Washington State Auditor's Office
Troy Kelley
Integrity • Respect • Independence

Financial Statements and Federal Single Audit Report

Franklin County

For the period January 1, 2013 through December 31, 2013

Published September 15, 2014

Report No. 1012540

Washington State Auditor
Troy Kelley

September 15, 2014

Board of Commissioners
Franklin County
Pasco, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

Table of Contents

Franklin County
January 1, 2013 through December 31, 2013

Federal Summary

Franklin County
January 1, 2013 through December 31, 2013

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

FINANCIAL STATEMENTS

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

Internal Control Over Financial Reporting:

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

The following was a major program during the period under audit:

CFDA No.	Program Title
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

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

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

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

Franklin County
January 1, 2013 through December 31, 2013

Board of Commissioners
Franklin County
Pasco, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 9, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 9, 2014

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

Franklin County
January 1, 2013 through December 31, 2013

Board of Commissioners
Franklin County
Pasco, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

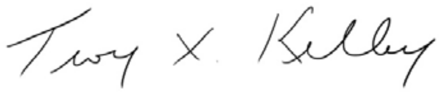
Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types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

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

September 9, 2014

Independent Auditor's Report on Financial Statements

Franklin County
January 1, 2013 through December 31, 2013

Board of Commissioners
Franklin County
Pasco, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 14.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and County Road funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 29 and information on postemployment benefits other than pensions on pages 86 through 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 9, 2014

Financial Section

Franklin County
January 1, 2013 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013
Statement of Activities – 2013
Balance Sheet – Governmental Funds – 2013
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – 2013
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2013
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2013
Budgetary Comparison Statement – General Fund – 2013
Budgetary Comparison Statement – County Road Fund – 2013
Statement of Net Position – Proprietary Funds – 2013
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2013
Statement of Cash Flows – Proprietary Funds – 2013
Statement of Fiduciary Net Position – Fiduciary Funds – 2013
Notes to Financial Statements – 2013

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Funding Progress and Employer Contributions for LEOFF Plan 1 Other Postemployment Benefit Plan – 2013
Notes to the Schedules of Funding Progress and Employer Contributions for LEOFF Plan 1 Other Postemployment Benefit Plan – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013
Notes to the Schedule of Expenditures of Federal Awards – 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Provided in this section of Franklin County's annual financial report is our narrative discussion and analysis of the financial activities for the fiscal year ended on December 31, 2013. The County's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of Franklin County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $220,799,423 (net position), a decrease of $1,463,472 from 2012.

- At December 31, 2013, the County's governmental funds reported combined ending fund balance of $18,768,664, a decrease of $8,689,545 from 2012. Approximately 22% of the fund balance is available to spend at the government's discretion (assigned and unassigned fund balance), up from 8% in 2012. The remaining fund balance is either restricted by outside sources or committed by the County for specific purposes. The majority of the decrease to the ending fund balance was due to the continuing construction of the County's jail and justice center. In 2012, bonds were issued totaling $20,345,000 for the construction of these facilities and purchase and implementation of financial software.

- Unassigned fund balance of $3,501,724 in the General Fund at year-end shows an increase of $1,719,317 over 2012. The unassigned fund balance represented 15.30% of total General Fund expenditures, including transfers, compared to 7.98% in 2012.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the County's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. The statement of net position presents financial information on all of Franklin County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Evaluation of the overall health of the County would extend to other non-financial factors such as diversification of the taxpayer base or the condition of County infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the County's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the County's distinct activities or functions on revenues provided by the County's taxpayers.

Both government-wide financial statements distinguish governmental activities of the County that are principally supported by taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, judicial-courts, public works, economic environment (planning and building) culture and recreation and community services. Business-type activities include the Trade Recreation Agricultural Center (TRAC) and the Franklin County RV Park.

Fund Financial Statements - A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the County's most significant funds rather than the County as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

County Fund Types

Governmental Funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the County's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives. Individual fund information for non-major governmental funds is found in the combining statements in the supplementary section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the County charges customers a fee. The County operates five proprietary funds, which includes two enterprise funds and three internal service funds. The enterprise funds (TRAC and RV Park) essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the County. The internal service funds consist of the Motor Vehicle Fund which accounts for the County's fleet of vehicles, and two small unemployment funds that the County uses to self-insure for actual unemployment claims. Services provided by these funds are internal to the County, and for the most part eliminated from the government-wide statements.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budget presentations. Budgetary comparison statements are included as "required supplementary information" (RSI) for the General Fund and the County Road Fund. These statements and schedules demonstrate compliance with the County's adopted and final revised budget. Also required and presented in the financial statements is the County's Other Post Employment Benefit (OPEB) information.

Supplementary Information

As discussed, the County reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented in the supplementary section of this report.

Overall Analysis of Financial Position and Result of Operations

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Franklin County, assets and deferred outflows exceeded liabilities and deferred inflows by $220,799,423 at the close of the most recent year, which compares to $222,262,895 at the end of 2012.

There was an increase to the capital assets, net of related debt component of net position of $7,350,271 during 2013. Governmental Activities capital assets, net, increased by $7,954,502 and business-type decreased by $604,231. Primarily, capital assets, net, increased due to increases in Construction in Progress as the County's jail and justice center are being completed. There was over $11 million added to Construction in Progress in 2013 from these projects.

Following is a summary of changes in net position for the County as a whole:

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and Other Assets	$ 23,474,498	$ 31,074,260	$ 406,802	$ 648,628	$ 23,881,300	$ 31,722,888
Capital Assets	236,285,091	230,685,062	4,382,906	5,067,137	240,667,997	235,752,199
Total Assets	259,759,589	261,759,322	4,789,708	5,715,765	264,549,297	267,475,087
Total Deferred Outflows of Resources	8,728	15,354	-	-	8,728	15,354
Liabilities:						
Long-Term Liabilities	35,164,579	37,616,961	38,212	30,975	35,202,791	37,647,936
Other Liabilities	7,129,154	5,965,856	229,320	352,189	7,358,474	6,318,045
Total Liabilities	42,293,733	43,582,818	267,532	383,164	42,561,265	43,965,981
Total Deferred Inflows of Resources	1,197,337	1,179,835	-	81,729	1,197,337	1,261,564
Net Position:						
Investment in Capital Assets, Net of Debt	200,455,671	192,501,169	4,382,906	4,987,137	204,838,577	197,488,306
Restricted	9,656,979	20,856,058	-	-	9,656,979	20,856,058
Unrestricted	6,164,596	3,654,797	139,270	263,735	6,303,866	3,918,532
Total Net Position	$ 216,277,247	$ 217,012,023	$ 4,522,176	$ 5,250,872	$ 220,799,423	$ 222,262,896

The County reported capital assets, net of related debt, in governmental-type activities of $200,455,671. This compares to $192,501,169 from 2012, an increase of $7,954,502. This increase is primarily due to increases in Construction in Progress as the County's jail and justice center are being completed.

Detailed information related to changes in capital assets is in the Notes to the Financial Statements, Note 4, *Capital Assets*, and information relating to the changes in long-term liabilities is in Note 9, *Changes in Long-Term Liabilities*.

Depreciation expense in the amounts of $8,840,328 in governmental activities and $809,359 in business-type activities has a negative impact on net position unrelated to the current operations of the County. Debt related to capital assets decreased by $2,434,475 as no new debt was issued and annual debt payments were made. See the Capital Assets and Long-Term Debt section of this report for more detailed information.

Approximately 92.7% of the governmental activities' net position is tied up in capital, net of related debt. This compares to 88.7% for 2012. Infrastructure, net of accumulated depreciation, of $203,181,056 is the primary reason for this high percentage. The County uses these capital assets to provide services to citizens; therefore, these assets are not available for future expenses. In addition, the resources needed to repay the debt used to obtain the capital assets must be provided from other sources, as the capital assets cannot be used to liquidate these liabilities.

The business-type activities also have a high percentage of net capital assets to total net position, at 96.9%. This is a slight increase to 2012's percentage of 95.0%. Also, the reason for high business-type activities ratio of net capital assets to total net position is the inheritance of contributed capital, largely purchased with general obligation bonds being retired primarily by governmental activities. These assets include the TRAC and RV facilities and furnishings.

Overall (Governmental and Business-type), the County had 92.8% of its net position contained in capital assets, compared to 88.9% for 2012. This percentage increase is primarily due to construction as indicated above.

Key elements of 2013's changes in net position are as follows:

See Next Page

Summary of Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program:						
Charges for Services	$ 7,549,763	$ 7,426,895	$ 2,309,586	$ 2,474,676	$ 9,859,349	$ 9,901,571
Operating Grants & Contributions	4,236,845	4,602,212	221,299	161,296	4,458,144	4,763,508
Capital Grants & Contributions	2,055,559	3,010,620	125,127	-	2,180,686	3,010,620
General:						
Property Taxes	11,302,576	11,127,424	-	-	11,302,576	11,127,424
Sales Taxes	7,680,321	6,693,080	-	-	7,680,321	6,693,080
Other Taxes	3,629,473	3,360,129	(24,496)	(24,745)	3,604,977	3,335,384
Unrestricted Contributions	53,325	61,575	-	-	53,325	61,575
Investment Earnings	172,245	164,259	32	50	172,278	164,309
Insurance Recoveries	5,208	-	-	-	5,208	-
Total Revenues	36,685,315	36,446,194	2,631,548	2,611,277	39,316,864	39,057,471
Program Expenses						
Judicial	3,341,017	3,385,992	-	-	3,341,017	3,385,992
General Government	8,928,801	8,325,826	-	-	8,928,801	8,325,826
Public Safety	11,633,729	10,925,052	-	-	11,633,729	10,925,052
Physical Environment	97,632	81,985	-	-	97,632	81,985
Transportation	10,677,374	11,304,763	-	-	10,677,374	11,304,763
Economic Environment	772,931	709,244	-	-	772,931	709,244
Health	397,585	407,316	-	-	397,585	407,316
Culture & Recreation	362,497	165,955	3,344,511	3,381,406	3,707,008	3,547,361
Interest on Long-Term Debt	1,218,682	1,372,033	-	-	1,218,682	1,372,033
Loss on Sale of Capital Assets	5,574	14,812	-	-	5,574	14,812
Total Expenses	37,435,822	36,692,978	3,344,511	3,381,406	40,780,333	40,074,384
Excess (Deficiency)	(750,507)	(246,786)	(712,963)	(770,129)	(1,463,472)	(1,016,915)
Extraordinary Item (See Note 18)	-	(42,868)	-	-	-	(42,868)
Transfers	15,733	(39,360)	(15,733)	39,360	-	-
Change in Net Position	(734,776)	(329,014)	(728,696)	(730,769)	(1,463,472)	(1,059,783)
Beginning Net Position	217,012,023	216,969,758	5,250,872	5,981,640	222,262,895	222,951,398
Prior Period Adjustment (Note 17)		371,278	-	-	-	371,278
Ending Net Position	$ 216,277,247	$ 217,012,023	$ 4,522,176	$ 5,250,872	$ 220,799,423	$ 222,262,895

In conclusion, the County's overall net position declined slightly for the current fiscal year. Total net assets decreased by $1,463,472, or 0.66%. Management continues to take action to reduce the County's various costs, including refunding debt when lower interest rates are available or ensuring new debt is obtained at the lowest possible interest rates. The County attained a combined net borrowing cost on debt obtained in 2012 of 3.82%. Also, in 2014, the County refunded its 2003 Limited Tax General Obligation Bonds and its 2005 Limited Tax General Obligation Refunding Bonds for interest cost savings. The County is expecting to save approximately $29,000 per year for the remaining nine years that the bonds remain outstanding.

GOVERNMENTAL REVENUES AND EXPENSES

Governmental Activities – Program Costs

The result of Franklin County's governmental activities was a decrease in net position of $734,776. As noted earlier, depreciation expense of $8,840,328 plays an important role in the reduction of net position. For 2013, governmental activities total net program costs were $23,588,082, an increase of $1,949,641 compared to 2012's program costs of $21,638,441.

The following table presents the cost of each of the County's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden placed on the County's taxpayers by each of these functions.

Governmental Activities - 2013

Function	Total Cost of Services	Percentage of Total	Net cost of Services	Percentage of Total
Judicial	$ 3,341,017	8.9%	$ (1,265,002)	5.4%
General Government	8,928,801	23.9%	(6,761,085)	28.7%
Public Safety	11,633,729	31.1%	(8,132,214)	34.5%
Physical Environment	97,632	0.3%	360,730	-1.5%
Transportation	10,677,374	28.5%	(5,609,570)	23.8%
Economic Environment	772,931	2.1%	(262,833)	1.1%
Health	397,585	1.1%	(336,995)	1.4%
Culture and Recreation	362,497	1.0%	(362,430)	1.5%
Interest on Long-Term Debt	1,218,682	3.3%	(1,218,682)	5.2%
Total	$ 37,430,248	100%	$ (23,588,082)	100%

Governmental Activities - 2012

Function	Total Cost of Services	Percentage of Total	Net cost of Services	Percentage of Total
Judicial	$ 3,385,992	9.2%	$ (1,417,126)	6.5%
General Government	8,495,445	23.2%	(6,254,284)	28.9%
Public Safety	10,957,505	29.9%	(7,066,049)	32.7%
Physical Environment	81,985	0.2%	521,760	-2.4%
Transportation	11,102,692	30.3%	(5,293,686)	24.5%
Economic Environment	709,244	1.9%	(233,031)	1.1%
Health	407,316	1.1%	(358,096)	1.7%
Culture and Recreation	165,955	0.5%	(165,895)	0.8%
Interest on Long-Term Debt	1,372,033	3.7%	(1,372,033)	6.3%
Total	$ 36,678,169	100%	$ (21,638,442)	100%

General Revenues

The County continues to be heavily reliant on taxes to operate the governmental activities functions. General revenues (non-program) collected during 2013 were $22,843,148, compared to $21,406,467 in 2012, an increase of $1,436,681. Of the total general revenues collected, $22,612,370 was from taxes in 2013 and $21,180,633 in 2012. Taxes increased by $1,431,737 from 2012 to 2013. The tax increase is encouraging to County management as it is a good indicator that the local economy continues to improve from the economic slowdown.

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs

During 2013, business-type activities decreased Franklin County's net position by $728,696, an increase of $2,073 from the previous year's decrease of $730,769. Detailed financial information for the two enterprise funds are found under "Proprietary Funds" later in this report.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

Governmental funds reported ending fund balances of $18,768,664 for 2013, compared to $27,458,210 for 2012, a decrease of $8,689,545, or 32%. This decrease is due, at least primarily, to construction expenditures on the County's jail and justice center.

Major Governmental Funds

The General (or Current Expense) Fund is the County's primary operating fund and is the largest source of day-to-day service delivery. The General Fund's fund balance increased by $1,689,299 during 2013 to $3,665,319. This significant increase is due to increased revenues throughout the General Fund and budgeting a fund balance.

The General Fund's total 2013 revenue of $23,992,760 was $1,529,835 over 2012's total revenue. Most notable to this increase in revenue were charges for services of $3,815,179, which was up by $661,948 over the previous year, or 21.0%.

Total 2012 General Fund expenditures, net of transfers, were $22,407,656. This is $546,084 over 2012's expenditures total of $21,861,572, or 2.5%. Approximately $376,000 of this expenditure increase was from overall salary and benefit changes including $211,000 for employees earning step increases.

The County uses ***the County Road Fund*** to construct roads and other infrastructure. The primary sources of revenue are from State and Federal grant revenues and property taxes. Total 2013 revenues were $7,448,061, with $4,941,813 coming from intergovernmental revenues and $2,162,626 received from property taxes. Total 2012 total revenues were $8,677,170, with intergovernmental revenues of $5,787,395 and property taxes of $2,654,163. The key decline in intergovernmental revenues was capital grants and contributions, which declined by $985,256, or 32.7%. Total revenues for 2013 declined by $1,229,109, or 14.2%.

During 2013, total expenditures were $7,253,039, compared to $8,708,489 for 2012, a decrease of $1,455,450 or 16.7%. The ending fund balance for 2013 was $1,600,790, compared to $1,164,690 at the end of 2012, an increase of $436,100, or 37.4%.

The County uses ***the .3% Criminal Justice Construction Fund*** to pay the costs of improvements to the County's new and existing jail and criminal justice facilities. The County issued bonds totaling $19,125,000 for this project and the bond proceeds were the fund's primary revenue source. The County created this fund in 2012.

Revenues in 2013, all attributed investment earnings, were $25,723 compared to $28,013, also all for investment earnings in 2012. Expenditures increased by $10,629,971 from 2012 to 2013; 2012 and 2013 expenditures were $1,108,054 and $11,738,025 respectively. Increased expenditures were for the construction of the new and existing jail and criminal justice facilities. Fund balance declined by $11,549,302 from 2012 to 2013; 2012 and 2013 fund balances were $17,938,209 and $6,388,907 respectively. This decline in fund balance was expected as the fund is not generating revenues, other than investment earnings but is funding the projects of the jail and justice center.

The Proprietary Funds

The following table shows the operating activities from the County's business-type activities Major Fund for the previous five years:

TRAC Operations	2013	2012	2011	2010	2009
Operating Revenues	$ 2,072,909	$ 2,239,426	$ 2,172,324	$ 1,941,581	$ 1,833,722
Operating Expenses	(3,180,741)	(3,215,761)	(3,337,741)	(3,171,379)	(3,090,537)
Operating Income (Loss)	(1,107,832)	(976,335)	(1,165,417)	(1,229,798)	(1,256,815)
Add: Depreciation Expense	761,539	764,758	792,442	799,501	795,581
Operating Income(Loss) Net of Depreciation Exp	$ (346,293)	$ (211,577)	$ (372,975)	$ (430,297)	$ (461,234)

The TRAC Facility is subsidized by Franklin County and City of Pasco's contributions. The following table shows the contributions from each entity for the past five years:

TRAC Operations	2013	2012	2011	2010	2009
Franklin County	$ 221,299	$ 161,296	$ 242,868	$ 269,987	$ 275,409
City of Pasco	221,300	161,296	242,868	269,987	275,410
Totals	$ 442,599	$ 322,592	$ 485,736	$ 539,974	$ 550,819

During April of 2004, the County opened the ***Franklin County RV (Recreational Vehicle) Park,*** located adjacent to the TRAC facility. The RV Park has not only become self-sufficient, but also is available to help fund the County's portion of the TRAC subsidy. The RV Park fund contributed $133,433 in 2013 and $118,336 in 2012.

The following table depicts the summarized operating activities of the RV Park for the last five years:

Franklin County RV Park	2013	2012	2011	2010	2009
Operating Revenues	$ 261,317	$ 259,890	$ 280,451	$ 276,205	$ 242,569
Operating Expenses	(185,660)	(184,608)	(187,374)	(179,271)	(204,776)
Operating Income (Loss)	75,657	75,282	93,077	96,934	37,793
Add: Depreciation Expense	47,820	47,820	47,820	47,820	47,918
Operating Income (Loss) Net of Depreciation Exp	$ 123,477	$ 123,102	$ 141,147	$ 144,754	$ 85,711

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

BUDGETARY HIGHLIGHTS

The General Fund – For 2013, the General Fund's revenue and expenditure budgets increased for the third year in a row after a declining trend due to the recession, increasing over the 2012 ending approved budget by $630,360 for total revenue and expenditure budgets of $24,478,173.

Some highlights between the 2013 and 2012 budgets are as follows:

See Next Page

2013 General Fund Budget Highlights

Major Revenes Increases	2013	2012	Increase
Property Taxes (Includes Road Shift of $726K in 2013 and $265K in 2012)	$ 7,726,517	$ 7,285,786	$ 440,731
Sales Taxes - General	3,050,000	3,200,000	(150,000)
Board & Room of Prisoners	711,607	1,005,534	(293,927)
CJ Local Sales Tax - 1st & 2nd 1/10th	1,415,000	1,440,000	(25,000)
Total Major Revenue Increases	**$ 12,903,124**	**$ 12,931,320**	**$ (28,196)**

Salary and Benefit Changes			
Personnel Services	**2013**	**2012**	**Increase**
Salary (net of contingency)	$ 11,140,832	$ 10,856,116	$ 284,716
Benefits	3,659,961	3,569,020	90,941
Subtotal Personnel Services	**$ 14,800,793**	**$ 14,425,136**	**$ 375,657**

Cost of Living Adjustment	2013	2012	2011
Percent Increase	0.00%	0.00%	0.00%

Other Notable Expenditure Increases (Decreases)	
Auditor's Office Restructure (supported with revenues)	$ 201,848
Misc. Personnel Changes - Net of Printshop	242,821
Printshop	(112,412)
Juvenile Services - Operations	44,075
Juvenile Services - Enhancements	58,820
Financial Software Maintenance	60,766
Sheriff Vehicles - Billing Public Works for Traffic Control	111,220
Medical Contingency	43,000
Misc. Expenditure Changes - Net	(19,778)
Total	**$ 630,360**

Contingencies & Reserves	**2013**	**2012**	**Variance**
Contingencies			
Miscellaneous	$ 163,053	$ 170,000	$ (6,947)
Salary & Benefits	43,000	-	43,000
Subtotal Contingencies	**206,053**	**170,000**	**36,053**
Reserves & Fund Balance			
Reserved Fund Balance	1,500,000	1,500,000	-
Beginning Fund Balance - Unreserved	-	252,966	(252,966)
Subtotal Reserved Funds/Fund Balance	**1,500,000**	**1,752,966**	**(252,966)**
Total Contingencies & Reserves	**$ 1,706,053**	**$ 1,922,966**	**$ (216,913)**

There was no change to the 2013 bottom line General Fund budget appropriations during the year, although there were some internal transfers of appropriations within the charges to the appropriations side of the budget:

2013 Franklin County General Fund Charges to Appropriations

Charges to Appropriations (Outflows)	Original	Final	Variance (Decrease) Increase
General government	$ 8,161,962	$ 7,980,645	$ (181,317)
Judicial	3,076,872	3,254,740	177,868
Public safety	10,410,087	10,180,344	(229,743)
Other environmental services	3,000	3,000	-
Economic environment	323,043	323,043	-
Health and coroner	401,007	404,456	3,449
Culture and recreation	183,540	183,540	-
Capital outlay	-	229,743	229,743
Total Expenditures	22,559,511	22,559,511	-
Non-Expenditures			
Other budgeted non-expenditures	250	250	-
Transfers to other funds	463,662	463,662	-
Total Charges to Appropriations	23,023,423	23,023,423	-
Budgetary Fund Balance - December 31	$ 1,454,750	$ 1,454,750	$ -

DEBT ADMINISTRATION AND CAPITAL ASSETS

Long-term Debt

At the end of the fiscal year, the County had total ending bonded debt outstanding of $32,655,000, compared to $34,850,000 for 2012. The decrease was due to no new debt issued and annual debt payments made according to schedule. Franklin County debt is being retired with property taxes, sales and use taxes, and an operating lease.

Also, at the end of 2013, the County had $3,096,880 in Public Works Trust Fund revenue debt, compared to $3,335,101 at the end of 2012. These funds are being used to finance County road infrastructure projects.

The following table is a summary of Franklin County's Long-term Debt at 12/31/2013:

See Next Page

	Governmental Activities		Business-Type Activities		Totals		%
	2013	2012	2013	2012	2013	2012	Change
General Obligation Debt	$ 32,655,000	$ 34,770,000	$ -	$ 80,000	$ 32,655,000	$ 34,850,000	-6%
PW Revenue Debt	3,096,880	3,335,101	-	-	3,096,880	3,335,101	-7%
Bond Deferrals	77,540	78,793	-	-	77,540	78,793	-2%
Claims & Judgements	304,614	492,097	-	-	304,614	492,097	-38%
Comp Absences	1,557,498	1,471,555	89,028	77,173	1,646,526	1,548,728	6%
OPEB*	1,462,705	1,306,571	-	-	1,462,705	1,306,571	12%
Total	$ 39,154,237	$ 41,454,117	$ 89,028	$ 157,173	$ 39,243,265	$ 41,611,291	-6%

*Other Post Employment Benefits

See Notes 8, 9, and 14 for additional information about the County's long-term debt and OPEB obligations.

Capital Assets

The following table provides a summary of capital asset activity:

	Governmental Activities		Business Activities		Total	
	2013	2012	2013	2012	2013	2012
Non-Depreciable Assets:						
Land	$ 620,769	$ 592,769	$ 25,407	$ 25,407	$ 646,176	$ 618,176
Construction in Progress	15,430,724	1,865,380	-	-	15,430,724	1,865,380
Joint Ventures	188,687	260,376	-	-	188,687	260,376
Total non-depreciable Assets	16,240,180	2,718,525	25,407	25,407	16,265,587	2,743,932
Depreciable Assets:						
Buildings	28,027,066	28,027,066	14,201,314	14,137,287	42,228,380	42,164,353
Equipment	12,671,699	12,319,418	2,034,225	2,185,334	14,705,924	14,504,752
Land Improvements	537,188	537,188	1,367,795	1,367,795	1,904,983	1,904,983
Other Improvements	-	-	177,139	177,139	177,139	177,139
Infrastructure	272,394,919	272,037,531	-	-	272,394,919	272,037,531
Total depreciable assets	313,630,871	312,921,203	17,780,474	17,867,555	331,411,345	330,788,758
Less accumulated depreciation	93,585,960	84,954,666	13,422,972	12,825,822	107,008,932	97,780,488
Book Value - Depreciable Assets	220,044,911	227,966,537	4,357,502	5,041,733	224,402,413	233,008,270
Percentage depreciated	30%	27%	75%	72%	32%	30%
Total book value	$ 236,285,091	$ 230,685,062	$ 4,382,909	$ 5,067,140	$ 240,667,997	$ 235,752,202

Construction in Progress has increased substantially in 2013 as work has continued on the justice center and the new and existing jail. Of the net $13,565,344 increase to Construction in Progress, the jail and criminal justice facilities accounted for $11,738,026.

During 2013, $357,387 was added to governmental activities infrastructure. During 2012, the County added $13,559,931 governmental activities infrastructure additions, formerly shown within the financial statements as Construction in Progress. These expenditures were primarily made on various road projects throughout the county.

The County's investment in capital assets, net of accumulated depreciation, for the current year increased by $4,915,798 ($240,667,997 - $235,752,199), or 2.1%. Total increases to capital assets in 2013 were $15,270,149, which included $602,010 of Construction in Progress that was completed and moved to other asset categories. Increases also included the new jail and criminal justice facilities as previously mentioned.

Business-type activities had increases to capital assets during 2013 totaling $125,127 and disposals totaling $212,209 for a net decrease, before depreciation, of $87,082. There were no additions and no disposals of business-type activities capital assets in 2012.

Capital Commitments

As discussed in the Notes to the Financial Statements, Note 5, *Construction Commitments*, in 2011 the residents of Franklin County approved a three-tenths of one percent (.003) local sales and use tax effective April 1, 2012 for criminal justice and public safety purposes. Because of the approved tax, the County will build and operate a new correctional facility. Total cost of the project will be approximately $19,125,000, including current commitments of $1,295,058 for architectural fees and $16,186,683 for construction services.

On March 28th, 2012, the Board of County Commissioners entered into a contract with SunGard Public Sector Inc. for the implementation of a financial information and asset management system (computer software). Total cost of the financial software and installation is estimated to be $1,220,000, with a current commitment of $1,161,926.

Please see Note 8, *Long-Term Debt*, for the detailed information related to the $20,345,000 indebtedness that was incurred to finance these two capital items.

Current commitments for county-wide road projects total $1,765,730.

See the Note 5, *Construction Commitments*, in the Notes to the Financial Statements for additional information related to the County's current commitments at year-end.

Infrastructure - The County reports infrastructure assets on a network and subsystem basis. To determine the value of the historical infrastructure the County refers to the State Auditor's Office web site for the cost/mile averages of the different types of construction projects for each classification of road.

The County did not experience any significant changes in the condition levels of our infrastructure during 2013. Our current condition levels are in line with our target levels. The County developed and follows a Maintenance Management Program as required by the State CRAB Board. This program was put into place during 2008.

Please refer to Notes 1.E.7, *Capital Assets*, and Note 4, *Capital Assets*, for further information.

ISSUES AND ECONOMIC CONDITIONS AFFECTING THE COUNTY

Favorable Bond Rating

During the process to secure funding for the $20,345,000 limited tax general obligation bonds to pay for costs of improvements to the County's jail and justice center and purchase the County's financial information and asset management software, Standard and Poor's reaffirmed the County's "A" rating "with a positive outlook." This favorable rating helped the County attain a combined net borrowing cost on the 30 year financing of 3.82%.

In September 2013, Franklin County's rating was upgraded two grades, to "AA-" and then was re-affirmed at this level in March 2014 prior to the County's refinancing of its 2003 Limited Tax General Obligation Bonds and 2005 Limited Tax General Obligation Refunding Bonds for interest cost savings. The County is expecting to save approximately $29,000 per year for the remaining nine years that the bonds are outstanding.

In large part, the favorable rating obtained was due to the strong local economy, experienced management, and a commitment by County management to hold in reserves 7% of the operating budget, as explained in Note 1.E.14, *Fund Balance Policy*.

Franklin County, Washington
Statement of Net Position
December 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 20,733,931	$ 241,046	$ 20,974,977
Cash held in internal trust	379,835	64,206	444,041
Receivables (net)	2,067,106	129,216	2,196,322
Internal balances	44,542	(44,542)	-
Inventories	249,084	16,876	265,960
Capital Assets Not Being Depreciated:			
Land	620,769	25,407	646,176
Construction in progress	15,430,724	-	15,430,724
Capital Assets Net of Accumulated Depreciation:			
Buildings	13,346,330	3,204,470	16,550,800
Improvements other than buildings	378,102	93,745	471,847
Machinery and equipment	3,139,423	243,421	3,382,844
Improvements to land	-	815,863	815,863
Infrastructure	203,181,056	-	203,181,056
Investment in joint ventures	188,687	-	188,687
Total Capital Assets	236,285,091	4,382,906	240,667,997
Total Assets	259,759,589	4,789,708	264,549,297
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges	8,728	-	8,728
Total Deferred Outflows of Resources	8,728	-	8,728
LIABILITIES			
Accounts payable	2,360,340	114,298	2,474,638
Custodial accounts	379,835	64,206	444,041
Liabilities Payable from Restricted Assets:			
Due within one year	2,833,891	-	2,833,891
Due in more than one year	33,394,851	-	33,394,851
Other Noncurrent Liabilities:			
Due within one year	1,555,088	50,816	1,605,904
Due in more than one year	1,769,728	38,212	1,807,940
Total Liabilities	42,293,733	267,532	42,561,265
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	1,195,837	-	1,195,837
Deferred revenues	1,500	-	1,500
Total Deferred Inflows of Resources	1,197,337	-	1,197,337
NET POSITION			
Invested in capital assets, net of related debt	200,455,671	4,382,906	204,838,577
Restricted for:			
Debt service	2,629,115	-	2,629,115
Capital projects	7,027,865	-	7,027,865
Unrestricted	6,164,596	139,270	6,303,866
Total Net Position	$ 216,277,247	$ 4,522,176	$ 220,799,423

The notes to the financial statements are an integral part of this statement.

Franklin County, Washington
Statement of Activities
For the Year Ended December 31, 2013

			Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
			Grants and Contributions				
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Judicial	$ 3,341,017	$ 1,831,821	$ 226,275	$ 17,919	$ (1,265,002)	$ -	$ (1,265,002)
General government	8,928,801	1,436,023	730,793	900	(6,761,085)	-	(6,761,085)
Public safety	11,633,729	3,235,357	266,158	-	(8,132,214)	-	(8,132,214)
Physical environment	97,632	361,003	97,359	-	360,730	-	360,730
Transportation	10,677,374	135,427	2,907,012	2,025,364	(5,609,570)	-	(5,609,570)
Economic environment	772,931	498,722	-	11,376	(262,833)	-	(262,833)
Health	397,585	51,410	9,180	-	(336,995)	-	(336,995)
Culture and recreation	362,497	-	67	-	(362,430)	-	(362,430)
Interest on long-term debt	1,218,682	-	-	-	(1,218,682)	-	(1,218,682)
Total Governmental Activities	37,430,248	7,549,763	4,236,845	2,055,559	(23,588,082)	-	(23,588,082)
Business-type Activities:							
TRAC facility	3,183,491	2,048,269	221,299	125,127	-	(788,796)	(788,796)
Other enterprise activities	161,020	261,317	-	-	-	100,297	100,297
Total Business-type Activities	3,344,511	2,309,586	221,299	125,127	-	(688,499)	(688,499)
Total Primary Government	$ 40,774,759	$ 9,859,349	$ 4,458,144	$ 2,180,686	$ (23,588,082)	$ (688,499)	$ (24,276,581)
General Revenues							
Taxes:							
Property taxes, levied for general purposes					11,302,576	-	11,302,576
Sales and use taxes					7,680,321	-	7,680,321
Other taxes					3,629,473	(24,496)	3,604,977
Grants and contributions not restricted to specific programs					53,325	-	53,325
Unrestricted investment earnings					172,245	32	172,278
Insurance recoveries					5,208	-	5,208
Gain (Loss) on sale of capital assets					(5,574)	-	(5,574)
Transfers					15,733	(15,733)	-
Total General Revenues and Transfers					22,853,307	(40,197)	22,813,110
Change in Net Assets					(734,776)	(728,696)	(1,463,472)
Net Assets - Beginning					217,012,023	5,250,872	222,262,895
Net Assets - Ending					$ 216,277,247	$ 4,522,176	$ 220,799,423

The notes to the financial statements are an integral part of this statement.

Franklin County, Washington
Balance Sheet
Governmental Funds
December 31, 2013

	General Fund	County Road Fund	.3% Criminal Justice Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 3,276,114	$ 1,916,305	$ 7,796,596	$ 7,273,828	$ 20,262,843
Cash held in internal trust	291,165	88,671	-	-	379,835
Receivables (net)					
Property taxes	1,081,758	69,649	-	44,430	1,195,837
Accounts	63,792	3,835	-	21,400	89,027
Interest	2,015	105	818	600	3,538
Interfund interest	-	2,456	52	(0)	2,508
Due from other funds	607,872	41,977	-	238,908	888,757
Due from other governments	537,168	136,740	-	100,947	774,855
Interfund loans	-	8,686	-	-	8,686
Noncurrent Assets:					
Deferred charges	-	-	-	8,728	8,728
Total Assets	5,859,885	2,268,423	7,797,466	7,688,842	23,614,615
LIABILITIES					
Current Liabilities:					
Accounts payable	474,590	260,869	1,408,560	137,986	2,282,006
Custodial accounts	291,165	88,671	-	-	379,835
Due to other funds	281,777	248,445	-	381,581	911,803
Interfund interest payable	-	-	-	2,508	2,508
Interfund loans	-	-	-	8,686	8,686
Deferred revenue-property taxes	1,081,758	69,649	-	44,430	1,195,837
Deferred revenue	65,276	-	-	-	65,276
Total Liabilities	2,194,567	667,633	1,408,560	575,192	4,845,952
FUND BALANCE					
Restricted	-	-	6,388,906	6,999,759	13,388,666
Committed	-	1,280,198	-	3,612	1,283,810
Assigned	163,594	320,592	-	110,277	594,463
Unassigned	3,501,724	-	-	-	3,501,724
Total Fund Balance	3,665,319	1,600,790	6,388,906	7,113,650	18,768,664
Total Liabilities and Fund Balance	$ 5,859,885	$ 2,268,423	$ 7,797,466	$ 7,688,842	$ 23,614,615

The notes to the financial statements are an integral part of this statement.

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

Fund balances of governmental funds:		$ 18,768,664
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
Capital assets	$ 323,071,818	
Accumulated depreciation	(89,017,045)	234,054,773
Investment in joint ventures are not financial resources and are not reported in the funds.		188,687
Current bond interest payable is not accrued on the governmental statements.		(399,322)
Certain interfund payments were accrued in governmental expenses but not in governmental revenues due to falling outside of the 60 day revenue accrual cut off period		63,778
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds payable	(35,829,420)	
Compensated absences	(1,510,127)	
Net other postemployment benefits obligation	(1,462,704)	
Claims and judgments	(304,614)	(39,106,865)
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net assets.		
Assets	2,880,114	
Liabilities	(172,580)	2,707,533
Net Assets of Governmental Activities		$ 216,277,247

The notes to the financial statements are an integral part of this statement.

Franklin County, Washington
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General Fund	County Road Fund	.3% Criminal Justice Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	$ 7,989,400	$ 2,162,626	$ -	$ 1,150,550	$ 11,302,576
Sales	4,630,649	-	-	3,049,673	7,680,321
Other	2,467,029	21,755	-	1,140,689	3,629,473
Licenses and permits	406,872	1,275	-	-	408,147
Intergovernmental	3,486,374	4,941,813	-	684,192	9,112,379
Charges for services	3,815,179	308,401	-	794,851	4,918,431
Fines and forfeitures	977,836	-	-	1,371	979,207
Investment earnings	139,708	3,832	25,723	2,578	171,841
Rents and leases	52,817	-	-	102,435	155,252
Miscellaneous revenues	26,896	8,360	-	1,310	36,566
Total Revenues	23,992,760	7,448,061	25,723	6,927,649	38,394,193
EXPENDITURES					
Current:					
Judicial	3,162,887	-	-	155,312	3,318,199
General government	7,885,070	176,153	-	230,549	8,291,772
Public safety	10,137,565	474,641	-	809,256	11,421,463
Physical environment	-	-	-	188,122	188,122
Transportation	-	4,363,688	-	2,456	4,366,144
Economic environment	328,070	-	-	353,892	681,962
Coroner	198,994	-	-	-	198,994
Health	196,066	-	-	-	196,066
Culture and recreation	190,455	-	-	178,655	369,110
Debt Service:					
Principal	-	238,221	-	2,115,000	2,353,221
Interest	-	16,676	-	1,271,179	1,287,854
Capital Outlay:					
Judicial	6,304	-	-	-	6,304
General government	5,447	-	-	229,045	234,493
Public safety	296,799	-	11,738,025	174,069	12,208,893
Transportation	-	1,983,660	-	-	1,983,660
Total Expenditures	22,407,656	7,253,039	11,738,025	5,707,536	47,106,256
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,585,104	195,022	(11,712,302)	1,220,114	(8,712,063)
OTHER FINANCING SOURCES (USES)					
Transfers-in	579,755	254,897	163,000	1,015,578	2,013,230
Transfers-out	(482,344)	(13,820)	-	(1,501,332)	(1,997,496)
Insurance recoveries	5,208	-	-	-	5,208
Sale of capital assets	1,578	-	-	-	1,578
Total Other Financing Sources (Uses)	104,196	241,077	163,000	(485,755)	22,519
Net Change in Fund Balances	1,689,300	436,099	(11,549,302)	734,359	(8,689,544)
Fund Balances - Beginning	1,976,020	1,164,690	17,938,209	6,379,291	27,458,210
Fund Balances - Ending	$ 3,665,319	$ 1,600,790	$ 6,388,907	$ 7,113,650	$ 18,768,664

The notes to the financial statements are an integral part of this statement.

Franklin County, Washington

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds		$ (8,689,544)
Certain interfund payments were made after the 60 day revenue cutoff date and are accrued in the governmental statements expenditures but not in revenues		63,776
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital outlays	$ 14,433,350	
Depreciation	(8,499,266)	5,934,084
The proceeds from the sale of assets are reported for governmental activities while the gain/loss from sales are reported on the government-wide statement of activities.		(5,702)
The loss from investment in joint ventures do not require the use of current financial resources and are not reported as an expenditure of governmental funds.		(71,689)
The issuance of long-term debt (bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and payments made in the course of bond refunding consume the current financial resources of governmental funds. These transactions do not have an effect on the statement of activities.		
Bond principal payment	2,353,221	2,353,221
Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Deferred amounts for bond issuance premiums	14,511	
Deferred bond issuance costs on refunding bonds	(13,257)	1,254
Miscellaneous interfund Increase (decrease)		(819)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		13,590
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of most of these activities is reported with governmental activities.		(332,947)
Change in Net Assets - Governmental Activities		**$ (734,776)**

The notes to the financial statements are an integral part of this statement.

Franklin County, Washington
Budgetary Comparison Statement
General Fund
For the Year Ended December 31, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts - Budgetary Basis	Variance with Final Budget Positive (Negative)
Beginning Fund Balance - January 1	$ 1,250,000	$ 1,250,000	$ 1,738,018	$ 488,018
Resources (Inflows)				
Taxes				
Property	7,726,517	7,726,517	7,989,400	262,883
Sales	4,466,500	4,466,500	4,630,649	164,149
Other	1,602,500	1,602,500	2,467,029	864,529
Total Taxes	13,795,517	13,795,517	15,087,078	1,291,561
Licenses and permits	462,050	462,050	406,872	(55,178)
Intergovernmental	3,859,429	3,859,429	3,484,474	(374,955)
Charges for goods and services	3,518,188	3,518,188	3,561,550	43,362
Fines and forfeitures	833,341	833,341	977,836	144,495
Investment earnings	46,223	46,223	139,681	93,458
Miscellaneous	126,000	126,000	77,046	(48,954)
Total Revenues	22,640,748	22,640,748	23,734,537	1,093,789
Other Financing Sources				
Sale of Capital Assets	-	-	1,578	1,578
Insurance Recoveries	-	-	5,208	5,208
Other budgeted non-revenue	2,670	2,670	148	(2,522)
Transfers from other funds	584,755	584,755	574,755	(10,000)
Total Other Financing Sources	587,425	587,425	581,689	(5,736)
Amounts Available for Appropriation	24,478,173	24,478,173	26,054,243	1,576,070
Charges to Appropriations (Outflows)				
General government	8,161,962	7,980,645	7,755,920	224,725
Judicial	3,076,872	3,254,740	3,162,887	91,853
Public safety	10,410,087	10,180,344	9,978,921	201,423
Other Environmental Services	3,000	3,000	-	3,000
Economic environment	323,043	323,043	328,070	(5,027)
Health and coroner	401,007	404,456	395,059	9,397
Culture and recreation	183,540	183,540	190,455	(6,915)
Capital outlay	-	229,743	303,103	(73,360)
Total Expenditures	22,559,511	22,559,511	22,114,414	445,097
Non-Expenditures				
Other budgeted non-expenditures	250	250	148	102
Transfers to other funds	463,662	463,662	482,344	(18,682)
Total Charges to Appropriations	23,023,423	23,023,423	22,596,906	426,517
Budgetary Fund Balance - December 31	$ 1,454,750	$ 1,454,750	$ 3,457,336	$ 2,002,587

Note to Budgetary Comparison Schedule

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds reports General Fund activity. This column includes the activity from special revenue funds that are required to be combined with the activity of the General Fund in accordance with GASB Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions. The following reconciles General Fund activity on the statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Budgetary Comparison Statement for the General Fund:

	General Fund-Per the Statement of Revenues, Expenditures, and Changes in Fund Balances	Adjustment for Special Revenue Funds	General Fund - Per the Budgetary Comparison Statement
Beginning Fund Balance, January 1	$ 1,976,020	$ (238,001)	$ 1,738,019
Total Revenues and Other Financing Sources	24,579,300	(263,223)	24,316,077
Amounts Available for Appropriation	26,555,320	(501,224)	26,054,096
Total Charges to Appropriations	(22,890,000)	293,242	(22,596,758)
Budgetary Fund Balance - December 31	$ 3,665,320	$ (207,982)	$ 3,457,336

The notes to the financial statements are an integral part of this statement.

Franklin County, Washington
Budgetary Comparison Statement
County Road Fund
For the Year Ended December 31, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts - Budgetary Basis	Variance with Final Budget Positive (Negative)
Beginning Fund Balance - January 1	$ 500,000	$ 500,000	$ 1,164,690	$ 664,690
Resources (Inflows)				
Taxes				
Property	2,279,495	2,279,495	2,162,626	(116,869)
Other	23,000	23,000	21,755	(1,245)
Total Taxes	2,302,495	2,302,495	2,184,381	(118,114)
Licenses and permits	750	750	1,275	525
Intergovernmental revenue	6,238,675	6,238,675	4,941,813	(1,296,862)
Charges for goods and services	96,500	96,500	308,401	211,901
Investment earnings	-	-	3,832	3,832
Miscellaneous revenues	30,000	30,000	8,360	(21,640)
Total Revenues	8,668,420	8,668,420	7,448,061	(1,220,359)
Transfers from other funds	-	-	254,897	254,897
Total Other Financing Sources	-	-	254,897	254,897
Amounts Available for Appropriation	9,168,420	9,168,420	8,867,648	(300,772)
Charges to Appropriations (Outflows)				
General government services	155,000	155,000	176,153	(21,153)
Public Safety	476,000	476,000	474,641	1,359
Transportation	4,864,500	4,864,500	4,363,688	500,812
Redemption of general long-term debt	238,500	238,500	238,221	279
Interest and other debt service costs	18,000	18,000	16,676	1,325
Capital outlays	3,222,245	3,222,245	1,983,660	1,238,585
Total Expenditures	8,974,245	8,974,245	7,253,039	1,721,206
Other Financing Uses				
Transfers to other funds	14,000	14,000	13,820	180
Total Charges to Appropriations	8,988,245	8,988,245	7,266,859	1,721,386
Budgetary Fund Balance - December 31	$ 180,175	$ 180,175	$ 1,600,790	$ 1,420,615

Note to Budgetary Comparison Schedule

Intergovernmental revenue and Capital outlays outflow variances:

The County Road budget is built conservatively to account for mid-year grant awards.

The notes to the financial statements are an integral part of this statement.

Franklin County, Washington

Statement of Net Position

Proprietary Funds

December 31, 2013

	Enterprise Funds			
	TRAC Operations Fund	RV Park Non Major Fund	Total Business-Type Activities	Governmental Activities- Internal Service Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 170,101	$ 70,945	$ 241,046	$ 471,088
Cash held in internal trust	59,267	4,939	64,206	-
Receivables (net)	105,795	1,820	107,615	3,816
Accrued interest receivable	-	-	-	33
Due from other funds	40,678	46,367	87,045	114,462
Due from other governments	21,601	-	21,601	-
Inventories	16,876	-	16,876	249,084
Total Current Assets	414,318	124,071	538,389	838,483
Noncurrent Assets:				
Capital Assets				
Land	25,407	-	25,407	-
Improvements to land	467,567	900,227	1,367,794	-
Improvements other than buildings	177,139	-	177,139	-
Equipment	2,018,355	15,870	2,034,225	6,429,459
Buildings	14,094,814	106,500	14,201,314	181,086
Less: accumulated depreciation	(12,929,701)	(493,272)	(13,422,973)	(4,568,914)
Total Capital Assets (Net of Accumulated Depreciation)	3,853,581	529,325	4,382,906	2,041,631
Total Assets	4,267,899	653,396	4,921,295	2,880,114
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	93,477	20,821	114,298	78,335
Custodial accounts	59,267	4,939	64,206	-
Due to other funds	109,698	21,889	131,587	46,874
Compensated absences	50,816	-	50,816	47,371
Total Current Liabilities	313,258	47,649	360,907	172,580
Noncurrent Liabilities:				
Compensated absences	38,212	-	38,212	-
Total Noncurrent Liabilities	38,212	-	38,212	-
Total Liabilities	351,470	47,649	399,119	172,580
NET POSITION				
Invested in capital assets, net of related debt	3,853,581	529,325	4,382,906	2,041,631
Unrestricted	62,848	76,422	139,270	665,903
Total Net Position	$ 3,916,429	$ 605,747	$ 4,522,176	$ 2,707,533

The notes to the financial statements are an integral part of this statement.

Franklin County, Washington
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2013

	Enterprise Funds			
	TRAC Operations Fund	**RV Park Non Major Fund**	**Total Business-Type Activities**	**Governmental Activities-Internal Service Funds**
OPERATING REVENUES				
Charges for Services:				
Public facilities	$ 2,048,269	$ 261,317	$ 2,309,586	$ -
Interfund	24,640	-	24,640	1,391,202
Miscellaneous revenue	-	-	-	549
Total Operating Revenues	2,072,909	261,317	2,334,226	1,391,751
OPERATING EXPENSES				
Maintenance and operations	2,419,202	137,840	2,557,042	1,382,590
Depreciation	761,539	47,820	809,359	341,062
Total Operating Expenses	3,180,741	185,660	3,366,401	1,723,653
Operating Income (Loss)	(1,107,832)	75,657	(1,032,175)	(331,902)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	221,299	-	221,299	-
Investment earnings	32	-	32	404
Interest expense	(2,750)	-	(2,750)	-
Gain (Loss) on sale of capital assets	-	-	-	(1,450)
Taxes	(23,282)	(1,214)	(24,496)	-
Total Non-Operating Revenues (Expenses)	195,299	(1,214)	194,085	(1,046)
Income (Loss) Before Contributions and Transfers	(912,533)	74,443	(838,090)	(332,947)
Grants and contributions	125,127	-	125,127	-
Transfers:				
Transfers-in	221,300	-	221,300	-
Transfers-out	(103,600)	(133,433)	(237,033)	-
Change in Net Position	(669,706)	(58,990)	(728,696)	(332,947)
Total Net Position - Beginning	4,586,135	664,737	5,250,872	3,040,481
Total Net Position - Ending	$ 3,916,429	$ 605,747	$ 4,522,176	$ 2,707,533

The notes to the financial statements are an integral part of this statement.

Franklin County, Washington
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Enterprise Funds			
	TRAC Operations Fund	RV Park Non Major Fund	Total Business-Type Activities	Governmental Activities-Internal Service Funds
Cash Flows From Operating Activities				
Receipts from customers	$ 2,017,253	$ 260,865	$ 2,278,118	4,229
Payments to suppliers	(1,087,212)	(91,360)	(1,178,572)	(929,125)
Custodial account activity	(1,370)	(883)	(2,253)	-
Payments to employees	(1,368,168)	(20,549)	(1,388,717)	(400,356)
Internal activity - payments to (from) other funds	1,402	(62,146)	(60,744)	1,378,833
Net Cash Provided (Used) by Operating Activities	(438,095)	85,927	(352,168)	53,581
Cash Flows from Noncapital Financing Activities				
Transfers-in	137,970	-	137,970	-
Transfers-out	(3,600)	(50,103)	(53,703)	-
External operating subsidies	117,969	-	117,969	-
Operating assessments and tax levies	(23,281)	(1,214)	(24,495)	-
Net Cash Provided (Used) by Noncapital Financing Activities	229,058	(51,317)	177,741	-
Cash Flows From Capital and Related Financing Activities				
Proceeds from sales of equipment	-	-	-	9,178
Purchase of capital assets	-	-	-	(95,025)
Principal paid on capital debt	(80,000)	-	(80,000)	-
Interest paid on capital debt	(3,000)	-	(3,000)	-
Net Cash Used by Capital and Related Financing Activities	(83,000)	-	(83,000)	(85,847)
Cash Flows from Investing Activities				
Interest revenue	34	-	34	439
Net Cash Provided by Investing Activities	34	-	34	439
Net Increase (Decrease) in Cash and Cash Equivalents	(292,003)	34,609	(257,393)	(31,827)
Cash and Cash Equivalents - Beginning of the Year	521,371	41,274	562,645	502,915
Cash and Cash Equivalents - End of the Year	$ 229,368	$ 75,884	$ 305,252	$ 471,088
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	$ (1,107,832)	$ 75,657	$ (1,032,175)	$ (331,902)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	761,539	47,820	809,359	341,062
Change in assets and liabilities:				
Deferred revenue	-	-	-	-
Petty cash redemption	-	-	-	-
Receivables, net	(31,016)	(452)	(31,468)	3,680
Accounts and other payables	(54,916)	9,931	(44,985)	(30,971)
Custodial accounts	(1,370)	(883)	(2,253)	-
Due to other funds	1,034	221	1,255	32,940
Due from other funds	(19,077)	(46,367)	(65,444)	15,425
Inventories	1,688	-	1,688	21,534
Compensated absences	11,855	-	11,855	1,813
Net Cash Provided (Used) by Operating Activities	$ (438,095)	$ 85,927	$ (352,168)	$ 53,581

Footnote 1 - TRAC Operations received $125,127 in contributed capital from the Franklin County Public Facilities Fund

Footnote 2 - Internal Service Funds traded in equipment valued at $273,881 for upgraded models.

The notes to the financial statements are an integral part of this statement.

Franklin County, Washington
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2013

		Agency Funds
ASSETS		
Cash and cash equivalents	$	141,745,207
Investments		18,043
Total Assets		141,763,250
LIABILITIES		
Accounts payable and accrued expenses		8,080,038
Due to other governments		133,683,211
Total Liabilities		141,763,250
Total Net Assets	$	-

The notes to the financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

Franklin County was incorporated in 1883 and operates under the laws of the State of Washington applicable to a "fourth-class county with commissioner form of government." As required by generally accepted accounting principles the financial statements present Franklin County as the primary government. Franklin County does not have any component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is not to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The County considers property taxes as available if they are collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the County receives cash.

The County reports the following major governmental funds:

The **General Fund** is the County's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.

The **County Road Fund** is funded largely from property taxes, taxes on gasoline, and state and federal grants. The use of these funds is for constructing new roads and the maintenance of existing county roads.

The **.3% Criminal Justice Construction Fund** was funded primarily through the issuance of long-term debt to pay costs of a jail addition, a new Justice Center and for remodeling of the existing portion of the jail. During 2011, Voters approved the .3% increase in the local sales tax rate enabling these construction projects.

The County reports the following major proprietary fund:

TRAC (Trade, Recreation, Agricultural Center) **Operations Fund** is funded through event fees as well as subsidies from the City of Pasco and Franklin County. It accounts for all events held at the TRAC Multipurpose Facility.

Additionally, the County reports the following fund types:

Internal Service Funds account for the financing of goods and services provided to other departments or agencies of the County on a cost-reimbursement basis. The Motor Vehicle Equipment Rental Fund is responsible for the management, maintenance, and repair of all County-owned vehicles and heavy equipment. The replacement rates are established to create a reserve for the necessary replacement of County equipment and vehicles. Franklin County operates two small unemployment funds that account for all County unemployment expenditures. The self-insurance revenue comes from individual County General Fund departments and the County Road Fund.

Internal service funds provide services to the County's internal customers and are reported in total in the proprietary fund statements. However, internal service fund balances are included within governmental fund balances in the governmental activities section of the statement of net position.

Internal service activity is excluded from the statement of activities and any profit or loss is allocated to the respective governmental activity. Any external activity is not eliminated from the entity-wide statement of activities. Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The County has only one non-major enterprise fund, the Franklin County RV Facility. The principal operating revenues of the proprietary funds are event admission fees, room, equipment and site rentals, parking, and concessions. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds consist of agency funds that are custodial in nature, and therefore only assets and liabilities are reported in total on the Statement of Fiduciary Net Position. Fiduciary Funds account for assets and liabilities the County holds for others in an agency capacity. These funds have no measurement focus and do not present results of operations.

D. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for all governmental funds on a basis consistent with generally accepted accounting principles. Budgets for debt service funds and capital projects funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

Other budgets are adopted at the level of the fund, except in the General (Current Expense) Fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level.

Appropriations for general and special revenue funds lapse at year-end (except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

2. Amending the Budget

Fund level appropriation changes must be advertised two weeks in advance of a public meeting before they can be adopted by resolution.

For the General Fund, individual expenditure line items may be overspent as long as the department's combined non-salary and non-benefit total remain positive. Expenditures for salaries and benefits within departments can exceed appropriations. County Commissioners must approve transfers between departments or funds in the form of a Resolution during a public hearing. Amendments to non-General Fund budgets that do not affect the bottom line appropriations can be made with a letter to the Auditor's Office.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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

The General Fund Budget was amended during 2013 for transfers between budgeted lines; however, the bottom line appropriation was not changed.

3. Excess of Expenditures over Appropriations

During 2013, there were no violations of excess expenditures over appropriations.

4. Deficit Fund Net Position

At year-end, none of the County's funds had a deficit fund net position; however, since a debt service payment from Fund 250 (Juv Just/Fr Jail/CJ Remodel) to the debtor preceded a transfer of cash into the fund, a receivable was recorded at year-end.

E. Assets, Liabilities, Fund Balance, Net Assets or Equities

1. Cash and Cash Equivalents

It is the County's policy to invest all temporary cash surpluses. At December 31, 2013, the Treasurer was holding $2,530,718 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The General Fund is the recipient of all residual cash interest.

The amounts reported as cash and cash equivalents may also include compensating balances maintained with the bank in lieu of payments for services rendered. During 2013, the County did not need to maintain a compensating balance.

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

2. Investments (See Note 2, *Deposits and Investments*)

3. Receivables

Taxes receivable includes property taxes and related interest and penalties (see Note 3, *Property Tax*). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special assessments are recorded when levied. Deferred charges on the fund financial statements consist of current and delinquent assessments and related interest and penalties. These consist primarily of unbilled special assessments that are liens against the property benefited. As of December 31, 2013, $424 of special assessments receivable were delinquent.

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

4. Amounts Due To and From Other Funds and Governments, Interfund Loans and Advances Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as *interfund loans*. All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*. A separate schedule of interfund loans receivable and payable is furnished in Note 12, *Interfund Balances and Transfers*.

5. Inventories

Inventories in proprietary funds are valued by the First In, First Out (FIFO) method (which approximates the market value).

6. Restricted Assets and Liabilities

These accounts contain resources for construction and debt service. Specific debt service reserve requirements are described in Note 8, *Long-Term Debt*.

7. Capital Assets - See Note 4, *Capital Assets*.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements.

For inventory management purposes, capital assets are defined by the County as assets with an initial, individual cost of more than $500 for capital items, and all high-risk items (e.g., cameras, guns, walkie talkies) with values between $100 and $499. However, for the purposes of capitalized assets on the County's financial statements, a $5,000 threshold is used, except in the Motor Vehicle Public Works Fund, which uses historical cost regardless of purchase price so there is not a gap in the amounts spent and the amounts recovered from county funds.

Useful lives of capitalized assets start at three years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The cost of normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following useful lives:

Asset	Years
Computers, Printers, etc.	3
Autos, Light Trucks, Copiers, Telephones, Radio and Safety Equipment, etc.	5
Heavy Trucks, Light Road Equipment, Kitchen Equipment, etc.	7
Office Furniture, Heavy Road Equipment, Minor Building Improvements	10
Buildings, Parking Lots, Major Building Improvements, Infrastructure	20-50

<u>Infrastructure</u>

The County reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. The County depreciates infrastructure over a 40-year useful life based on a combination of the relatively moderate weather in our area and local soils, which provide excellent drainage to minimize the erosion of the roadway.

8. Deferred Outflows/Inflows of Resources

See Note 1.E.3, *Receivables*, for discussion of Deferred Outflows of Resources (Deferred charges in the fund financial statements).

Deferred Inflows of Resources includes amounts recognized as receivables but not revenue in governmental funds because the revenue recognition criteria has not been met. Included in these accounts are deferred amounts for property taxes (including penalties and interest), and revenues received in advance.

9. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. All vacation, compensatory time, and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements.

Vacation pay, which may be accumulated between 30 to 33.87 days depending on the bargaining unit is payable upon resignation, retirement or death.

Upon resignation or retirement, sick leave is paid at 25% into the employee's HRA (health reimbursement arrangement) VEBA (voluntary employees' beneficiary association) account. PERS 1 retirees receive a 25% sick leave cash outs as regular compensation as it is factored into their retirement calculation.

On December 31, 2013, the countywide compensated absences payable amounted to 53,981 hours and $1,646,526. Also included in this total is 66 hours of accrued compensatory time.

10. Long-Term Debt - See Note 8, *Long-Term Debt*.

11. Other Internal Trust Accounts

Other internal trust accounts are various bank accounts that some County departments maintain to hold monies in suspense until they can be returned to the rightful owner or become revenues in governmental funds. These reconciled cash balances are shown as cash held in internal trust on the financial statements with an offset to custodial accounts.

The following table depicts the custodial trust accounts that are accounted for outside of the County's governmental funds:

See Next Page

Franklin County Custodial Trust Bank Accounts as of 12/31/2013				
Department	**Fund**	**Purpose**	**Balance 12/31/2013**	
Sheriff	**Current Expense**	Civil Fees and Refunds	$	866
Sheriff	**Current Expense**	Reserve Activities		3,142
Corrections/Work Release	**Current Expense**	Inmate Pay/Holding		10,083
Corrections	**Current Expense**	Out of County Bail		1,460
Commissioner	**Current Expense**	Wellness Activities		1,070
Superior Court Clerk	**Current Expense**	Court Ordered Disbursements		209,648
Superior Court Clerk	**Current Expense**	Extradition Funds		39,939
District Court	**Current Expense**	Funds Held in Trust		12,943
Franklin County Prisoners Fund	**Jail Commissary**	Inmate Accounts		12,014
Current Expense Subtotal				**291,165**
Public Works	**County Road**	Cross Cut/Permit Deposits		88,671
Governmental Activites Subtotal				**379,835**
TRAC Operations	**TRAC**	Event Settlement		18,220
TRAC Operations	**TRAC**	Event Deposits		41,047
TRAC Operations Subtotal				59,267
RV Park	**RV Park**	Rental Deposits		4,939
Business Activites Subtotal				**64,206**
Grand Total Other Internal Trust Accounts			$	**444,041**

12. Fund Balance Classification

During 2011, the County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The first fund balance distinction is *nonspendable*, such as a fund balance associated with inventories. The *restricted* category includes amounts that can be spent only for the specific purposes stipulated by external resource providers or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. *Unassigned* fund balance is the residual classification for the County's General Fund and includes all spendable amounts not contained in other classifications.

When expenditures are incurred that could be paid from any classified category, restricted funds are drawn first, committed second, assigned third and finally the unassigned fund balance is drawn.

The fund balance is committed when the Board of County Commissioners commits a revenue source to a specific purpose through a formal resolution. A fund balance is assigned when the Board defines the intended use of a revenue source. An approved budget may assign, but not commit, a fund balance.

In order to report a Special Revenue Fund separate from the General Fund, a test is applied to the respective fund's current year revenue and the total restricted and/or committed revenues should be a substantial portion of the total inflows of resources for each fund. If the fund does not meet this test, the activity is combined and reported in the General Fund column in the governmental funds statements. See Note 1.E.13 for a schedule of the County's funds combined into the General Fund column for financial statement reporting purposes.

A detail of the fund balances has been included in Note 1.E.13, *Fund Balance Details*.

13. Fund Balance Details

The following schedule represents the detailed fund balance constraints for the governmental funds as of December 31, 2013.

	General Fund	County Road Fund	.3% CJ Construction Fund	Other Governmental Funds	Total
Fund balances:					
Restricted for:					
Judicial	$ -	$ -	$ -	$ 366,602	$ 366,602
General government	-	-	-	714,515	714,515
Public safety	-	-	-	947,263	947,263
Physical environment	-	-	-	167,619	167,619
Transportation	-	-	-	55,198	55,198
Economic environment	-	-	-	1,163,058	1,163,058
Culture and recreation	-	-	-	43,000	43,000
Debt service	-	-	-	2,629,114	2,629,114
Capital projects	-	-	6,388,906	747,409	7,136,315
Other	-	-	-	165,983	165,983
Total Restricted Fund Balance	-	-	6,388,906	6,999,759	13,388,666
Committed to:					
Transportation	-	1,280,198	-	3,612	1,283,810
Capital projects	-	-	-	-	-
Total Committed Fund Balance	-	1,280,198	-	3,612	1,283,810
Assigned to:					
Judicial	-	-	-	2,800	2,800
General government	122,204	-	-	-	122,204
Public safety	28,519	-	-	49,149	77,668
Physical environment	-	-	-	49,149	49,149
Transportation	-	320,592	-	-	320,592
Capital projects	12,871	-	-	9,180	22,051
Total Assigned Fund Balance	163,594	320,592	-	110,277	594,463
Unassigned:	3,501,724	-	-	-	3,501,724
Total Fund Balance	$ 3,665,319	$ 1,600,790	$ 6,388,906	$ 7,113,650	$ 18,768,664

The following represents the composition of the General Fund total fund balance within the County's financial statements as of December 31, 2013:

Fund Description	Fund Number	Amount
Current Expense	001-000-001	$ 3,457,337
Franklin County Reserve Fund	100-000-001	44,388
Election Equipment Revolving	104-000-001	109,786
Liability Reserve Fund	112-000-001	12,418
Jail Commissary	134-000-001	20,520
Dare Fund Sheriff	135-000-001	7,999
FC Capital Projects Fund	300-000-001	12,871
Total General Fund Fund Balance		**$ 3,665,319**

14. Fund Balance Policy

In accordance with a resolution passed in April 2012, it is the policy of the Board of County Commissioners to maintain reserve funds at a level necessary to affect fiscally sound management practices, comply with legal and contractual covenants, ensure service levels to citizens, maintain reliable cash flows and protect against economic downturns and fiscal emergencies. However, just as important as maintaining adequate reserves is an avoidance to overtax County residents.

Therefore, it is the County policy to hold in reserves seven percent (7%) of the current year's operating budget to ensure adequate funding for legitimate needs while rejecting unnecessary spending in the interest of delivering effective, affordable county governance.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

As required by state law, the county treasurer may invest in savings or time accounts in designated qualified public depositaries or in certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States; in bankers' acceptances purchased on the secondary market, in federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system or deposit such funds or any portion thereof in investment deposits as defined in RCW 39.58.010.

Franklin County's investment policy states that safety, liquidity and rate of return on investment are of primary concern. Furthermore, the County Treasurer will seek the highest rate of return available in the market consistent with the primary requirements of legality, and safety, in that order. The County Treasurer's cash management portfolio shall be designed with the objective of regularly exceeding the average return on three-month U.S. Treasury bills, or the average rate on Federal funds, whichever is higher. These indices are considered benchmarks for risk-less investment transactions, and therefore, comprise a minimum standard for the portfolio's rate of return.

All temporary investments are stated at fair market value. The book value of the County's investments does not differ materially from the bank balances of the deposits and are thus are stated at book value. At December 31, 2013, the County had the following investments:

Investment	Maturities	Fair Value of County's Own Investments	Fair Value of Investments Held by County as an Agent for Other Local Governments	Total
State Pool	$ 139,231,865	$ 15,692,753	$ 123,539,112	$ 139,231,865
Municipal Securities	1,100,000	1,143,927	-	1,143,927
U.S. Governmental Agency Securities	1,250,000	1,235,923	-	1,235,923
Time Deposits	18,043	-	18,043	18,043
Demand Deposits	27,444	-	27,444	27,444
Totals	$ 141,627,352	$ 18,072,603	$ 123,584,599	$ 141,657,202

The credit ratings for the municipal securities held as investments are as follows:

Municipal Security	Original Cost	Fair Value	Credit Rating
El Paso TX GO Ltd Taxable Pension Non-Callable	$ 314,784	$ 306,018	Fitch AA/Sta; Standard & Poor's AA/Stable
WA St Hlth Care Facs Auth Rev Seattle Cancer Care Alliance	324,792	313,329	Fitch A+/Sta
New York NY GO Unltd Taxable-Subser J-2	514,000	524,580	Fitch AA/Sta; Standard & Poors's AA/Stable
Totals	$ 1,153,576	$ 1,143,927	

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the County would not be able to recover the value of the investment or collateral securities. At December 31, 2013, the County did not have any investments exposed to custodial credit risk.

NOTE 3 - PROPERTY TAX

The County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities.

Property Tax Calendar	
January 1	Tax is levied and becomes an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

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

The County may levy up to $1.80 per $1,000 of assessed valuation for general governmental services.

The regular levy for 2013 was $1.471807 per $1,000 on an assessed valuation of $5,428,102,659 for a total regular levy of $7,989,119.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

The County is also authorized to levy $2.25 per $1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The County's road levy for 2013 was $1.150265 per $1,000 on an assessed valuation of $1,981,451,815 for a total road levy of $2,279,195. The road shift for 2013 was $.1337 per $1,000 on an assessed valuation of $5,428,102,659 for a total shifted road levy of $726,000.

The following table depicts Franklin County's levy for 2013:

See Next Page

Purpose of Levy	Levy Rate per $1,000	Total Levy Amount
General Government	$1.471807	$7,989,119
County Road (on assessed value of unincorporate areas totaling $1,981,451,815)	$1.150265	$2,279,195
Mental Health	$0.025000	$135,703
Veteran's Relief	$0.011250	$61,066
TRAC Bond (on assessed value of unincorporated areas totaling $5,396,152,159)	$0.062267	$336,002
Courthouse Remodel Bond (on assessed value of unincorporated areas totaling $5,396,152,159)	$0.139078	$750,486
Total	$2.859667	$11,551,571

NOTE 4 – CAPITAL ASSETS

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

Governmental Activities:

Governmental Activities	Beginning Balance 01/01/2013	Increases	Decreases	Ending Balance 12/31/2013
Capital assets, not being depreciated:				
Land	$ 592,769	$ 28,000	$ -	$ 620,769
Construction in Progress	1,865,380	14,167,354	(602,010)	15,430,724
Total capital assets, not being depreciated	2,458,149	14,195,354	(602,010)	16,051,493
Capital assets, being depreciated:				
Buildings	28,027,066	-	-	28,027,066
Machinery and Equipment	12,319,418	717,408	(365,127)	12,671,699
Improvements Other than Buildings	537,188	-	-	537,188
Infrastructure	272,037,531	357,387	-	272,394,919
Total capital assets being depreciated	312,921,202	1,074,795	(365,127)	313,630,871
Less accumulated depreciation for:				
Buildings	13,566,756	1,113,978	-	14,680,734
Machinery and Equipment	8,842,759	898,552	(209,034)	9,532,277
Improvements Other than Buildings	132,226	26,859	-	159,086
Infrastructure	62,412,924	6,800,938	-	69,213,863
Total accumulated depreciation	84,954,666	8,840,328	(209,034)	93,585,960
Investment in Joint Ventures	260,376	-	(71,689)	188,687
Governmental activities capital assets, net	$ 230,685,061	$ 6,429,821	$ (829,792)	$ 236,285,091

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Judicial	$ 52,241
General Government	662,742
Public Safety	856,150
Physical Environment	4,789
Transportation	7,152,018
Economic Environment	86,685
Health	5,020
Culture and Recreation	20,684
Total Depreciation - Governmental Activities	$ 8,840,328

Business-type Activities:

Business-type Activities	Beginning Balance 01/01/2013	Increases	Decreases	Ending Balance, 12/31/2013
Capital assets, not being depreciated:				
Land	$ 25,407	$ -	$ -	$ 25,407
Total capital assets, not being depreciated	25,407	-	-	25,407
Capital assets, being depreciated:				
Buildings	14,137,287	64,027	-	14,201,313
Machinery and Equipment	2,185,334	61,100	(212,209)	2,034,225
Improvements to Land	1,367,795	-	-	1,367,795
Improvements Other than Buildings	177,139	-	-	177,139
Total Capital assets being depreciated	17,867,555	125,127	(212,209)	17,780,474
Less accumulated depreciation for:				
Buildings	10,308,010	688,833	-	10,996,843
Machinery and Equipment	1,965,436	37,577	(212,209)	1,790,804
Improvements to Land	485,791	66,139	-	551,930
Improvements Other than Buildings	66,585	16,809	-	83,394
Total accumulated depreciation	12,825,822	809,358	(212,209)	13,422,972
Business-type activities capital assets, net	$ 5,067,140	$ (684,231)	$ -	$ 4,382,909

Depreciation Expense was charged to functions/programs of the Business-type Activities as follows:

Business-type Activities:	
TRAC Multi-Use Facility	$761,539
Other Non-Major Enterprise Funds	47,820
Total Depreciation –Business-type Activities	$809,358

NOTE 5 - CONSTRUCTION COMMITMENTS

The County was actively engaged in County Road construction projects, a jail construction project and a software conversion project as of December 31, 2013. The following schedule represents the County's commitments for these projects at December 31, 2013.

Project	Spent to Date through 12/31/13	Remaining Commitment
County Road Department		
Franklin County Road Safety Program Phase I	$ 51,430	$ 40,897
Franklin County Road Safety Program Phase III	-	296,696
Pasco-Kahlotus Road Reconstruction & Overlay I	760,527	2,900
R-170 #608-2.35 Bridge Replacement	-	613,279
Total County Road Department	811,957	953,773
Franklin County Correction Facilities - .3% Criminal Justice Const. Fund		
Architectural Fees	1,249,587	45,471
Construction Services - Jail Expansion/ Renovation Project	11,067,836	5,118,847
Total .3% Criminal Justice Const. Fund	12,317,423	5,164,318
Financial Information and Asset Management System - Capital Projects Fund		
Software License and Services Agreement - Implementation	531,537	550,633
Software License and Services Agreement - Manage Investments	72,330	7,426
Total Capital Projects Fund	603,867	558,059
Grand Total Franklin County Commitments	$ 13,733,247	$ 6,676,150

Of the committed balance of $6,676,150, the County will be required to raise $392 in future financing.

In 2011, the residents of Franklin County approved a three-tenths of one percent (.003) local sales and use tax effective April 1, 2012 to be used for criminal justice and public safety purposes. Because of the approved tax, the County will build a new correctional facility. The schedule shown above reflects the architectural fee and construction services contract commitments executed on February 29, 2012 and January 23, 2013, respectively.

NOTE 6 - PENSION PLANS

Substantially all county full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27.*

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

Plan Description

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

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

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

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

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

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

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

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

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

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

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

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

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

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

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

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

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

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

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Funding Policy</u>

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

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

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

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

See Next Page

Members Not Participating in JBM:

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

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

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

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

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

See Next Page

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	$27,240	$823,073	$55,305
2012	$30,621	$714,047	$44,095
2011	$31,858	$605,634	$39,296

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

Plan Description

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

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

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

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

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

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

See Next Page

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

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

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

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

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

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.
LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year

that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

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

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

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

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

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

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

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

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

See Next Page

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

Funding Policy

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

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' Fiscal Year 2013, the state contributed $54.2 million to LEOFF Plan 2.

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

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

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

*The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for ports and universities is 8.59%.

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

See Next Page

	LEOFF Plan 1	LEOFF Plan 2
2013	$295	$84,858
2012	$280	$82,760
2011	$274	$79,660

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

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

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

PSERS membership includes:

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

Covered employers include:

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

To be eligible for PSERS, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington and carry a firearm as part of the job; or

- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or

- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or

- Have primary responsibility to supervise eligible members who meet the above criteria.

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

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

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

PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the AFC for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

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

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

See Next Page

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

Funding Policy

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

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

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

	PSERS Plan 2
Employer*	10.54%
Employee	6.36%

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

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

	PSERS Plan 2
2013	$99,116
2012	$89,550
2011	$80,138

NOTE 7 – RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

The initial $10 million in coverage is jointly self-insured. The remaining JSILP coverage, up to $15 million, is acquired as "following form" excess insurance from higher rated commercial carriers. Member counties annually select a deductible amount applicable to each occurrence from these options: $10,000, $25,000, $50,000, $100,000, $250,000 or $500,000. Franklin County has maintained a $25,000 deductible since 2003.

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

616 third-party liability claims (and lawsuits) were reported to the Pool by its member counties during Py2013, and added to the Pool's administrative database. This represented a 3% reduction in year-over-year filings and a continuation of recent years' decline in annual filings. The new filings raised the to-date total (Oct 1988 – Sep 2013) to 19,232. Total incurred losses (payments made plus reserve estimates for *open* claims) increased $8.1 million during Py2013 to $250.9 million. The annual amount is 50% more than the corresponding Py2012 amount of $5.4M, but it represents just 51% of the Py2011 increase of $16.0M, 46% of the $17.8M in Py2010, and only 39% of the $20.8M annual average for Py2007 through Py2009. Only 327 claims remained classified as *'open'* at year-end. With 307 additional claims projected by the actuary from all years as incurred but not yet reported ("IBNR"), the Pool's estimated ultimate claims totaled 19,539 as of September 30, 2013. Franklin County's IBNR at year-end was $145,162.

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

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

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

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

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

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

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

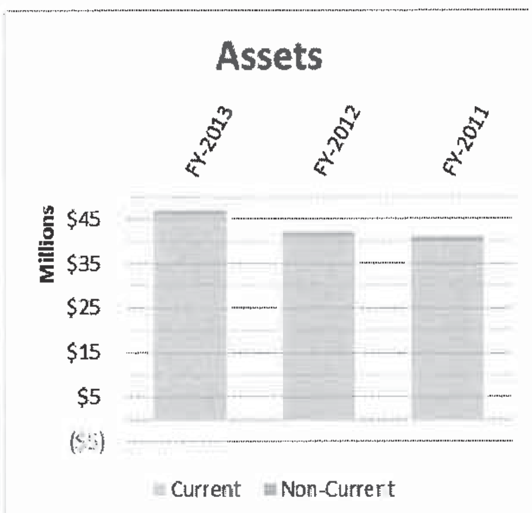
Regular oversight of the Pool's operations is provided by an 11-person executive committee selected from and by the WCRP Board. Committee members are elected to staggered, 3-year terms. The Committee meets several times throughout each policy year to: a) approve all WCRP disbursements and review the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

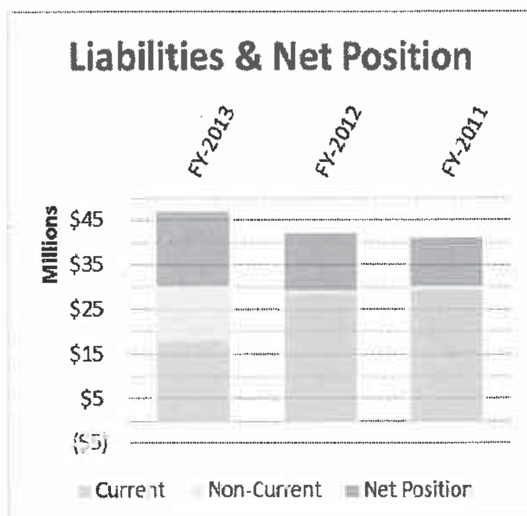
Staffing and Support Teams: The Pool's multi-person claims staff with years of combined experience handles or oversees the handling of the several hundred liability cases each year filed upon and submitted by the Pool's member counties. This includes establishing reserves for covered events and estimating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

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

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

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





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

NOTE 8 - LONG-TERM DEBT

A. Long-Term Debt

The County issues general obligation bonds to finance new construction and to make improvements to existing buildings and structures. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund several general obligation bonds. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources.

During 2006, the County obtained another Public Works Trust Fund loan for $4,500,000 for the paving of 30 miles of gravel road. Repayment of this loan is made from an additional excise tax on the sale of real property in the unincorporated areas of Franklin County at a rate of one-quarter of one percent of the selling price, under the authority of RCW 82.46.035 (2).

In the financial statements, debt for business-type activities and governmental activities is shown as a liability in the type of activity that is retiring the debt, even if the purpose of the debt was for the other activity. The funds to retire Franklin County's debt are generated from taxes, transfers, and a semi-annual operating lease from the City of Pasco.

General obligation bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2011 Courthouse Remodel Unlimited Refunding Bond	2011-2022	1.10%	$ 6,605,000	$ 600,000
2003 RV Park Limited	2003-2022	4.45%	1,435,000	75,000
2006 Distressed Counties Limited	2006-2022	4.05%	2,025,000	120,000
2012 Jail Project	2013-2042	2.00%	19,125,000	420,000
2012 Software Costs	2013-2025	2.00%	1,220,000	90,000
2005 CJ/Juv/Jail 3rd Floor Remodel Refunding	2005-2016	3.85%	3,295,000	350,000
2005 Distressed Counties Limited Refunding	2005-2022	3.85%	4,435,000	305,000
2009 TRAC Limited Refunding	2009-2014	2.80%	1,330,000	235,000
Total			$ 39,470,000	$ 2,195,000

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

See Next Page

Year Ending December 31	Governmental Activities	
	Principal	Interest
2014	$ 2,195,000	$ 1,154,660
2015	2,020,000	1,097,765
2016	2,080,000	1,039,158
2017	1,710,000	971,290
2018	1,775,000	921,478
2019-2023	8,300,000	3,638,070
2024-2028	3,080,000	2,595,069
2029-2033	3,380,000	2,040,650
2034-2038	4,135,000	1,257,363
2039-2042	3,980,000	326,400
Totals	$ 32,655,000	$ 15,041,903

The revenue debt currently outstanding is as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2006 PWTF Loan	2006-2026	0.5000	$ 4,500,000	$ 238,235
Total			$ 4,500,000	$ 238,235

Revenue debt service requirements to maturity are as follows:

Year Ending	Governmental Activities	
	Principal	Interest
2014	$ 238,235	$ 15,485
2015	238,235	14,294
2016	238,235	13,103
2017	238,235	11,912
2018	238,235	10,721
2019-2023	1,191,176	35,735
2024-2028	714,527	7,147
Totals	$ 3,096,878	$ 108,397

At December 31, 2013, the County has $2,629,115 available in debt service funds to service the general bonded debt, which includes funds related to the County's Economic Development Plan.

B. Refunded Debt

In prior years the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the County's financial statements. At December 31, 2013, $5,635,000 of bonds outstanding is considered defeased. The County is contingently liable for repayment of refunded debt.

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2013, the following changes occurred in long-term liabilities:

Governmental Activities:	Beginning Balance 1/1/2013	Additions	Reductions	Ending Balance 12/31/2013	Due Within One Year
Bonds Payable: General Obligation Bonds	$ 22,650,000	$ -	$ 335,000	$ 22,315,000	$ 705,000
Refunding General Obligation Bonds	12,120,000	-	1,780,000	10,340,000	1,490,000
Less Deferred Amounts for:					
Bond Issuance Premiums	202,150	-	14,511	187,639	14,182
Refunding Issuance Costs	(123,358)	-	(13,257)	(110,100)	(12,848)
Total Bonds Payable	34,848,793	-	2,116,254	32,732,539	2,196,334
Public Works Revenue Debt	3,335,101	-	238,221	3,096,880	238,235
Accrued Interest Payable	464,877	1,687,177	1,752,732	399,322	399,322
Liabilities Payable from Restricted Assets	**38,648,771**	**1,687,177**	**4,107,207**	**36,228,741**	**2,833,891**
Claims & Judgments	492,097	-	187,483	304,614	48,909
Compensated Absences	1,471,556	1,450,842	1,364,899	1,557,499	1,370,000
Net Other Postemployment Benefits Obligation	1,306,571	290,558	134,424	1,462,705	136,179
Other Noncurrent Liabilities	**3,270,224**	**1,741,400**	**1,686,807**	**3,324,818**	**1,555,088**
Governmental Activity Long-Term Liabilities	**$ 41,918,994**	**$ 3,428,577**	**$ 5,794,013**	**$ 39,553,558**	**$ 4,388,979**
Business-Type Activities:					
Refunding General Obligation Bonds	$ 80,000	$ -	$ 80,000	$ -	$ -
Accrued Interest Payable	250	3,000	3,250	-	-
Compensated Absences	77,173	62,546	50,690	89,028	50,816
Business-Type Activities: Long-Term Liabilities	**$ 157,423**	**$ 65,546**	**$ 133,940**	**$ 89,028**	**$ 50,816**

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals stated above for governmental activities. At year-end, $47,731 of internal service funds compensated absences are included in the amounts stated above. In addition, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

NOTE 10 – CONTINGENCIES AND LITIGATIONS

Contingencies

The County has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the County will have to make payment. In the opinion of management, the County's insurance policies are adequate to pay all known or pending claims.

As discussed in Note 8, *Long-Term Debt*, the County is contingently liable for repayment of refunded debt.

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

Litigations

Franklin County has historically established locations for its citizens who change their own motor oil to recycle used oil ("DIY location"). In February 2013, a company that collects this used oil from DIY locations established by the County claims it was contaminated and as a result alleges it suffered damages for which the County is liable.

The County denied the allegations and disclaimed any and all liability, therefore, no liability was recorded on these financial statements at December 31, 2013. However, in May 2014, the parties agreed to settle the alleged claim for damages in the amount of $50,000.

NOTE 11 – RESTRICTED COMPONENT OF NET POSITION

The government-wide statement of net position reports $9,656,979 of restricted component of net position, all of which is restricted by enabling legislation.

NOTE 12 - INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

For a variety of reasons, including transfers, reimbursements, revenue or expenditure adjustments at year-end there are balances owed between funds.

Interfund balances at December 31, 2013 were as follows:

	Due To Fund							
Due From Fund	General Fund	County Road Fund	.3% Criminal Justice Construction Fund	Other Governmental Funds	TRAC Operations Fund	Franklin County RV Facility	Internal Service Funds	Total
General Fund	$ 15,866	$ 939	$ -	$ 224,788	$ -	$ -	$ 40,184	$ 281,777
County Road Fund	166,130	-	-	13,820	-	-	68,495	248,445
Other Governmental Funds	277,425	37,881	52	-	19,078	46,367	3,287	384,090
TRAC Operations Fund	106,902	-	-	300	-	-	2,496	109,698
Franklin County RV Facility (only non-major enterprise fund)	288	-	-	-	21,601	-	-	21,889
Internal Service Funds	41,261	5,613	-	-	-	-	-	46,874
Total	$ 607,872	$ 44,433	$ 52	$ 238,908	$ 40,678	$ 46,367	$ 114,462	$ 1,092,773

B. Interfund Transfers

1. Transfers are typically transactions that would be treated as revenues, expenditures or expenses if they involved external organizations. In some instances, transfers are used to support ongoing operations in funds, and in others, they are used to fund debt service funds for retiring the County's long-term debt.

2. Transfers to support operations of other funds are recorded in "Other Financing Sources or Uses."

Interfund transfers for the year ended December 31, 2013 were as follows:

	Transfer From					
Transfer To	General Fund	County Road Fund	Other Governmental Funds	TRAC Operations Fund	Franklin County RV Facility (only non-major enterprise fund)	Total
General Fund	$ -	$ -	$ 479,755	$ 100,000	$ -	$ 579,755
County Road Fund	-	-	254,897	-	-	254,897
.3% Criminal Justice Construction Fund	-	-	163,000	-	-	163,000
Other Governmental Funds	482,345	13,820	515,813	3,600	-	1,015,577
TRAC Operations Fund	-	-	87,867	-	133,433	221,300
Total	$ 482,345	$ 13,820	$ 1,501,332	$ 103,600	$ 133,433	$ 2,234,529

C. Interfund Loans

Loans between funds are classified as interfund loans receivable and payable on the combined balance sheet. Interfund loans do not affect total fund net position. The following table displays interfund loan activity during 2013:

Borrowing Fund	Lending Fund	Balance 1/1/2013	New Loans 2013	Repayments 2013	Balance 12/31/2013
Other Governmental Funds	County Road	$ 19,759	$ -	$ 11,073	$ 8,686
Total		$ 19,759	$ -	$ 11,073	$ 8,686

NOTE 13 - JOINT VENTURES

A. Bi-County Police Information Network

The Bi-County Police Information Network (BI-PIN) was established November 24, 1982, when five participating municipal corporations entered into an Interlocal Agreement: the cities of Kennewick, Pasco and Richland, and Benton and Franklin Counties. BI-PIN was established to assist the participating police and sheriff's departments in the deterrence and solution of criminal incidents. BI-PIN is served by an Executive Committee composed of the City Manager of each of the cities and a member from each of the Boards of County Commissioners of Benton and Franklin Counties. A liaison from the Bi-County Chiefs and Sheriffs is an ex officio, non-voting member.

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

Franklin County's equity interest in BI-PIN was $173,768 on December 31, 2013, which is reported as an investment in joint ventures in the government-wide statement of net assets. The change in equity is reflected in the government-wide statement of activities under Public Safety. The County does not anticipate any income distributions from BI-PIN since charges are assessed only to recover anticipated expenses.

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

B. Metro Drug Forfeiture Fund

The Metropolitan Controlled Substance Enforcement Group (Metro) was established in 1987, when six participating municipal corporations, the cities of Kennewick, Pasco, Richland and West Richland and Benton and Franklin Counties, entered into an Interlocal Agreement. In 2005, the City of West Richland withdrew as a partner from the group. In 1990, the Cities of Prosser and Connell were added to the Metro Interlocal Agreement and both subsequently withdrew in 1991 and 1994, respectively.

Metro was established to account for the proceeds of forfeitures, federal grants and court ordered contributions, and to facilitate the disbursement of those proceeds for the purpose of drug enforcement and investigations within the Tri-Cities community.

An Executive Committee serves the Metro Fund. The Executive Committee consists of the City Manager or designee from each of the cities and a member from each of the Boards of County Commissioners of Benton and Franklin Counties. In addition, a Governing Board, consisting of the Chiefs of Police from the cities and the Sheriffs from the counties administers daily activity.

Franklin County's equity interest in Metro was $14,919 at June 30, 2013, compared to $28,973 on June 30, 2012, and is shown as an investment in joint ventures on the government-wide Statement of Net Position. The $14,054 change in equity is reflected in the government-wide Statement of Activities under Public Safety. The County does not anticipate any income distribution since charges are assessed only to recover anticipated expenses.

Complete separate financial statements for the Metro Fund may be obtained at the City of Kennewick, 210 West Sixth Avenue, Kennewick, Washington.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

Plan Description

The County participates in the statewide retirement system administered by the Washington State Department of Retirement Systems. One such retirement system is the LEOFF Plan 1. Under the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1, mandated under RCW 41.26.150 (1), the County pays 100 percent of "necessary medical services" and long-term coverage for LEOFF 1 retirees. This plan is an agent multiple-employer defined benefit OPEB plan where there is no pooling of benefit costs. It is administered by a disability board whose authority has been established under RCW 41.26.150 (1) (a) & (b). The board uses its own discretionary power to determine whether an active employee has been disabled in the line of duty and has the power to designate the medical services available to any sick or disabled member.

Membership in the LEOFF system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. LEOFF Plan 1 members are vested after the completion of five years of eligible service and are eligible for retirement with five years of service at the age of 50. Membership in the LEOFF Plan 1 as of December 31, 2013 was as follows:

See Next Page

Retirees and Beneficiaries Receiving Benefits	7
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members Vested	2
Active Plan Members Non-vested	0
Total	**9**

The County does not issue a stand-alone financial report for its OPEB plan. The Office of the State Actuary, however, has issued a 2013 Other Post-Employment Benefits (OPEB) Actuarial Valuation Report and a 2011 OPEB Report Supplement, which may be obtained from Office of the State Actuary, P.O. Box 40914, Olympia, Washington 98504-0914 or online at:

http://osa.leg.wa.gov/Actuarial_Services/OPEB/OPEB.htm.

Funding Policy

The LEOFF Plan 1 has retirement benefit provisions that are established in state statute and may be amended by state Legislature. Beginning July 1, 2000, Plan 1 active employees were no longer required to contribute to the plan. Instead, the County has since funded the medical expenses on a pay-as-you-go basis, whereby contributions equal the amount of subsidies paid out to current retirees in the current year. For fiscal year ended December 31, 2013, the County paid $134,424 for current medical premiums and other out-of-pocket medical costs. The County is not legally required to contribute to a reserve to fund future costs.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution (ARC)	$355,813
Net OPEB Obligation interest	52,265
Net OPEB Obligation amortization	(117,520)
Annual OPEB Cost	290,558
Contributions made	(134,424)
Increase in net OPEB obligation	156,134
Net OPEB obligation - beginning of year	1,306,571
Net OPEB obligation - end of year	$1,462,705

The annual required contribution (ARC) includes $31,928 of normal cost or the portion of liability that is earned in one year's time, and $323,823 of amortization of the current unfunded actuarial accrued liability (UALL) over a 15-year period.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Actual Plan Contributions	Annual OPEB Cost Contributed	OPEB Obligation
12/31/2013	$ 290,558	$ 134,424	46.26%	$ 1,462,705
12/31/2012	258,471	137,996	53.39%	1,306,571
12/31/2011	281,829	144,308	51.20%	1,186,095

Funded Status

The actuarial accrued liability (AAL) is the actuarial present value of those benefits earned by employees of the plan in prior years of employment. In order to determine the AAL, an actuarial valuation was performed on March 24, 2014 based on December 31, 2013 data.

The funded status of the plan as of December 31, 2013, was as follows:

Actuarial accrued liability (AAL)	$3,600,387
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	$3,600,387
Funded ratio (actuarial value of plan Assets / AAL)	0.00%
Covered payroll (active plan members)	$178,014
UALL as a percentage of covered payroll	2022.52%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress for LEOFF Plan 1 Other Postemployment Benefit Plan, included as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Stated calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term prospective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.

Actuarial Methods and Assumptions

We used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2011 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

Note 15 - CLOSURE AND POSTCLOSURE CARE COSTS

The County does not own or operate a landfill, but it does have a Landfill Closure Trust Fund. The purpose of this fund is to provide the County with the means to fund the liability or pay expenses related to third party claims asserted against Franklin County due to the Pasco Sanitary Landfill, Inc., (PSL) and/or pay expenses related to remediation of waste at PSL. In March of 2005 the County received $330,555 as a settlement and entered into an agreement to provide cost sharing and cooperation between parties to conduct the Interim Remedy, to release each other from certain claims, to resolve undisputed claims, to provide for the handling of certain settlement proceeds, and to coordinate other activities related to the PSL and the Landfill Group's agreement with Industrial Waste Area Group (IWAG) and Philip Services Corporation (PSC). At December 31, 2013, there was $149,400 of restricted component of net position in the Landfill Closure Trust Fund.

Note 16 – SUBSEQUENT EVENTS

Franklin County is in the process of refunding its 2003 Limited Tax General Obligation Bonds and its 2005 Limited Tax General Obligation Refunding Bonds for interest cost savings. The County is expecting to save approximately $29,000 per year for the remaining nine years that the bonds are outstanding.

FRANKLIN COUNTY, WASHINGTON
Schedules of Funding Progress and Employer Contributions for LEOFF Plan 1 Other Postemployment Benefit Plan
For the Fiscal Years Ended December 31, 2011 through 2013

Schedule of Funding Progress

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll ((b - a) / c)
2013	3/24/2013	-	3,600,387	3,600,387	0.00%	178,014	2022.52%
2012	3/1/2013	-	3,123,480	3,123,480	0.00%	175,626	1778.48%
2011	5/3/2012	-	3,282,067	3,282,067	0.00%	171,114	1918.06%

Schedule of Employer Contributions

Fiscal Year	Annual Employer Contribution (a)	Annual Required Contribution (ARC) (b)	Percentage of Annual Required Contribution Contributed (a / b)
2013	134,424	355,751	37.79%
2012	137,996	315,539	43.73%
2011	144,308	332,280	43.43%

The accompanying notes to this schedule are an integral part of this schedule.

FRANKLIN COUNTY, WASHINGTON

Notes to the Schedules of Funding Progress and Employer Contributions for LEOFF Plan 1 Other Postemployment Benefit Plan

For the Fiscal Years Ended December 31, 2011 through 2013

NOTE 1 – SIGNIFICANT FACTORS AFFECTING TRENDS

Franklin County pays 100 percent of current medical premiums, other out-of-pocket medical costs and long-term coverage for LEOFF 1 retirees on a pay-as-you-go basis, whereby contributions equal the amount of subsidies paid out to current retirees in the current year. The Actuarial Valuation performed on March 24, 2014 predicts that the Unfunded Actuarial Accrued Liability will continue to increase until around 2030 and thereafter begin to decline.

Franklin County

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Office Of Community Planning And Development, Department Of Housing And Urban Development/WA State Department of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	09-64009-024	150,849		150,849	1,4
Office Of Community Planning And Development, Department Of Housing And Urban Development/WA State Department of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	11-64100-036	28,990		28,990	1,4
Office Of Community Planning And Development, Department Of Housing And Urban Development/WA State Department of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	12-65400-054	95,000		95,000	1,4
			Total CFDA 14.228	**274,839**	**0**	**274,839**	
Bureau Of Land Management, Department Of The Interior/	Recreation Resource Management	15.225	L11AS00061		49,105	49,105	1
Drug Enforcement Administration, Department Of Justice/WA State Patrol	Law Enforcement Assistance_Narcotics and Dangerous Drugs_Laboratory Analysis	16.001	C130897FED	4,796		4,796	1,2
Violence Against Women Office, Department Of Justice/WA State Department of Commerce	Violence Against Women Formula Grants	16.588	F12-31103-040	35,236		35,236	1,2
Bureau Of Justice Assistance, Department Of Justice/	State Criminal Alien Assistance Program	16.606	2013-AP-BX-0492		46,084	46,084	1,2
Bureau Of Justice Assistance, Department Of Justice/City of Kennewick	Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	47,476		47,476	1,2
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Dept of Transportation	Highway Planning and Construction	20.205	STPR-F115(002)	735,715		735,715	1,2
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Dept of Transportation	Highway Planning and Construction	20.205	BRS B111(004)	82,387		82,387	1,2

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name / Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Dept of Transportation	Highway Planning and Construction	20.205	STPR-F115(003)	29,245		29,245	1,2
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Dept of Transportation	Highway Planning and Construction	20.205	STPR-11DD(001)	9,567		9,567	1,2
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Dept of Transportation	Highway Planning and Construction	20.205	HSIP 000S(287)	634,763		634,763	1,2
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Dept of Transportation	Highway Planning and Construction	20.205	BRS 11BB(001)	232,719		232,719	1,2
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Dept of Transportation	Highway Planning and Construction	20.205	TIGERII-ST-11BB(001)	192		192	1,2
			Total CFDA 20.205	**1,724,588**	**0**	**1,724,588**	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Association of Sheriffs and Police Chiefs	State and Community Highway Safety	20.600	N/A	560		560	1,2
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	3,123		3,123	1,2
U.s. Election Assistance Commission/Washington Secretary of State/Elections Division	Help America Vote Act Requirements Payments	90.401	G-12-174 Making Counter ADA Compliant	900		900	1,2
Administration For Children And Families, Department Of Health And Human Services/Department of Social and Health Services	Child Support Enforcement	93.563	2110-80460	392,255		392,255	1,2,3
Department Of Homeland Security/Franklin County Emergency Management	Homeland Security Grant Program	97.067	SHSP '11/E12-222	2,720		2,720	1,2
			Total Federal Awards Expended:	**2,486,493**	**95,189**	**2,581,682**	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

---

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the County's financial statements. The County uses a modified accrual basis of accounting in all of the related governmental funds.

NOTE 2 – REVOLVING LOAN - PROGRAM INCOME

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the County's portion, are more than shown.

NOTE 3 – INDIRECT COST RATE

The amount expended includes $37,570 claimed as an indirect cost recovery using an approved indirect cost rate of 13.65%.

NOTE 4 – AMOUNTS AWARDED TO SUBRECIPIENTS

The total amount expended for this program was passed through to a subrecipient that administered its own project.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov