle Memorial Institute, U.S. Department of Energy, and the Tri-Cities Industrial Development Council. The Center includes laboratories, classes and conference areas. Approximately 300 acres of land were donated for development of the center. Pen West Foods is one local company which used the resources available at the Center to help develop better starch-processing technologies. The company expanded its Richland plant, tripling the company's capability for potato-starch products. The facility is the only food-grade, potato-starch plant in the country, and has approximately 50 employees.

## **Manufacturing**

Because of the accessibility of river transportation, natural gas and neighboring firms, the area along the Columbia River east the City of Kennewick has grown into a significant manufacturing site specializing in chemical-oriented industries related to agriculture. Agrium, a leading global producer and distributor of fertilizers and other agricultural products and services, operates a recently expanded plant that produces ammonium nitrate, nitric acid and other nitrogen related products. This facility employs 125 people.

Sandvik Special Metals Corporation, a joint venture of the Swedish firm Sandvik AB and UNC Nuclear Corporation, manufactures zirconium and titanium alloy tubing at its Finely plant in the County, employing 259 people. Sandvik tubing is marketed internationally and is used in commercial aircraft, the space shuttle and the medical industry. Sandvik also produces lightweight golf clubs, ski poles, bicycles and tennis rackets at its sports division in the City of Kennewick.

Richland Specialty Extrusions, a subsidiary of Kaiser Aluminum, relocated its operation in Torrance, California to the City of Richland. The facility employs 63 people. . Other major Tri-Cities manufacturers include Neil F. Lampson crane producers in Pasco with 170 employees, and Boise Cascade paper and cardboard container plants in neighboring Walla Walla County with 500 employees combined.

### **Tri-Cities Tourism**

Tourism has been a continually growing industry in the Tri-Cities area. The Tri-City Coliseum has 6,000 seats and houses concerts, sporting events, ice-skating and a variety of special events. There are 36 hotels, and motels with 2,951 rooms combined in the Tri-Cities. The Tri-Cities serves as a convention and meeting center for southeast Washington and northeast Oregon. Among the major local attractions are the Columbia Cup Unlimited Hydroplane races (25,000 annual visitors), the Tri-Cities International Air Show (5,000 annual visitors), the Visitors Center at Hanford and local wineries. The Tri-Cities area has 196 meetings, conventions and events booked through the year 2001, which are expected to generate \$29 million in future spending.

The City of Prosser continues to take advantage of its rural setting with regional events like the Wine & Food Fair (3,500 visitors) and the Balloon Rally (8,000 visitors). Over 25,000 visitors pass through Prosser each year while visiting the regional wineries. The City of Prosser is developing a viticultural center to increase the drawing power of surrounding wineries.

### **Transportation**

A major contribution to the area's industrial activity is the accessibility of barge, rail, trucking and air transportation. The placement of eight dams on the Columbia and Snake Rivers has made it possible for oceangoing barges to travel from the Pacific Ocean to the Tri-Cities, and as far east as Lewiston, Idaho. Burlington Northern and Union Pacific railroads serve the area's railway needs. Delta, United Express and Horizon Airlines currently maintain service to the Tri-Cities Airport in the City of Pasco.

### **Healthcare**

Health care is an important contributor to the County's economy. Kadlec Medical Center was established in the City of Richland in 1943 and has grown over the years to include 144 acute care beds. Kadlec is one of the three hospitals in the Tri-Cities, employing 680 people. The hospital recently completed a 41,200 square-foot medical office building, at a cost of \$5.7 million. A group of local physicians constructed a 38,725 square-foot professional building adjacent to the medical center, and Kadlec completed a physician's clinic in south Richland. In addition to Kadlec Medical Center in the City of Richland, Kennewick General Hospital employs 403 people. Prosser Memorial has 115 full-time equivalent employees. Life Care Centers employ 148 people in the area and Hillcrest Convalescent Center has 125 employees.

## Higher Education

Washington State University has a 120,000 square-foot branch campus within the Tri-Cities Science and Technology Park, which offers upper class and graduate level courses. Currently, there are 1,000 students enrolled and the staff numbers approximately 170. Higher education opportunities are available through two-year programs at Columbia Basin College with enrollment at approximately 7,000 students and a staff of 284.

## Population Trends

According to the State Office of Financial Management, the County had an estimated population of 144,800 in 2001 an increase of 1.63% from the 2000 Census. Historical population statistics for the County and the State are shown below.

<u>Year</u>	<u>Benton County</u>	<u>Percent of Change</u>	<u>State of Washington</u>	<u>Percent of Change</u>
2001	144,800*	1.63%	5,974,900*	1.37%
2000	142,475	26.58%	5,894,121	21.11
1990	112,560	2.85	4,866,700	17.78
1980	109,444	N/A	4,132,000	N/A

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\* Intercensal estimate as of April 2001 reported by the State Office of Financial Management.

Source: U.S. Bureau of the Census and the State Office of Financial Management.

## Trends in Building Permits

The following table reveals the trends in the value of building according to permits issued by the County for the past five years for the unincorporated areas of the County. Year to date, September 2001 permits are up 5% and valuation is up 4% from September 2000.

### Building Permit Figures for Unincorporated Benton County

<u>Year</u>	<u>New Residential Permits*</u>		<u>Other New Building Permits</u>		<u>Total Building Permits</u>	
	<u>Permits</u>	<u>Valuation</u>	<u>Permits</u>	<u>Valuation</u>	<u>Permits</u>	<u>Valuation</u>
2000	344	\$26,848,163	40	\$4,730,578	876	\$40,039,166
1999	421	33,283,490	58	2,264,773	959	53,816,988
1998	460	32,063,018	52	5,049,392	931	42,986,548
1997	521	25,809,885	73	4,417,925	996	43,595,542
1996	603	30,774,388	60	2,931,628	1,092	38,644,374

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\* Includes mobile homes, duplexes, and multiple family dwellings.

Source: County Building Department

## Historical Taxable Retail Sales

The following table lists the taxable retail sales for all industries within the County since 1996 reported by the Washington State Department of Revenue.

<u>Year</u>	<u>County</u>
2000	\$2,228,708,166
1999	\$1,562,739,733
1998	1,434,987,919
1997	1,377,302,894
1996	1,307,070,261

Source: Washington State Department of Revenue

## Major Employers

The major employers in the County as of December 2000 were as follows:

<u>Employer</u>	<u>Service/Product</u>	<u>Employees</u>
1. Fluor Daniel Hanford Corporation	Lead Hanford Contractor	3,787
2. Battelle-Northwest National Lab	Nuclear research & development	3,500
3. Kennewick School District	Education	2,000
4. CH2M Hill Hanford Group Inc.	Government	1,240
5. Energy Northwest	Electric Generating Plants-Hanford	1,020
6. Richland School District	Education	981
7. Siemens Power Corp.	Fuel Production	900
8. Fluor Federal Services	Government	850
9. Lamb-Weston (Includes Connell)	Food processing	742
10. Kadlec Medical Center	Hospital	684

Source: Tri-City Industrial Development Council

## Employment by Major Industry

The table below sets forth the total number of full-time and part-time employees in the County for the years and industries as shown.

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Employment by Place of Work:					
Total Employment	75,102	74,369	74,635	74,250	76,499
By Type:					
Wage and Salary	63,570	61,952	62,389	61,744	63,758
Proprietor	11,532	12,417	12,246	12,506	12,741
Farm	1,380	1,394	1,393	1,452	1,451
Non-Farm	10,152	11,023	10,853	11,054	11,290
By Industry:					
Farm	4,488	4,839	4,711	4,648	4,907
Non-Farm	70,614	69,530	69,924	6,960	71,592
Private	60,153	59,323	59,724	59,373	61,166
Ag. Services, Forestry, Fish. & Other	1,728	1,784	1,557	1,673	1,640
Mining	37	35	33	(D)	(D)
Construction	4,241	4,118	4,046	3,800	3,899
Manufacturing	4,583	4,531	4,581	4,625	4,812
Transportation and Public Utilities	2,127	3,839	8,166	7,731	8,058
Wholesale Trade	1,563	1,625	1,624	(D)	(D)
Retail Trade	12,675	13,083	13,144	13,195	13,852
Finance, Insurance & Real Estate	3,525	3,557	3,560	3,731	3,977
Services	29,674	26,751	23,013	22,947	23,524
Government & Government Enterprises	10,461	10,207	10,200	10,229	10,426
Federal/Civilian	878	826	835	813	827
Military	582	562	530	519	524
State and Local	9,001	8,819	8,835	8,897	9,075

(D) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals.

Source: U.S. Department of Commerce, Regional Economic Information System, Bureau of Economic Analysis.

## Labor Force and Unemployment

The following table shows labor force and employment data for the County since 1996 as well as unemployment rates for the State and the United States for the same period.

<u>Year</u>	<u>Labor Force</u>	<u>Employed</u>	- - - - Unemployment Rates - - - -		
			<u>Benton County</u>	<u>State of Washington</u>	<u>United States</u>
2000	71,800	67,200	6.4%	5.2%	4.0%
1999	71,800	67,800	5.6	4.7	4.2
1998	71,300	66,500	6.6	4.8	4.5
1997	70,900	66,200	6.6	4.8	4.9
1996	71,000	65,000	8.5	6.5	5.4

Source: Washington Employment Department

## Personal Income Trends

The following table shows total and per capita personal income growth in the County from 1995 through 1999.

<u>Year</u>	<u>Total Personal Income</u>	<u>Percent of Change</u>	<u>Per Capita Income</u>	<u>Percent of Change</u>
1999	\$3,446,602	5.41%	\$25,004	3.50%
1998	3,288,726	4.45	24,158	3.74
1997	3,148,723	3.07	23,287	3.74
1996	3,054,999	1.42	22,804	0.82
1995	3,012,245	N/A	22,618	N/A

Source: U.S. Department of Commerce, Regional Economic Information Center, Bureau of Economic Analysis

## Earnings By Industry

The following table shows the County total personal income as well as wage and salary, labor and proprietors' earnings by major industry type for the years 1995 through 1999. Figures shown are in thousands.

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Total Personal Income	\$3,012,245	\$3,054,999	\$3,148,723	\$3,288,726	\$3,446,602
Earnings by Industry					
Farm	93,414	114,163	98,370	103,683	88,872
Non-farm	2,245,097	2,193,241	2,230,934	2,314,264	2,421,378
Private	1,826,156	1,778,880	1,806,277	1,872,322	1,961,781
Ag. Services, Forestry and Fishing	19,003	19,284	19,053	21,431	22,686
Mining	(L)	(L)	65	(D)	(D)
Construction	157,785	156,129	137,086	135,021	146,473
Manufacturing	183,291	178,652	187,514	187,872	204,333
Transportation and Utilities	86,811	179,293	458,312	453,503	480,837
Wholesale Trade	50,574	52,273	52,738	(D)	(D)
Retail Trade	170,463	170,576	180,891	191,858	211,153
Finance, Insurance and Real Estate	54,424	56,258	62,427	66,952	75,833
Services	1,103,798	966,403	708,191	760,502	780,054
Government	418,941	414,361	424,657	441,942	459,597
Federal/Civilian	63,369	61,664	67,186	65,541	70,224
Military	6,936	7,259	6,780	6,879	7,274
State and Local	348,636	345,438	350,691	369,522	382,099

(D) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals.

(L) Less than \$50,000, but the estimates for this item are included in the totals.

Source: U.S. Department of Commerce Regional Economic Information System Bureau of Economic Analysis



## **APPENDIX B**

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### **Continuing Disclosure**

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## **FORM COMMITMENT TO PROVIDE CONTINUING DISCLOSURE**

### **Basic Undertaking to Provide Annual Financial Information and Notice of Material Events**

To meet the requirements of United States Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) (the "Rule"), as applicable to a participating underwriter for the Bonds, the County will undertake (the "Undertaking") for the benefit of holders of the Bonds to provide or cause to be provided, either directly or through a designated agent, to each nationally recognized municipal securities information repository designated by the SEC in accordance with the Rule ("NRMSIR") and to a state information depository, if any, established in the State of Washington (the "SID") annual financial information and operating data of the type included in this Official Statement as generally described below ("annual financial information"); and to each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB"), and to the SID, timely notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) modifications to rights of security holders;
- (8) bond calls;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the securities; and
- (11) rating changes.

The County also will provide to each NRMSIR or to the MSRB, and to the SID, timely notice of a failure by the County to provide required annual financial information on or before the date specified below.

## **Type of Annual Financial Information Undertaken to be Provided**

The annual financial information that the County undertakes to provide will consist of:

- (1) annual financial statements prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles promulgated by the Government Accounting Standards Board, as such principles may be changed from time to time, which statements shall not be audited, except, however, that if and when audited financial statements are otherwise prepared and available to the County they will be provided;
- (2) the financial information set forth herein under the heading "Historical and Budgeted Current Expense Fund Operating Results;"
- (3) the assessed value of the property within the County subject to ad valorem taxation;
- (4) the ad valorem taxes levied by the County, and the percentage of taxes collected, in substantially the manner displayed herein under the heading "Property Tax Collections;"
- (5) the County's current property tax levy rates in substantially the manner displayed herein under the heading "Tax Levies;" and
- (6) the authorized, issued and outstanding general obligation debt of the County.

The annual financial information will be provided to each NRMSIR and the SID, if any, not later than the last day of the ninth month after the end of each fiscal year of the County (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the County's fiscal year ending December 31, 2001.

The annual financial information may be provided in a single or multiple documents, and may be incorporated by reference to other documents that have been filed with each NRMSIR and the SID, or, if the document incorporated by reference is a "final official statement" with respect to other obligations of the County, that has been filed with the MSRB.

## **Amendment of Undertaking**

The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency, NRMSIR, the SID or the MSRB, under the circumstances and in the manner permitted by the Rule.

The County will give notice to each NRMSIR or the MSRB, and the SID, of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

### **Termination of Undertaking**

The County's obligations under the Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the County's obligations under the Undertaking shall terminate if those provisions of the Rule which require the County to comply with the Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the County, and the County provides timely notice of such termination to each NRMSIR or the MSRB and the SID.

### **Remedy for Failure to Comply with Undertaking**

If the County or any other obligated person fails to comply with the Undertaking, the County will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after the County learns of that failure. No failure by the County or other obligated person to comply with the Undertaking will constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond will be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the County or other obligated person to comply with the Undertaking.

## **APPENDIX C**

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### **Form of Legal Opinion**

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## **FORM OF BOND COUNSEL OPINION**

November \_\_, 2001

Benton County, Washington

Re: Benton County, Washington;  
\$5,410,000 Limited Tax General Obligation Bonds, 2001

We have served as bond counsel to Benton County, Washington (the "County"), in connection with the issuance of the above-referenced bonds (the "Bonds"), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

The Bonds are issued pursuant to Resolution No. 01-601 of the County (the "Bond Resolution") for general County purposes to provide a portion of the funds necessary to complete certain jail, law enforcement, court and related facilities (the "Project"), and to pay the costs of issuance and sale of the Bonds, all as set forth in the Bond Resolution.

The Bonds are dated November 1, 2001 are in the denominations, bear interest payable on the dates and at the rates, mature at the times and in the amounts, have such prepayment or redemption provisions and have such other provisions, all as set forth in the Bond Resolution and in the Bonds.

For as long as any of the Bonds are outstanding, the County irrevocably has pledged to include in its budget and to levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the County on all of the taxable property within the County in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds, and the full faith, credit and resources of the County have been pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest. The County also has pledged to the payment of the Bonds amounts received by the County on account of the Real Estate Excise Tax and the Jail Tax (as such terms are defined in the Bond Resolution), subject to certain limitations set forth in the Bond Resolution.

We express no opinion concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds.

Under the Internal Revenue Code of 1986, as amended (the "Code"), the County is required to comply with certain requirements after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Bonds. The County has covenanted in the Bond Resolution to comply with those requirements, but if the County fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. We have not undertaken and do not undertake to monitor the County's compliance with such requirements.

Based upon the foregoing, as of the date of initial delivery of the Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. The County is a duly organized and legally existing municipal corporation under the laws of the State of Washington;

2. The Bonds are issued in full compliance with the provisions of the Constitution and laws of the State of Washington and the resolutions of the County relating thereto;

3. The Bonds constitute valid general obligations of the County payable from annual ad valorem taxes to be levied within the constitutional and statutory tax limitations provided by law without a vote of the electors of the County on all of the taxable property within the County, and from amounts received by the County on account of the Real Estate Excise Tax and the Jail Tax, as set forth in the Bond Resolution, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the application of equitable principles and the exercise of judicial discretion in appropriate cases; and

4. Assuming compliance by the County after the date of issuance of the Bonds with applicable requirements of the Code, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, while interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by corporations is to be taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal tax consequences of receipt of interest on the Bonds.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

FOSTER PEPPER & SHEFELMAN PLLC

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## **APPENDIX D**

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### **Specimen Municipal Bond Insurance Policy**

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# FINANCIAL GUARANTY INSURANCE POLICY

## MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]  
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Assistant Secretary

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