Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Franklin County

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

Published September 28, 2018

Report No. 1022231

Office of the Washington State Auditor
Pat McCarthy

September 28, 2018

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,

Pat McCarthy

State Auditor

Olympia, WA

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • Pat.McCarthy@sao.wa.gov

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Franklin County
January 1, 2017 through December 31, 2017

SECTION I – SUMMARY OF AUDITOR'S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified 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 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 findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

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

CFDA No.	Program or Cluster Title
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2017-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Franklin County
January 1, 2017 through December 31, 2017

2017-001 The County did not have adequate internal controls in place to ensure compliance with suspension and debarment requirements.

CFDA Number and Title:	97.036 Disaster Grant- Public Assistance
Federal Grantor Name:	Federal Emergency Management
Federal Award/Contract Number:	FEMA-4309-DR-WA
Pass-through Entity Name:	Department of Homeland Security
Pass-through Award/Contract Number:	D17-101
Questioned Cost Amount:	$0

Description of Condition

During the fiscal year 2017, the County spent $1,042,044 in federal grant funds funded through the Federal Emergency Management.

Federal regulations prohibit grant recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. The County must verify that all vendors receiving $25,000 or more in federal funds have not been suspended or debarred or otherwise excluded. This verification may be accomplished by obtaining a written certification from the contractor or inserting a clause into the contract where the contractor states it is not suspended or debarred. Alternatively, the County may review the federal Excluded Parties List System (EPLS) issued by the U.S. General Services Administration. This requirement must be met before entering into the contract.

The County is responsible for determining the suspension and debarment status for vendors. The County's controls were not effective to ensure it complied with federal suspension and debarment requirements for all contracts of $25,000 or more.

We consider this control deficiency to be a material weakness.

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

Cause of Condition

The County was aware of the requirement to verify the suspension and debarment status of primary contractors with a formal contract but was not aware this requirement applied to vendors without a formal contract.

Effect of Condition and Questioned Costs

The County did not review the Excluded Parties List System (EPLS) for two of the six vendor contracts that were awarded $25,000 or more to verify the vendors were not suspended or debarred before entering into the contracts. The County paid the two contractors a combined $197,311 with federal program funds during 2017.

Without adequate internal controls over suspension and debarment, the County cannot ensure federal funds are paid to vendors that are eligible to participate in federal programs. Any payment of program funds to vendors that have been suspended or debarred would be unallowable and subject to recovery by the funding agency.

The County subsequently verified that the contractors were not suspended or debarred. Therefore, we are not questioning these payments.

Recommendation

We recommend the Count establish internal controls to ensure that all vendors paid $25,000 or more using federal funds are not suspended or debarred from participating in federal programs before making payments.

County's Response

The Franklin County Public Works Department acknowledges its failure to comply with the suspension and debarment requirements. This is a requirement that we are fully aware of, and comply with on Federally Funded Transportation projects.

Failure to comply, in this case, was due to the nature of the work being completed (response to a County and State wide emergency). In other words, with all that was going on, it was missed.

To insure that we don't miss it in the future, regardless of the nature of the work, and our compliance with the subject CFR and with Finding Reference Number 2017-001 we have added this vital step to our internal project checklist so that compliance can and will be documented at the time and date it happens, along with the appropriate supporting documentation.

Auditor's Remarks

We appreciate the steps the County is taking to resolve this issue. We will review the condition during the next audit.

Applicable Laws and Regulations

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

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 303 Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 CFR Part 200, Uniform Guidance, section 516 Audit findings, establishes reporting requirements for audit findings.

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

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, 2017 through December 31, 2017

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, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 24, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

September 24, 2018

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

Franklin County
January 1, 2017 through December 31, 2017

Board of Commissioners
Franklin County
Pasco, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

County's Response to Findings

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform

Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2017-001 to be a material weakness.

County's Response to Findings

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

September 24, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Franklin County
January 1, 2017 through December 31, 2017

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, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 18.

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General , E911/State Contract 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 and required supplementary information listed on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

September 24, 2018

FINANCIAL SECTION

Franklin County
January 1, 2017 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017. 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 $192,310,446 (net position), a decrease of $8,312,837 from 2016. As discussed below, the major factors for the decrease in net position are due to depreciation and a prior period adjustment related to infrastructure annexations.

- At December 31, 2017, the County's governmental funds reported combined ending fund balance of $17,362,776, an increase of $875,379 from 2016. Approximately 25% of the fund balance is available to spend at the government's discretion (assigned and unassigned fund balance), up from 24% in 2016. The remaining fund balance is either restricted by outside sources or committed by the County for specific purposes.

- Unassigned fund balance of $3,026,267 in the General Fund at year-end shows a modest increase of $150,422 from 2016. The unassigned fund balance represents 10.74% of total General Fund expenditures including transfers, compared to 10.45% in 2016.

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, natural environment, 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.

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 major special revenue funds. 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) and Net Pension Liability (NPL) 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 $192,310,446 at the close of the most recent year, which compares to $200,623,283 at the end of 2016.

Due to some annexations (which included 24.3 of county road miles) done by the City of Pasco in prior periods, certain infrastructure assets remained on the books until FY 2016. After making this discovery, Franklin County's beginning entity-wide net position was reduced by $4,136,372 for 2017.

There was a decrease to the capital assets, net of related debt component of net position of $9,256,367 during 2017. Governmental Activities capital assets, net, decreased by $9,062,859 and business-type decreased by $193,508. These reductions were due to depreciation expense exceeding capital purchases and dispositions and the above mentioned infrastructure adjustment. During 2017, depreciation expense was $9,229,513 in governmental-type funds ($6,799,865 for infrastructure), and $361,515 in business-type funds.

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	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and Other Assets	$ 23,707,438	$ 21,819,812	$ 670,650	$ 751,250	$ 24,378,088	$ 22,571,063
Capital Assets	211,098,472	222,130,221	2,449,080	2,642,588	213,547,552	224,772,809
Total Assets	234,805,910	243,950,033	3,119,729	3,393,838	237,925,639	247,343,872
Total Deferred Outflows of Resources	1,825,669	2,558,119	85,467	128,667	1,911,136	2,686,786
Liabilities						
Long-Term Liabilities	36,068,747	39,932,067	532,458	792,463	36,601,205	40,724,530
Other Liabilities	6,437,069	5,457,949	262,001	298,648	6,699,070	5,756,597
Total Liabilities	42,505,816	45,390,017	794,459	1,091,111	43,300,275	46,481,126
Total Deferred Inflows of Resources	4,135,539	2,802,771	90,514	123,475	4,226,053	2,926,246
Net Position						
Investment in Capital Assets, Net of Debt	184,331,243	193,394,102	2,449,080	2,642,588	186,780,323	196,036,690
Restricted	4,705,858	4,399,818	-	-	4,705,858	4,399,818
Unrestricted	953,122	521,444	(128,856)	(334,670)	824,266	186,774
Total Net Position	$ 189,990,223	$ 198,315,364	$ 2,320,224	$ 2,307,919	$ 192,310,446	$ 200,623,283

The County reported capital assets, net of related debt, in governmental-type activities of $186,780,323. This compares to $196,036,690 from 2016, a decrease of $9,256,367. As discussed above, this increase is primarily due to depreciation expense and an adjustment for infrastructure assets that were annexed.

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*.

Debt related to capital assets decreased by $1,968,891 due to annual debt payments being made. See the Capital Assets and Long-Term Debt section of this report for more detailed information.

Approximately 97.0% of the governmental activities' net position is tied up in net investment of capital assets. This compares to 99.6% for 2016. Infrastructure, net of accumulated depreciation and related debt of $174,984,332 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 105.6%. This is down from 2016's percentage of 114.5%. 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 97.1% of its net position contained in net investment in capital assets net of debt, compared to 99.8% for 2016. As discussed above, capital assets related to infrastructure represent by far the largest portion of the County's net position.

See Next Page

Key elements of 2017's changes in net position are as follows:

Summary of Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program:						
Charges for Services	$ 8,930,456	$ 8,751,627	$ 2,139,054	$ 2,354,695	$ 11,069,510	$ 11,106,322
Operating Grants & Contributions	4,483,065	4,540,207	238,382	155,502	4,721,446	4,695,709
Capital Grants & Contributions	2,251,297	833,612	168,007	8,819	2,419,304	842,431
General:						
Property Taxes	12,541,408	11,995,978	-	-	12,541,408	11,995,978
Sales Taxes	10,656,669	10,120,465	-	-	10,656,669	10,120,465
Other Taxes	3,260,147	2,842,534	(19,356)	(16,542)	3,240,791	2,825,992
Unrestricted Contributions	2,599	2,474	-	-	2,599	2,474
Investment Earnings	363,299	206,560	-	-	363,299	206,560
Insurance Recoveries	10,795	26,009	-	-	10,795	26,009
Gain on Sale of Capital Assets	71,429	30,572	-	-	71,429	30,572
Gain on Fixed Asset Restatement	-	-	-	-	-	-
Total Revenues	42,571,165	39,350,038	2,526,087	2,502,474	45,097,250	41,852,511
Program Expenses						
Judicial	2,958,584	2,894,628	-	-	2,958,584	2,894,628
General Government	11,858,790	11,246,582	-	-	11,858,790	11,246,582
Public Safety	15,478,304	15,545,321	-	-	15,478,304	15,545,321
Transportation	13,427,272	11,835,267	-	-	13,427,272	11,835,267
Natural Environment	39,231	20,157	-	-	39,231	20,157
Economic Environment	489,238	439,141	-	-	489,238	439,141
Social Services	949,431	749,800	-	-	949,431	749,800
Culture & Recreation	483,160	367,186	2,654,361	2,720,405	3,137,521	3,087,591
Interest on Long-Term Debt	935,348	976,944	-	-	935,348	976,944
Total Expenses	46,619,357	44,075,028	2,654,361	2,720,405	49,273,719	46,795,431
Excess (Deficiency)	(4,048,192)	(4,724,990)	(128,274)	(217,931)	(4,176,470)	(4,942,918)
Transfers	(140,578)	(100,068)	140,578	100,068	-	-
Change in Net Position	(4,188,770)	(4,825,058)	12,305	(117,862)	(4,176,470)	(4,942,918)
Beginning Net Position - as Previously Reported	198,315,364	200,405,375	2,307,919	2,236,910	200,623,283	202,642,284
Add: Prior Period Adjustments	(4,136,372)	2,735,047	-	188,871	(4,136,372)	2,923,918
Ending Net Position	$ 189,990,223	$ 198,315,364	$ 2,320,224	$ 2,307,919	$ 192,310,441	$ 200,623,284

In conclusion, the County's overall net position declined for the current fiscal year as depreciation expense, primarily on the County's infrastructure has a negative effect on the County's net position.

GOVERNMENTAL REVENUES AND EXPENSES

Governmental Activities – Program Costs

The result of Franklin County's governmental activities was an increase in net position. For 2017, governmental activities total net program costs were $30,954,538, which when compared to 2016's program costs of $29,949,582 saw an increase of $1,004,956, or (3.36%). The major increases, as noted in the table below were found in General Government, Public Safety, and Transportation.

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 - 2017

Function	Total Cost of Services	Percentage of Total	Net cost of Services	Percentage of Total
Judicial	2,958,584	6.3%	1,025,881	3.3%
General Government	11,858,790	25.4%	8,805,927	28.4%
Public Safety	15,478,304	33.2%	11,633,434	37.6%
Transportation	13,427,272	28.8%	7,898,669	25.5%
Natural Environment	39,231	0.1%	(98,501)	-0.3%
Economic Environment	489,238	1.0%	(199,050)	-0.6%
Social Services	949,431	2.0%	501,991	1.6%
Culture & Recreation	483,160	1.0%	450,839	1.5%
Interest on Long-Term Debt	935,348	2.0%	935,348	3.0%
otal	$ 46,619,357	100%	$ 30,954,538	100%

Governmental Activities - 2016

Function	Total Cost of Services	Percentage of Total	Net cost of Services	Percentage of Total
Judicial	2,894,628	6.6%	849,614	2.8%
General Government	11,246,582	25.5%	8,501,564	28.4%
Public Safety	15,545,321	35.3%	11,462,659	38.3%
Transportation	11,835,267	26.9%	7,855,545	26.2%
Natural Environment	20,157	0.0%	(175,880)	-0.6%
Economic Environment	439,141	1.0%	(104,860)	-0.4%
Social Services	749,800	1.7%	237,359	0.8%
Culture & Recreation	367,186	0.8%	346,636	1.2%
Interest on Long-Term Debt	976,944	2.2%	976,944	3.3%
Total	$ 44,075,028	100%	$ 29,949,582	100%

General Revenues

The County continues to be heavily reliant on taxes to operate the governmental activities functions. General revenues (non-program) collected during 2017 were $26,906,346 compared to $25,224,592 in 2016, an increase of $1,681,754 or (6.67%), mostly from taxes: Property ($545,430) Sales and Use ($536,207), and Other ($417,613). Of the total general revenues collected, $26,458,224 was from taxes in 2017 and $24,958,977 in 2016, an increase of $1,499,247 or 6.01%, from 2017 to 2016. The 2017 sales and use taxes increase over 2016 is particularly encouraging to County management as it is a good indicator that the local economy continues to improve.

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs

During 2017, business-type activities decreased Franklin County's net position by $12,304, an increase of $130,166 from the previous year (prior year net position had decreased ($117,862).

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 $17,362,776 for 2017, compared to $16,487,397 for 2016, an increase of $875,379, or 5.31%.

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 $150,422 during 2017 to $3,026,267.

As shown in the table below by revenue category, the General Fund's total 2017 revenue of $27,095,028 was $896,809 over 2016's total revenue, or 3.4%.

Revenue Account	2017 Revenue	2016 Revenue	Increase (Decrease) over 2016	Percent increase (decrease)
Property taxes	$ 8,931,384	$ 8,617,312	$ 314,072	3.6%
Sales taxes	5,952,925	5,659,789	293,136	5.2%
Other taxes	2,289,206	2,104,712	184,494	8.8%
Licenses and Permits	671,137	542,719	128,418	23.7%
Intergovernmental	734,663	813,389	(78,726)	-9.7%
Charges for Services	6,527,509	6,597,007	(69,498)	-1.1%
Fines and Forfeitures	1,513,752	1,535,554	(21,802)	-1.4%
Investment earnings	335,644	185,921	149,723	80.5%
Rents and leases	115,634	67,588	48,046	71.1%
Miscellaneous revenues	23,173	74,229	(51,056)	-68.8%
Totals	**$ 27,095,028**	**$ 26,198,219**	**$ 896,808**	**3.4%**

Total 2017 General Fund expenditures, net of transfers, were $28,182,553. This is $656,103 over 2016's expenditures total of $27,526,450, or 2.4%. Most of this increase would be found in increases to payroll expenses

The County uses ***the County Road Fund*** to construct roads and other infrastructure. The primary sources of revenue are from State and Federal grants and property taxes. Total 2017 revenues were $8,375,841 with $5,509,785 coming from intergovernmental revenues and $2,678,326 received from property taxes. Total 2016 revenues were $6,728,503, with intergovernmental revenues of $3,941,143 and property taxes of $2,596,081. Total revenues for 2017 increased by $1,647,338 or 24.5%. During 2017, the County Road Fund received $1,042,044 from a FEMA Disaster Grant resulting from the severe winter of 2016/2017 that heavily damaged many of the County's roads.

During 2017, total expenditures including capital were $9,201,091, compared to $7,591,600 for 2016, an increase of $1,609,491 or 21.2%. The ending fund balance for 2017 was $1,965,436, compared to $2,143,046 at the end of 2016, a decrease of $177,610, or 8.3%.

The ***Enhanced 911 Fund*** qualified as a major fund in 2017. This fund receives revenues from state sales taxes on cellular phones as well as local government charges for services. Expenditures are primarily dedicated to equipment maintenance and capital replacement. Total revenues for 2017 of $958,728 consisted of sales taxes ($696,305), charges for services ($230,085), intergovernmental ($31,741) and $596 in interest earnings. Total revenues of $972,180 for 2016 consisted of sales taxes ($670,581), charges for services ($244,807), intergovernmental ($56,343), and interest of $449. There was a small overall decrease in revenues from 2016 to 2017 of ($13,452), or (1.4%). Total Expenditures for 2017 were $542,312, an increase over 2016 of $69,276, or 14.6%. Total fund balance at the end of 2017 was $2,156,277, an increase over 2016 of $416,416, or 23.9%.

The ***1999 Distressed Capital GO Bonds Fund*** is funded with sales and use taxes (.09%) made available by the state legislature (RCW 82.14.370) for rural counties. Rural counties are defined as counties with a population density of less than one hundred persons per square mile or a county smaller than two hundred twenty-five square miles. Revenues collected with these taxes must be spent on "Public Facilities" (e.g. bridges, roads, structures, port facilities, domestic and industrial water facilities, infrastructure etc.); as well as "Economic Development Purposes" which means those purposes which facilitate the creation or retention of businesses and jobs in the county. This tax can be collected for twenty five years, ending in 2024.

Revenues for 2017 totaled $1,467,156 an increase of $89,664 over 2016, or 6.5%. Expenditures of $733,103 were $31,224 higher than 2016, an increase of 4.4%. Transfers out made in 2017 of $168,007 were $6,262 under transfers made in 2016. The $168,007 transfer out during 2017 went to the TRAC Facility via the Public Facilities Construction Fund for a porta floor in the TRAC arena, as approved in the County's 2009 Economic Development Plan.

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	2017	2016	2015	2014	2013
Operating Revenues	$ 1,836,950	$ 2,048,037	$ 2,050,223	$ 1,964,981	$ 2,072,909
Operating Expenses	(2,427,508)	(2,466,389)	(3,499,221)	(3,239,327)	(3,180,741)
Operating Income (Loss)	(590,558)	(418,352)	(1,448,998)	(1,274,346)	(1,107,832)
Add: Depreciation Expense	313,696	297,006	783,603	786,653	761,539
Add: Pension Expense	(167,171)	(96,734)	188,115	-	-
Operating Income(Loss) Net of Depreciation & Pension Exp	$ (444,033)	$ (218,080)	$ (477,280)	$ (487,693)	$ (346,293)

TRAC 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	2017	2016	2015	2014	2013
Franklin County	$ 238,382	$ 155,502	$ 270,393	$ 256,458	$ 221,299
City of Pasco	238,382	155,502	270,393	356,458	221,300
Totals	$ 476,764	$ 311,004	$ 540,786	$ 612,916	$ 442,599

As the table shows, revenues declined by $211,087 from 2016 to 2017. This decrease in revenues accounted for the majority of the net operating loss increase of $225,953 over 2016. To mitigate future loss increases, the TRAC facility is currently reevaluating its business model and has recently contracted with a private company to provide the catering services and liquor sales.

During 2004, the County opened the ***Franklin County RV (Recreational Vehicle) Park***, located adjacent to the TRAC facility. The RV Park is self-sufficient, and helps fund the County's portion of the TRAC subsidy. The RV Park fund contributed $85,805 in 2017 and $51,834 in 2016.

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

Franklin County RV Park	2017	2016	2015	2014	2013
Operating Revenues	$ 302,104	$ 306,658	$ 261,710	$ 266,417	$ 261,317
Operating Expenses	(226,852)	(254,015)	(224,844)	(177,196)	(185,660)
Operating Income (Loss)	75,252	52,643	36,866	89,221	75,657
Add: Depreciation Expense	47,820	47,820	47,820	47,820	47,820
Add: Pension Expense	(6,658)	20,502	6,207	-	-
Operating Income(Loss) Net of Depreciation & Pension Exp	$ 116,414	$ 120,965	$ 90,893	$ 137,041	$ 123,477

As the above table displays, revenues for 2017 and 2016 remain consistent, and exceed the prior three years by a significant amount.

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 2017, the General Fund's revenue and expenditure budgets increased over the 2016 ending approved budget by $1,806,274 for total revenue and expenditure budgets of $31,490,000.

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Some highlights between the 2017 and 2016 budgets are as follows:

2017 General Fund Budget Highlights

Major Revenes Increases (Decreases)	2017	2016	Increase	% Change
Property Taxes	$ 8,917,352	$ 8,600,000	$ 317,352	3.7%
Sales Taxes - General	5,695,000	5,465,000	230,000	4.2%
.3% Criminal Justice Funding	1,337,525	1,137,525	200,000	17.6%
Board & Room of Prisoners	1,320,000	1,210,000	110,000	9.1%
Beginning Fund Balance	3,400,000	2,750,000	650,000	23.6%
Total Major Revenue Increases	**$ 20,669,877**	**$ 19,162,525**	**$ 1,507,352**	**7.9%**

Salary and Benefit Changes Personnel Services	2017	2016	Increase	% Change
Salary (net of contingency)	$ 13,332,463	$ 12,445,438	$ 887,025	7.1%
Benefits	5,579,837	5,173,269	406,568	7.9%
Subtotal Personnel Services	**$ 18,912,300**	**$ 17,618,707**	**$ 1,293,593**	**7.3%**

Contingencies, Reserves, & Fund Balances	2017	2016	Variance
Miscellaneous Contingency	$ 246,000	$ 243,263	$ 2,737
Salary & Benefits Contingency	50,000	105,000	(55,000)
Jury & Witness Contingency	13,059	13,053	6
Ending Fund Balance	1,400,000	1,200,000	200,000
Total Contingencies, Reserves, & Fund Balances	**$ 1,709,059**	**$ 1,561,316**	**$ 147,743**

There was no change to the 2017 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:

2017 Franklin County General Fund Charges to Appropriations

Charges to Appropriations (Outflows)	Original	Final	Variance (Decrease) Increase
General government	$ 11,395,263	$ 11,252,178	$ (143,085)
Judicial	2,712,124	2,737,124	25,000
Public safety	14,719,738	14,800,605	80,867
Economic environment	388,872	384,482	(4,390)
Social Services	195,000	195,000	-
Culture and recreation	242,489	242,489	-
Capital outlay	315,226	356,834	41,608
Total Expenditures	29,968,712	29,968,712	-
Non-Expenditures			
Other budgeted non-expenditures	250	250	-
Transfers to other funds	121,038	121,038	-
Total Charges to Appropriations	30,090,000	30,090,000	-
Budgetary Fund Balance - December 31	$ 1,400,000	$ 1,400,000	$ -

DEBT ADMINISTRATION AND CAPITAL ASSETS

Long-term Debt

At the end of the fiscal year, the County had total ending bonded debt outstanding of $24,660,000, compared to $26,410,000 for 2016, a decrease of $1,750,000. Current bonded debt has funded construction of the RV Park and Ice pavilion facilities; county-wide infrastructure projects, remodel of the county courthouse; construction of the Franklin County Justice Center and jail addition, and financial software. Franklin County debt is being retired with property taxes and sales and use taxes.

Also, at the end of 2017, the County had $2,143,953 in Public Works Trust Fund revenue debt, compared to $2,382,188 at the end of 2016. 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 December 31, 2017:

	Governmental Activities		Business-Type Activities		Totals		%
	2017	2016	2017	2016	2017	2016	Change
General Obligation Debt	$ 24,660,000	$ 26,410,000	$ -	$ -	$ 24,660,000	$ 26,410,000	-7%
PW Revenue Debt	2,143,953	2,382,202	-	-	2,143,953	2,382,202	-10%
Bond Deferrals	(36,723)	(56,068)	-	-	(36,723)	(56,068)	-35%
Claims & Judgements	173,857	272,500	-	-	173,857	272,500	-36%
Comp Absences	1,435,755	1,342,020	54,567	55,769	1,490,322	1,397,789	7%
OPEB*	2,076,584	1,951,399	-	-	2,076,584	1,951,399	6%
Net Pension Liability	8,964,635	10,828,530	(513,859)	792,463	8,450,776	11,620,993	-27%
Accrued Interest Payable	355,508	363,569	-	-	355,508	363,569	-2%
Total	$ 39,773,569	$ 43,494,152	$ (459,292)	$ 848,232	$ 39,314,278	$ 44,342,384	-11.3%

*Other Post Employment Benefits

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

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Capital Assets

The following table provides a summary of capital asset activity:

	Governmental Activities		Business Activities		Total	
	2017	2016	2017	2016	2017	2016
Non-Depreciable Assets:						
Land	$ 1,161,766	$ 1,161,766	$ 25,407	$ 25,407	$ 1,187,173	$ 1,187,173
Construction in Progress	1,293,963	2,109,735	-	-	1,293,962	2,109,735
Joint Ventures	107,311	101,821	-	-	107,311	101,821
Total non-depreciable Assets	2,563,040	3,373,322	25,407	25,407	2,588,446	3,398,729
Depreciable Assets:						
Buildings	46,884,561	46,768,653	14,380,680	14,380,680	61,265,241	61,149,333
Equipment	16,628,189	15,671,558	2,288,090	2,120,083	18,916,279	17,791,641
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	270,159,148	275,409,378	-	-	270,159,148	275,409,378
Total depreciable assets	334,209,085	338,386,777	18,213,705	18,045,698	352,422,790	356,432,474
Less accumulated depreciation	125,673,652	119,629,877	15,790,032	15,428,517	141,463,684	135,058,394
Book Value - Depreciable Assets	208,535,433	218,756,900	2,423,673	2,617,181	210,959,108	221,374,080
Percentage depreciated	38%	35%	87%	85%	40%	38%
Total book value	$ 211,098,472	$ 222,130,221	$ 2,449,080	$ 2,642,588	$ 213,547,554	$ 224,772,810

Construction in Progress had a large decrease ($1,159,053) due to the financial software implementation project that was placed into service in 2017.

The County's entity-wide investment in capital assets, net of accumulated depreciation, for the current year decreased by $11,225,257 ($213,547,552 - $224,772,809 or (5.0%). As discussed earlier, the reduction in net capital assets is due to depreciation expense and an adjustment due to prior years' annexations of infrastructure.

Governmental Activities' decreases to capital assets in 2017 were ($4,177,693), which included ($1,515,838) of Construction in Progress, ($834,114) for machinery and equipment, and ($4,136,372) in an infrastructure prior period adjustment, as discussed above. Also included were $353,584 of equipment purchased by the Motor Vehicle Public Works internal service fund.

Business-type activities had a net decrease to capital assets during 2017 totaling ($193,508). The majority of the decrease was due to depreciation ($361,515), but was offset with some portable flooring in the TRAC facility in the amount of $168,007.

Capital Commitments

During 2012, the Board of County Commissioners entered into a contract with SunGard Public Sector Inc. (now Superion) for the implementation of a financial information and asset management system (computer software). Total cost of the financial software and installation currently totals $1,159,053, with a current budgetary/fund balance commitment of $249,936 See Note 8, *Long-Term Debt*, for the detailed information related to the indebtedness that was incurred to finance this project. During February of 2016, the financial software went live to process accounts payable, general ledger and treasury functions, and the payroll and human resource modules went live in September 2016. Substantially all significant modules have been implemented as of the end of 2017.

Current commitments for county-wide road projects total $9,094,640.

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. Up to the end of the year, current condition levels were 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.

The County experienced significant changes in the condition levels of some sections of roadway infrastructure during the winter of 2016/2017. As mentioned above, the County Road Fund a FEMA grant to help mitigate a portion of the costs associated with the repairs.

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

ISSUES AND ECONOMIC CONDITIONS AFFECTING THE COUNTY

Consolidation of Regional 911 Dispatch Services

Local officials have worked on plans for a regional dispatch system for several years aimed at providing the most efficient response to emergencies.

During 2015, the Franklin County Board of Commissioners agreed to join the regional 911 dispatch center called the Multi-Agency Three Rivers Information and Communication Services or MATRICS. Under the proposed agreement, Kennewick, Pasco, Richland and Benton and Franklin Counties would be the five member agencies creating MATRICS, with each board of directors having a vote. Other agencies would be subscribers, meaning that they would pay fees for services.

At the beginning of 2016, Franklin County and the City of Pasco jointly contracted with a consultant to facilitate the consolidation of Franklin County's Public Safety Answering Point (PSAP - also known as the Southeast Communications Center or SECOMM) with the Benton County Emergency Serves (BCES).

During 2017, consolidation of the 911 operations was still being negotiated. At year end the County had $2,156,277 in the Enhanced 911 Fund, which would support an initial capital buy in as well as fund future maintenance costs of the County's legacy system.

Correctional Costs

The following table shows the financial impact of the increases in Correctional Costs to mitigate jail conditions following a class action settlement, as well as trended data back to 2014. Corrections Food Services operate as a separate department, and were added to the table for comparative purposes.

Correctional Expenditures 2014 - 2018

	2018 Amended Budget	2017 Actual	2016 Actual	2015 Actual	2014 Actual
Expenditure Total	$ 6,161,746	$ 5,405,552	$ 5,178,866	$ 4,285,504	$ 3,439,071
Increase over prior year	756,194	226,686	893,362	846,433	254,785
Percent Increase	13.99%	4.38%	20.85%	24.61%	8.00%
Operating Revenues	$ 2,051,145	$ 2,010,104	$ 2,100,983	$ 1,922,431	$ 1,399,595
.3% Criminal Justice Funding	1,560,000	1,337,525	1,137,525	506,551	540,256
Total Revenues	3,611,145	3,347,629	3,238,508	2,428,982	1,939,851
Revenues Over (Under) Expenditures	**$ (2,550,601)**	**$ (2,057,923)**	**$ (1,940,358)**	**$ (1,856,522)**	**$ (1,499,220)**
Food Svcs Expenditures (Not in totals)					
Average Daily Inmate Population	**193**	**201**	**207**	**172**	**189**

During 2017, the county contracted out for the corrections food service and commissary sales in an effort to control costs and help manage those functions. Preliminary estimates indicated a potential annual cost savings of $46,000. The commencement date was in the spring of 2018.

Franklin County, Washington
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 17,638,132	$ 503,725	$ 18,141,858
Cash held in internal trust	917,814	86,346	1,004,159
Receivables (net)	3,673,214	117,887	3,791,101
Internal balances	55,480	(55,480)	-
Inventories	230,084	18,172	248,256
Other prepayments	6,390	-	6,390
Non-Current Assets:			
Net Pension Asset	1,186,324	-	1,186,324
Capital Assets Not Being Depreciated:			
Land	1,161,766	25,407	1,187,173
Construction in progress	1,293,963	-	1,293,963
Capital Assets Net of Accumulated Depreciation:			
Buildings	27,167,146	1,556,101	28,723,247
Improvements other than buildings	270,665	30,139	300,804
Machinery and equipment	6,113,290	286,125	6,399,415
Improvements to land	-	551,308	551,308
Infrastructure	174,984,332	-	174,984,332
Investment in joint ventures	107,311	-	107,311
Total Capital Assets	211,098,472	2,449,080	213,547,552
Total Assets	234,805,910	3,119,729	237,925,639
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on debt refunding	167,636	-	167,636
Deferred outflows related to pensions	1,657,844	85,467	1,743,311
Other Deferred charges	188	-	188
Total Deferred Outflows of Resources	1,825,669	85,467	1,911,136
LIABILITIES			
Accounts payable	1,690,638	139,686	1,830,324
Custodial accounts	917,814	86,346	1,004,159
Other accrued liabilities	3,408	-	3,408
Liabilities Payable from Restricted Assets:			
Due within one year	2,397,585	-	2,397,585
Due in more than one year	24,845,540	-	24,845,540
Other Noncurrent Liabilities:			
Due within one year	1,427,624	35,969	1,463,592
Due in more than one year	2,258,572	18,599	2,277,171
Net Pension Liability	8,964,635	513,859	9,478,494
Total Liabilities	42,505,816	794,459	43,300,275
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	674,953	-	674,953
Deferred inflows related to pensions	1,969,720	90,514	2,060,234
Deferred amounts from debt refundings	47,248	-	47,248
Deferred revenues	1,443,618	-	1,443,618
Total Deferred Inflows of Resources	4,135,539	90,514	4,226,053
NET POSITION			
Net Investment in Capital Assets	184,331,243	2,449,080	186,780,323
Restricted for:			
Debt service	4,441,154	-	4,441,154
Capital projects	264,704	-	264,704
Unrestricted	953,122	(128,856)	824,266
Total Net Position	$ 189,990,223	$ 2,320,224	$ 192,310,446

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, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Grants and Contributions				
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Judicial	$ 2,958,584	$ 1,676,522	$ 256,181	$ -	$ (1,025,881)	$ -	$ (1,025,881)
General government	11,858,790	2,394,950	657,912	-	(8,805,927)	-	(8,805,927)
Public safety	15,478,304	3,605,520	236,225	3,125	(11,633,434)	-	(11,633,434)
Transportation	13,427,272	18,818	3,263,209	2,246,576	(7,898,669)	-	(7,898,669)
Natural Environment	39,231	73,915	63,818	-	98,501	-	98,501
Economic environment	489,238	686,692	-	1,596	199,050	-	199,050
Social Services	949,431	447,440	-	-	(501,991)	-	(501,991)
Culture and recreation	483,160	26,600	5,721	-	(450,839)	-	(450,839)
Interest on long-term debt	935,348	-	-	-	(935,348)	-	(935,348)
Total Governmental Activities	46,619,357	8,930,456	4,483,065	2,251,297	(30,954,538)	-	(30,954,538)
Business-type Activities:							
TRAC facility	2,427,508	1,836,950	238,382	168,007	-	(184,169)	(184,169)
Other enterprise activities	226,852	302,104	-	-	-	75,252	75,252
Total Business-type Activities	2,654,361	2,139,054	238,382	168,007	-	(108,917)	(108,917)
Total Primary Government	$ 49,273,717	$ 11,069,510	$ 4,721,447	$ 2,419,304	$ (30,954,538)	$ (108,917)	$ (31,063,456)
General Revenues							
Taxes:							
Property taxes, levied for general purposes					12,541,408	-	12,541,408
Sales and use taxes					10,656,669	-	10,656,669
Other taxes					3,260,147	(19,356)	3,240,791
Grants and contributions not restricted to specific programs					2,599	-	2,599
Unrestricted investment earnings					363,299	-	363,299
Insurance recoveries					10,795	-	10,795
Gain (Loss) on sale of capital assets					71,428	-	71,428
ransfers					(140,578)	140,578	-
Total eneral Revenues and Transfers					26,765,768	121,221	26,886,989
Change in Net Position					(4,188,770)	12,304	(4,176,466)
Net Position - Beginning, as Previously Reported					198,315,364	2,307,919	200,623,283
Less: Infrastructure annexations *					(4,136,372)	-	(4,136,372)
Net Position - Beginning					194,178,992	2,307,919	196,486,912
Net Position - Ending					$ 189,990,222	$ 2,320,224	$ 192,310,445

*See Notes to the Financial Statements, Note 16, and Management's Discussion and Analysis

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

Franklin County, Washington
Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	E911/State Contract	County Road Fund	1999 Distressed Capital GO Bonds Fund	Other Governmental Funds	Total Governmental Funds
ASSETS and OUTFLOWS of RESOURCES						
Cash and cash equivalents	$ 2,589,422	$ 2,410,935	$ 1,990,926	$ 2,898,410	$ 6,971,436	$ 16,861,130
Cash held in internal trust	730,876	-	148,652	-	38,286	917,814
Receivables (net)						
Property taxes	604,564	-	52,854	-	17,535	674,953
Accounts	15,850	-	1,189	-	52,630	69,668
Interest	25,856	-	682	-	1,668	28,206
Interfund interest	-	-	-	-	665	665
Court receivables	1,443,618	-	-	-	-	1,443,618
Due from other funds	556,660	2,067	27,604	-	12,501	598,831
Due from other governments	729,632	53,898	515,327	-	157,639	1,456,496
Interfund loans	-	-	215,017	-	570,000	785,017
Other prepayments	6,390	-	-	-	-	6,390
Total Assets	6,702,867	2,466,900	2,952,252	2,898,410	7,822,359	22,842,788
Deferred outflows of resources	-	-	-	-	188	188
Total Assets and Deferred Outflows of Resources	6,702,867	2,466,900	2,952,252	2,898,410	7,822,548	22,842,976
LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES						
Liabilities:						
Accounts payable	691,702	171,822	79,876	-	263,345	1,206,745
Other accrued liabilities	3,408	-	-	-	-	3,408
Custodial accounts	730,876	-	148,652	-	38,286	917,814
Due to other funds	202,433	138,801	254,769	-	38,202	634,204
Interfund interest payable	-	-	665	-	-	665
Interfund loans	-	-	450,000	-	148,794	598,794
Total Liabilities	1,628,418	310,623	933,961	-	488,627	3,361,629
Deferred inflows of resources:						
Unearned revenue-property taxes	604,564	-	52,854	-	17,535	674,953
Unearned revenue-court receivables	1,443,618	-	-	-	-	1,443,618
Other unearned revenue	-	-	-	-	-	-
Total Deferred inflows of resources	2,048,182	-	52,854	-	17,535	2,118,571
Total Liabilities Deferred Inflows of Resources	3,676,600	310,623	986,816	-	506,162	5,480,201
FUND BALANCES:						
Restricted	-	2,156,277	-	2,898,410	4,961,118	10,015,805
Committed	-	-	623,106	-	2,388,781	3,011,886
Assigned	-	-	1,342,330	-	(33,513)	1,308,817
Unassigned	3,026,267	-	-	-	-	3,026,267
Total Fund Balance	3,026,267	2,156,277	1,965,436	2,898,410	7,316,386	17,362,776
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,702,867	$ 2,466,900	$ 2,952,252	$ 2,898,410	$ 7,822,548	$ 22,842,976

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, 2017

Fund balances of governmental funds:		$ 17,362,776
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
Capital assets	$ 329,642,053	
Accumulated depreciation	(122,208,306)	207,433,746
Current bond interest payable is not accrued on the governmental statements.		(355,508)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds payable	(26,887,618)	
Compensated absences	(1,415,131)	
Net other postemployment benefits obligation	(2,076,584)	
Claims and judgments	(173,857)	(30,553,190)
Deferred amounts related to long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Deferred charges on refunding	167,636	
Deferred amounts from debt refundings	(47,248)	120,389
Pension amounts are reported in the government-wide statements, but are not reported in the governmental funds.		
Assets	1,186,324	
Deferred Outflow	1,657,844	
Liabilities	(8,783,661)	
Deferred Inflow	(1,969,720)	(7,909,213)
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 position		
Assets	4,807,204	
Liabilities	(915,981)	3,891,223
Net Position of Governmental Activities		$ 189,990,223

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, 2017

	General Fund	E911/State Contract	County Road Fund	1999 Distressed Capital GO Bonds Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	$ 8,931,384	$ -	$ 2,678,326	$ -	$ 931,699	$ 12,541,408
Sales	5,952,925	696,305	-	1,467,156	2,540,283	10,656,669
Other	2,289,206	-	33,091	-	937,850	3,260,147
Licenses and permits	671,137	-	200	-	-	671,337
Intergovernmental	734,663	31,741	5,509,785	-	389,370	6,665,559
Charges for services	6,527,509	230,085	145,675	-	1,233,325	8,136,594
Fines and forfeitures	1,513,752	-	-	-	15,957	1,529,709
Investment earnings	335,644	596	8,545	-	21,973	366,758
Rents and leases	115,634	-	-	-	21,539	137,173
Miscellaneous revenues	23,173	-	219	-	14,717	38,110
Total Revenues	27,095,028	958,728	8,375,841	1,467,156	6,106,712	44,003,465
EXPENDITURES						
Current:						
Judicial	2,633,129	-	-	-	191,658	2,824,787
General government	10,799,109	-	231,552	-	364,132	11,394,792
Public safety	13,570,348	527,151	473,000	-	386,169	14,956,668
Transportation	-	-	7,651,511	-	-	7,651,511
Natural Environment	-	-	-	-	139,898	139,898
Economic environment	368,147	-	-	35,000	28,157	431,304
Social Services	194,018	-	-	-	748,564	942,582
Culture and recreation	234,710	-	-	-	231,958	466,668
Debt Service:						
Principal	-	-	238,221	585,000	1,165,000	1,988,221
Interest	-	-	15,044	113,103	790,196	918,342
Capital Outlay:						
General government	32,844	-	-	-	265,641	298,485
Public safety	350,248	15,162	-	-	85,000	450,410
Transportation	-	-	591,764	-	-	591,764
Economic environment	-	-	-	-	-	-
Total Expenditures	28,182,553	542,312	9,201,091	733,103	4,396,374	43,055,433
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,087,525)	416,416	(825,250)	734,054	1,710,339	948,032
OTHER FINANCING SOURCES (USES)						
Transfers-in	1,347,525	-	600,133	-	361,945	2,309,602
Transfers-out	(117,493)	-	(12,501)	(168,007)	(2,152,179)	(2,450,180)
Insurance recoveries	4,611	-	6,184	-	-	10,795
Sale of capital assets	3,304	-	53,824	-	-	57,129
Total Other Financing Sources (Uses)	1,237,947	-	647,640	(168,007)	(1,790,234)	(72,653)
Net Change in Fund Balances	150,422	416,416	(177,610)	566,047	(79,896)	875,379
Fund Balances - Beginning	2,875,845	1,739,861	2,143,046	2,332,363	7,396,282	16,487,397
Fund Balances - Ending	$ 3,026,267	$ 2,156,277	$ 1,965,436	$ 2,898,410	$ 7,316,386	$ 17,362,776

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, 2017

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

Net changes in fund balances - total governmental funds		$ 875,379
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	$ 1,340,659	
Depreciation	(8,872,669)	(7,532,010)
Pension expense is expensed on the government-wide statements, but is not a cash outflow and so 'is not reflected in the governmental fund statements.		261,738
State contributions for the LEOFF 2 Special Funding Situation are reported as revenues for governmental 'activities but do not get reported in governmental funds		71,402
The loss from investment in joint ventures does not require the use of current financial resources and are not reported as an expenditure of governmental funds.		5,490
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.		1,988,235
Bond principal payment	1,988,235	
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.		(127,588)
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.		268,584
Change in Net Position - Governmental Activities		$ (4,188,770)

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, 2017

	Budgeted Amounts		Actual Amounts - Budgetary	Variance with Final Budget Positive
	Original	Final	Basis	(Negative)
Beginning Fund Balance - January 1	$ 3,400,000	$ 3,400,000	$ 2,875,845	$ (524,155)
Resources (Inflows)				
Taxes				
Property	8,917,352	8,917,352	8,931,384	14,032
Sales	5,794,613	5,794,613	5,952,925	158,312
Other	2,038,250	2,038,250	2,289,206	250,956
Total Taxes	16,750,215	16,750,215	17,173,515	423,300
Licenses and permits	523,000	523,000	671,137	148,137
Intergovernmental	835,826	835,826	734,663	(101,163)
Charges for goods and services	6,846,336	6,846,336	6,527,509	(318,827)
Fines and forfeitures	1,475,070	1,475,070	1,513,752	38,682
Investment earnings	175,850	175,850	335,644	159,794
Miscellaneous	135,928	135,928	138,808	2,880
Total Revenues	26,742,225	26,742,225	27,095,028	352,803
Other Financing Sources				
Sale of Capital Assets	-	-	3,304	3,304
Insurance Recoveries	-	-	4,611	4,611
Other budgeted non-revenue	250	250	-	(250)
Transfers from other funds	1,347,525	1,347,525	1,347,525	-
Total Other Financing Sources	1,347,775	1,347,775	1,355,441	7,665
Amounts Available for Appropriation	31,490,000	31,490,000	31,326,313	(163,687)
Charges to Appropriations (Outflows)				
Judicial	2,712,124	2,737,124	2,633,129	103,995
General government	11,395,263	11,252,178	10,799,109	453,069
Public safety	14,719,738	14,800,605	13,570,348	1,230,257
Economic environment	388,872	384,482	368,147	16,335
Social Services	195,000	195,000	194,018	982
Culture and recreation	242,489	242,489	234,710	7,779
Capital outlay	315,226	356,834	383,092	(26,258)
Total Expenditures	29,968,712	29,968,712	28,182,553	1,786,159
Non-Expenditures				
Other budgeted non-expenditures	250	250	-	250
Transfers to other funds	121,038	121,038	117,493	3,545
Total Charges to Appropriations	30,090,000	30,090,000	28,300,046	1,789,954
Budgetary Fund Balance - Decembe	$ 1,400,000	$ 1,400,000	$ 3,026,267	$ 1,626,267

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

Franklin County, Washington
Budgetary Comparison Statement
E911/State Contract Fund
For the Year Ended December 31, 2017

	Budgeted Amounts Original	Final	Actual Amounts - Budgetary Basis	Variance with Final Budget Positive (Negative)
Beginning Fund Balance - January 1	$ 1,500,000	$ 1,500,000	$ 1,739,861	$ 239,861
Resources (Inflows)				
Taxes				
Sales	640,000	640,000	696,305	56,305
Total Taxes	640,000	640,000	696,305	56,305
Intergovernmental revenue	46,600	46,600	31,741	(14,859)
Charges for goods and services	223,900	223,900	230,085	6,185
Investment earnings	-	-	596	596
Total Revenues	910,500	910,500	958,728	48,228
Amounts Available for Appropriation	2,410,500	2,410,500	2,698,589	288,089
Charges to Appropriations (Outflows)				
Public Safety	2,110,500	2,110,500	527,151	1,583,349
Capital outlays	300,000	300,000	15,162	284,838
Total Expenditures	2,410,500	2,410,500	542,312	1,868,188
Total Charges to Appropriations	2,410,500	2,410,500	542,312	1,868,188
Budgetary Fund Balance - December 31	$ -	$ -	$ 2,156,277	$ 2,156,277

Note to Budgetary Comparison Schedule

Expenditure variances:

The E911/State Contract 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
Budgetary Comparison Statement
County Road Fund
For the Year Ended December 31, 201 ′

	Budgeted Amounts		Actual Amounts - Budgetary	Variance with Final Budget Positive
	Original	Final	Basis	(Negative)
Beginning Fund Balance - January 1	$ 1,452,500	$ 1,452,500	$ 2,143,046	$ 690,546
Resources (Inflows)				
Taxes				
Property	2,630,000	2,630,000	2,678,326	48,326
Other	35,000	35,000	33,091	(1,909)
Total Taxes	2,665,000	2,665,000	2,711,416	46,416
Licenses and permits	900	900	200	(700)
Intergovernmental revenue	6,508,266	6,508,266	5,509,785	(998,481)
Charges for goods and services	322,000	322,000	145,675	(176,325)
Investment earnings	1,826	1,826	8,545	6,719
Miscellaneous revenues	1,000	1,000	219	(781)
Total Revenues	9,498,992	9,498,992	8,375,841	(1,123,151)
Transfers from other funds	251,700	601,700	600,133	(1,567)
Total Other Financing Sources	251,700	601,700	600,133	(1,567)
Amounts Available for Appropriation	11,203,192	11,553,192	11,119,020	(434,172)
Charges to Appropriations (Outflows)				
General government services	311,500	311,500	231,552	79,948
Public Safety	473,000	473,000	473,000	-
Transportation	6,369,100	6,369,100	7,651,511	(1,282,411)
Redemption of general long-term debt	238,500	238,500	238,221	279
Interest and other debt service costs	13,200	13,200	15,044	(1,844)
Capital outlays	3,105,000	3,105,000	591,764	2,513,236
Total Expenditures	10,510,300	10,510,300	9,201,091	1,309,209
Other Financing Sources (Uses)				
Transfers to other funds	(22,500)	(22,500)	(12,501)	9,999
Insurance Recoveries	-	-	6,184	6,184
Sale of Capital Assets	-	-	53,824	53,824
Total Charges to Appropriations	10,532,800	10,532,800	9,153,584	1,379,216
Budgetary Fund Balance - December 31	$ 670,392	$ 1,020,392	$ 1,965,436	$ 945,044

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, 2017

	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	$ 294,908	$ 208,817	$ 503,725	$ 777,002
Cash held in internal trust	79,165	7,180	86,346	-
Receivables (net)	89,498	6,546	96,044	254
Accrued interest receivable	-	-	-	19
Due from other funds	21,843	170	22,013	135,119
Due from other governments	21,843	-	21,843	-
Inventories	18,172	-	18,172	230,084
Total Current Assets	525,429	222,713	748,143	1,142,478
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	2,272,220	15,870	2,288,090	6,948,986
Buildings	14,274,180	106,500	14,380,680	181,086
Less: accumulated depreciation	(15,105,482)	(684,550)	(15,790,032)	(3,465,346)
Total Capital Assets (Net of Accumulated Depreciation)	2,111,033	338,047	2,449,080	3,664,726
Total Assets	2,636,462	560,760	3,197,222	4,807,204
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	81,806	3,661	85,467	28,610
Total Deferred Outflows of Resources	81,806	3,661	85,467	28,610
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	123,687	15,999	139,686	483,893
Custodial accounts	79,165	7,180	86,346	-
Due to other funds	69,405	8,088	77,493	44,266
Interfund loans	-	-	-	186,223
Compensated absences	34,883	1,086	35,969	20,624
Total Current Liabilities	307,141	32,353	339,493	735,007
Noncurrent Liabilities:				
Net pension liability	490,486	23,373	513,859	180,974
Compensated absences	18,599	-	18,599	-
Total Noncurrent Liabilities	509,085	23,373	532,458	180,974
Total Liabilities	816,226	55,726	871,951	915,981
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	86,423	4,091	90,514	31,053
Total Deferred Inflows of Resources	86,423	4,091	90,514	31,053
NET POSITION				
Net Investment in Capital Assets	2,111,033	338,047	2,449,080	3,664,726
Unrestricted	(295,413)	166,557	(128,856)	224,054
Total Net Position	$ 1,815,619.42	$ 504,604	$ 2,320,224	$ 3,888,780

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, 2017

	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	$ 1,836,950	$ 302,104	$ 2,139,054	$ -
Interfund	-	-	-	2,274,407
Other - external	-	-	-	5,261
Miscellaneous revenue	-	-	-	11,947
Total Operating Revenues	1,836,950	302,104	2,139,054	2,291,616
OPERATING EXPENSES				
Maintenance and operations	2,113,813	179,032	2,292,845	1,720,480
Depreciation	313,696	47,820	361,516	319,253
Total Operating Expenses	2,427,508	226,852	2,654,361	2,039,734
Operating Income (Loss)	(590,558)	75,252	(515,307)	251,882
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	238,382	-	238,382	-
Investment earnings	-	-	-	2,698
Interest expense	-	-	-	(298)
Gain (Loss) on sale of capital assets	-	-	-	14,300
Taxes	(17,684)	(1,672)	(19,356)	-
Total Non-Operating Revenues (Expenses)	220,698	(1,672)	219,026	16,700
Income (Loss) Before Contributions and Transfers	(369,861)	73,580	(296,281)	268,582
Capital contributions	168,007	-	168,007	-
Transfers:				
Transfers-in	238,382	-	238,382	-
Transfers-out	(12,000)	(85,805)	(97,805)	-
Change in Net Position	24,529	(12,225)	12,304	268,582
Total Net Position - Beginning	1,791,090	516,829	2,307,919	3,620,197
Total Net Position - Ending	$ 1,815,619	$ 504,604	$ 2,320,224	3,888,780

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, 2017

	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	$ 1,872,325	$ 299,169	$ 2,171,494	$ 17,102
Payments to suppliers	(1,097,148)	(123,738)	(1,220,886)	(887,792)
Petty Cash/Custodial account activity	4,762	-	4,762	-
Payments to employees	(1,213,000)	(57,653)	(1,270,653)	(418,053)
Internal activity - payments to (from) other funds	52,285	7,700	59,984	2,250,477
Net Cash Provided (Used) by Operating Activities	(380,776)	125,478	(255,299)	961,734
Cash Flows from Noncapital Financing Activities				
Transfers-in	122,003	-	122,003	-
Transfers-out	(12,000)	(54,293)	(66,293)	-
External operating subsidies	122,003	-	122,003	4,059
Interfund loan repayment - principal	-	-	-	(61,926)
Interfund loan proceeds	-	-	-	-
Interfund loan interest	-	-	-	(298)
Operating assessments and tax levies	(17,684)	(1,672)	(19,356)	-
Net Cash Provided (Used) by Noncapital Financing Activities	214,321	(55,965)	158,356	(58,164)
Cash Flows From Capital and Related Financing Activities				
Proceeds from sales of equipment	-	-	-	427,166
Purchase of capital assets	-	-	-	(1,363,261)
Net Cash Used by Capital and Related Financing Activities	-	-	-	(936,095)
Cash Flows from Investing Activities				
Proceeds from sales and maturities of investments				
Interest revenue	-	-	-	2,648
Net Cash Provided by Investing Activities	-	-	-	2,648
Net Increase (Decrease) in Cash and Cash Equivalents	(166,455)	69,513	(96,943)	(29,877)
Cash and Cash Equivalents - Beginning of the Year	540,527	146,485	687,012	806,879
Cash and Cash Equivalents - End of the Year	374,072	215,998	590,070	777,002
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	(590,558)	75,252	(515,307)	251,882
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Pension expense	(167,171)	(6,658)	(173,829)	(23,892)
Depreciation expense	313,696	47,820	361,516	319,253
Change in assets and liabilities:				
Receivables, net	35,375	(2,935)	32,440	(107)
Accounts and other payables	(25,688)	4,079	(21,609)	359,843
Custodial accounts	4,762	-	4,762	-
Due to other funds	52,285	7,870	60,154	(14,116)
Due from other funds	-	(170)	(170)	106,806
Inventories	(2,055)	-	(2,055)	(41,910)
Compensated absences	(1,422)	220	(1,201)	3,973
Net Cash Provided (Used) by Operating Activities	$ (380,776)	$ 125,478	$ (255,299)	$ 961,734

Footnote 1 - TRAC Operations received $168,007 in contributed capital from the TRAC Renewal and Replacement Fund

Footnote 2 - Internal Service Fund traded in equipment (MG-1099) with an adjusted basis of $297,748.55 for (MG-1399) equipment. The proceeds on the exchange were $48,000 and the actual cash payment was $280,828.61. The basis of the equipment received was reduced by the $31,080.06 gain.

Footnote 3 - Internal Service Fund traded in equipment (MG-1349) with an adjusted basis of $482,698.04 for (MG-1409) equipment. The proceeds on the exchange were $165,000 and the

Footnote 4 - Internal Service Fund traded in equipment (MG-1359) with an adjusted basis of $476,198.48 for (0011) equipment. The proceeds on the exchange were $165,000 and the actual cash payment was $331,552.85. The basis of the equipment received was reduced by the $20,354.37 gain.

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, 2017

		Agency Funds
ASSETS		
Cash and cash equivalents	$	93,974,492
Investments		18,043
Total Assets		93,992,535
LIABILITIES		
Accounts payable and accrued expenses		154,344
Due to other governments		93,838,191
Total Liabilities		93,992,535
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. Basis of Presentation - 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. 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.

As a general rule, the effect of the interfund activity has been eliminated for the government-wide financial statements.

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.

The County reports the following major governmental funds:

The general (or current expense) 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.

Other major governmental funds include:

The ***Enhanced 911 Fund*** is used by the county for expenses necessary to operate the countywide Enhanced 911 system. Revenues are generated by excise taxes placed on each switched access line in the county.

The County uses ***the County Road Fund*** to construct and maintain roads and other infrastructure. The primary sources of revenue are from State and Federal grants and property taxes.

The ***1999 Distressed Capital GO Bonds Fund*** is funded with sales and use taxes (.09%), and must be spent on "Public Facilities". This tax can be collected for twenty-five years, ending in 2024.

The County reports the following major proprietary fund:

TRAC (Trade, Recreation, Agricultural Center) **Operations Fund** is an enterprise fund that receives event revenues 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's General Fund and Public Works unemployment expenditures. The self-insurance revenue comes from individual County General Fund departments and the Public Works Funds.

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 funds operate on a cost-reimbursement basis and include the Motor Vehicle Fund, which supplies vehicles to the County Road Department and other funds, and two small unemployment funds that take care of the county's self-insured unemployment costs.

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.

C. Measurement Focus, Basis of Accounting

Government-Wide and Governmental Funds

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to 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 generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, if material in nature, or if they represent year-end inter-fund obligations. 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 cash is received by the County.

Proprietary Funds

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of cash flows.

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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County has only one non-major enterprise fund, the Franklin County RV Facility. The principal operating revenues of the RV Park include resident and transient rents, parking, and cell phone tower charges. Expenses mainly consist of personnel, maintenance costs and utilities.

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. 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 individual expenditure line items may be overspent as long as the department's overall budget total remains positive. Appropriations for salaries and benefits within departments cannot supplement the Other Than Personnel Services (OTPS) expenditures category. OTPS-Segregated (used for specific expenditures such as a Coroner's Inquisition, e.g.), and capital expenditure line items are also treated as separate stand-alone categories. County Commissioners must approve transfers between departments or funds in the form of a Resolution during a public hearing.

a. 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. 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 2017 by transfers between budgeted lines; however, the fund-level bottom line appropriation was not changed.

3. **Excess of Expenditures over Appropriations**

There were several non-material categorical object code excesses of expenditures over appropriations in the General Fund budget, none of which over-expended any departmental overall expenditure appropriations.

4. **Deficit Fund Net Position**

There were no fund balance deficits at year-end.

E. Assets, Liabilities, Fund Balance, Net Position

1. **Cash and Cash Equivalents**

It is the County's policy to invest all temporary cash surpluses. At December 31, 2017, the Treasurer was holding $2,583,557 in residual cash investments. Of this amount, $751,597 is in short-term investments and $1,831,960 is in long-term investments. 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. The average compensating balances maintained during 2017 were approximately $10,000,000.

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. At year end the county did not have any special assessments receivable.

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.

Although not shown in the financial statements, receivables from Superior and District Courts total $25,160,169. These amounts represent historical balances for fines and fees levied by the courts. The Washington Administrative Office of the Courts (AOC) has determined that the local collection percentage is 3.28% for Superior Court and 14.96% for District Court. As Shown below, these percentages were calculated by the AOC by taking the current year collected amount divided by the beginning balance added to the current year ordered amounts:

The 2017 ending balance estimates the collectible portion of the outstanding balances using the local collection percentage as provided by the AOC would be as follows:

Court	Ending Balance	Local Coll Pctg	Collectible Amt
Superior Court	$ 19,865,952	3.28%	$ 651,603
District Court	$ 5,294,217	14.96%	792,015
Total Estimated Collectible Amount			**$ 1,443,618**

These amounts are shown on the financial statements as Receivables, and offset as Deferred Inflows of Resources.

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*.

Separate schedules of interfund balances, loans and transfers are furnished in Note 12, *Interfund Balances and Transfers*.

5. **Inventories**

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. Inventories in proprietary funds are valued either by the First In, First Out (FIFO) (which approximates the market value) or average cost method.

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., tablets, 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:

Assets	Years
Computers, Printers, etc.	3-5
Autos, Light Trucks, Copiers, Telephones, Radio and Safety Equipment, etc.	5-8
Heavy Trucks, Light Road Equipment, Kitchen Equipment, etc.	7
Office Furniture, Heavy Road Equipment, Minor Building Improvements	10-20
Buildings, Parking Lots, Major Building Improvements, Infrastructure	20-50

Infrastructure

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.

The 2017 beginning net position was adjusted by ($4,136,372) due to a reconciliation of infrastructure annexations made in prior periods by the City of Pasco. *See Note 16 – Prior Period Adjustments.*

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. The maximum accrual for sick leave is 120 days.

On December 31, 2017, the county-wide compensated absences payable amounted to $1,490,323. Also included in this total is $2,800 hours of accrued compensatory time.

10. **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources for pensions and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 6 – Pension Plans.

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

12. **Unearned Revenues**

    This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

13. **Prior Period Adjustments**

    See Note 16 – *Prior period Adjustments*

14. **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.

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

Franklin County Custodial Trust Bank Accounts as of 12/31/2017				
Department	**Fund**	**Purpose**	**Balance 12/31/2017**	
Sheriff	**Current Expense**	Civil Fees and Refunds	$	3,638
Sheriff	**Current Expense**	Reserve Activities		739
Corrections/Work Release	**Current Expense**	Inmate Pay/Holding		5,299
Corrections	**Current Expense**	Out of County Bail		258
Superior Court Clerk	**Current Expense**	Court Ordered Disbursements		632,599
Superior Court Clerk	**Current Expense**	Extradition Funds		40,362
District Court	**Current Expense**	Funds Held in Trust		35,482
Treasurer	**Current Expense**	Advanced Travel		12,500
Current Expense Subtotal				**730,877**
Franklin County Prisoners Fund	**Jail Commissary**	Inmate Accounts		38,286
Public Works	**County Road**	Cross Cut/Permit Deposits		148,652
Governmental Activites Subtotal				**917,814**
TRAC Operations	**TRAC**	Event Settlement		14,467
TRAC Operations	**TRAC**	Event Deposits		64,699
TRAC Operations Subtotal				79,166
RV Park	**RV Park**	Rental Deposits		7,180
Business Activites Subtotal				**86,346**
Grand Total Other Internal Trust Accounts			**$**	**1,004,159**

15. 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, unless revenues are tied to a specific use, such as transfers-in for the purpose of debt service payments, 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.

During 2016 the Board of County Commissioners elected to designate the County's General Fund (i.e. Current Expense Fund) as the sole fund comprising the

County's "General Fund" for financial reporting purposes, and committed all other funds that do not have externally enforceable limitations. Adjustments to Net Position were made on the governmental funds financial statements to reflect these changes.

16. **Fund Balance Details**
The financial statements fund balances are grouped as prescribed by GASB 54 into Restricted, Committed, Assigned and Unassigned categories as described above .

17. **Minimum Fund Balance/Reserve Policy**

In accordance with a resolution passed in 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.

Therefore, it is the County policy is to hold in reserves a minimum of seven percent (7%) of the current year's *net operating budget ($2,106,283 minimum for 2017 on the net operating budget of $30,089,750).* At year-end, the County held $2,110,354 in reserves, $4,071 over the minimum reserve goal. County reserves are held in the Franklin County Reserve Fund.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

Cash on hand at December 31, 2017 was $14,654,803. The carrying amount of the County's deposits, including certificates of deposit, was $15,679,573 and the bank balance was $15,777,868.

Custodial credit risk for deposits and is the risk that, in event of a failure of a depository financial institution, the county would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The County's deposits and certificate of deposits are 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).

The County does not have a deposit policy for custodial credit risk, and do not have any bank balances that were exposed to credit risk.

B. 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.

The amount listed as County Investments (stated at market) also includes idle County and Agency fund monies invested by the County upon which the County earns interest. The amount listed as Agency Investments includes investments that the Agencies have directed the County to purchase.

Investments are subject to the following risks:

<u>Interest Rate Risk</u>: Interest rate risk is the risk the county may face should interest rate variances affect the fair market of investments. The county does not have a formal policy that addresses interest rate risk.

<u>Credit Risk:</u>

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county does not have a formal policy that addresses credit risk.

In addition to the interest rate risk disclosed above, the county includes investments with fair value highly sensitive to interest rate changes.
At December 31, 2017, the County had the following investments measured at fair value:

			Investment Maturities (in Years)	
		Fair Value	Less Than 1	1 to 5
Investment Type				
Debt Securities				
	U.S. government & agency securities	$ 1,594,106	$ 748,146	$ 845,960
	Municipal Bonds	967,712	-	967,712
	Total Debt Securities	2,561,818	748,146	1,813,672

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At December 31, 2017, the county's investments had the following credit quality distribution for securities with credit exposure:

	Fair Value	AA+ Aa1	AA+ Aa2	AA Aa2	AA- Aa1
Municipal Bonds	967,712	200,284	203,782	314,853	248,793
Total Debt Securities	967,712	200,284	203,782	314,853	248,793

The credit ratings for the County's investments are as follows:

Municipal Security	Beginning Investment Value	Book Value	Fair Value	Credit Rating Moody's/S&P
Federal Home Loan Bank	199,199	199,781	199,567	Aaa/AA+
Federal Farm Credit Bank	251,247	$ 250,609	$ 248,731	Aaa/AA+
Federal Home Loan Bank	302,164	301,207	299,848	Aaa/AA+
Federal Home Loan Bank	255,546	253,492	250,244	AAA/AA+
FARMER MAC	348,845	349,168	347,192	NA/NA
FARMER MAC	252,507	251,781	248,524	NA/NA
Subtotal U.S. Govt	**1,609,508**	**1,606,038**	**1,594,106**	
City of New York	323,835	315,663	314,853	Aa2/AA
City of Hampton VA	201,910	201,322	200,284	Aa1/AA+
City of Henderson NV	209,177	206,491	203,782	Aa2/AA+
Energy North West Electric	255,660	254,043	248,793	Aa1/AA-
Subtotal Municipal	**990,582**	**977,519**	**967,712**	
Totals	**2,600,090**	**2,583,557**	**2,561,818**	

Investments in Local Government Investment Pool (LGIP)

The county is a participant in the Local Government Investment Pool which was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP Advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LGIP does not have any legally binding guarantees of share value. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, or online at http://www.tre.wa.gov.

Investments Measured at Fair Value

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

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

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

			Fair Value Measurements Using		
		12/31/2017 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (level 3)
Investments by Fair Value Level					
Debt Securities					
	U.S. government & agency securities	$ 1,594,106	$ 1,594,106	$ -	$ -
	Municipal Bonds	967,712	967,712	-	-
	Total Debt Securities	2,561,818	2,561,818	-	-
Investments Measured at amortized Cost					
	LGIP	2,417,370			
Total Investments Measured at amortized cost		2,417,370			
Total Investments in Statement of Net Position		$ 4,979,188			

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 15	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 2017 was $1.29041789 per $1,000 on an assessed valuation of $6,914,065,407 for a total regular levy of $8,922,034.

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

The County is 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 2017 was $1.06159700 per $1,000 on an assessed valuation of $2,512,291,501 for a total road levy of $2,667,041.

The following table depicts Franklin County’s levy for 2017:

Purpose of Levy	Levy Rate per $1,000	Total Levy Amount
General Government	$1.290418	$8,922,034
County Road (on assessed value of unincorporate areas totaling $2,232,008,691)	$1.061597	$2,667,041
Mental Health	$0.025000	$172,852
Veteran's Relief	$0.112501	$77,784
Courthouse Remodel Bond (on assessed value of unincorporated areas totaling 5,682,652,604)	$0.098786	$680,000
Total	$2.588302	$12,519,711

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2017 was as follows:

Governmental Activities	Beginning Balance 01/01/2017	Increases	Decreases	Ending Balance, 12/31/2017
Capital assets, not being depreciated:				
Land	$ 1,161,766	$ -	$ -	$ 1,161,766
Construction in Progress	2,109,735	700,067	(1,515,838)	1,293,963
Total capital assets, not being depreciated	3,271,501	700,067	(1,515,838)	2,455,729
Capital assets, being depreciated				
Buildings	46,768,654	115,907	-	46,884,562
Machinery & Equipment	15,671,558	3,417,088	(2,460,458)	16,628,187
Land Improvements	537,188	-	-	537,188
Infrastructure	275,409,378	(5,250,232)	-	270,159,148
Total capital assets being depreciated	338,386,778	(1,717,237)	(2,460,458)	334,209,085
Less accumulated depreciation for:				
Buildings	18,516,292	1,201,123	-	19,717,415
Machinery & Equipment	11,043,486	1,201,666	(1,730,254)	10,514,897
Land Improvements	239,663	26,859	-	266,522
Infrastructure	89,830,435	6,799,865	(1,455,484)	95,174,816
Total accumulated depreciation	119,629,877	9,229,513	(3,185,738)	125,673,651
Governmental activities capital assets, net	222,028,402	$ (10,246,683)	$ (790,558)	$ 210,991,163
Invested in Joint Ventures	101,821	5,490	-	107,311
Governmental Activities Capital Assets, net	**$ 222,130,221**	**$ (10,241,193)**	**$ (790,558)**	**$ 211,098,473**

Governmental Activities:

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

Governmental Activities:	
Judicial	$ 156,564
General Government	690,122
Public Safety	1,130,062
Transportation	7,166,726
Economic Environment	58,909
Social Services	8,152
Culture and Recreation	18,977
Total Depreciation - Governmental Activities	$ 9,229,513

Business-type Activities:

Business-Type Activities (TRAC & RV only)	Beginning Balance 01/01/2017	Increases	Decreases	Ending Balance, 12/31/2017
Capital assets, not being depreciated:				
Land	$ 25,407	$ -	$ -	$ 25,407
Construction in Progress	-	-	-	-
Total capital assets, not being depreciated	25,407	-	-	25,407
Capital assets, being depreciated				
Buildings	14,380,680	-	-	14,380,680
Machinery & Equipment	2,120,083	168,007	-	2,288,090
Improvements to Land	1,367,795	-	-	1,367,795
Other Improvements	177,139	-	-	177,139
Total Capital Assets being depreciated	18,045,698	168,007	-	18,213,705
Less accumulated depreciation for:				
Buildings	12,609,689	214,890	-	12,824,579
Machinery & Equipment	1,937,079	64,887	-	2,001,966
Improvements to Land	750,348	66,139	-	816,487
Other Improvements	131,401	15,599	-	147,000
Infrastructure	-	-	-	-
Total accumulated depreciation	15,428,517	361,515	-	15,790,032
Business-Type Activities capital assets, net	$ 2,642,588	$ (193,509)	$ -	$ 2,449,080

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

Business-type Activities:	
TRAC Multi-Use Facility	$313,696
Other Non-Major Enterprise Funds	47,820
Total Depreciation –Business-type Activities	**$361,515**

NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The County placed a financial software conversion project into service January 1, 2017, and was actively engaged in County Road construction projects at year-end.

The following schedule represents the County's commitments for these projects outstanding at December 31, 2017:

Project	Spent to Date through 12/31/17	Remaining Commitment
County Road Department		
Peterson Road Juniper Dunes Recreation Area Access	$ 343,167	$ 2,244,083
Pasco-Kahlotus Road Reconstruction & Overlay II	174,151	2,026,199
Glade North Overlay III	25,410	3,699,590
Basin City Alternative Transportation Route Improvement	35,283	132,075
County Safety Improvements	471,135	-
Taylor Flats Bridge #903-3.46 Widening	191,532	981,271
Smith Canyon Bridge	3,578	11,422
Total County Road Department	1,244,256	9,094,640
Financial Information and Asset Management System - Capital Projects Fund		
Software License and Services Agreement - Implementation	1,159,053	-
Total Capital Projects Fund	1,159,053	-
Grand Total Franklin County Commitments	$ 2,403,309	$ 9,094,640

Of the committed balance of $9,094,640, the County will be required to raise approximately $1,032,837 in future financing.

NOTE 6 - PENSION PLANS

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	$9,478,493
Pension assets	$1,186,325
Deferred outflows of resources	$1,743,311
Deferred inflows of resources	$2,060,235
Pension expense/expenditures	$1,269,286

State Sponsored Pension Plans

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

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

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

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

Public Emp loy ees' Retirement Sy stem (PER S)

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

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

Contributions

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

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

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

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

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

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

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

<u>Contributions</u>

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and

Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

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

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

The County's actual PERS plan contributions were $594,281 to PERS Plan 1 and $806,874 to PERS Plan 2/3 for the year ended December 31, 2017.

Public Safety Employees' Retirement System (PSERS)

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

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

PSERS membership includes:

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

- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol),

- Washington State Counties,

- Washington State Cities (except for Seattle, Spokane, and Tacoma),

- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

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

Contributions

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

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

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

The County's actual plan contributions were $133,909 to PSERS Plan 2 and $98,320 to PERS Plan 1 for the year ended December 31, 2017.

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

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

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

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

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

<u>Contributions</u>

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

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

<u>Contributions</u>

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

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

The County's actual contributions to the plan were $118,794 for the year ended December 31, 2017.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2017, the state contributed $62,155,262 to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is $43,309.

Actuarial Assumptions

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

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

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

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

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

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

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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

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

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$6,364,987	$5,224,949	$4,237,432
PERS 2/3	11,163,545	4,143,694	(1,608,033)
PSERS 2	737,601	109,851	(382,343)
LEOFF 1	(162,758)	(219,420)	(268,080)
LEOFF 2	209,237	(966,905)	(1,925,176)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2017, the County reported a total pension liability of $9,478,493 for its proportionate share of the net pension liabilities and $1,186,325 for its share of the net pension assets as follows:

	Liability (or Asset)
PERS 1	$5,224,949
PERS 2/3	4,143,694
PSERS 2	109,851
LEOFF 1	(219,420)
LEOFF 2	(966,905)

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

	LEOFF 1 Asset	**LEOFF 2 Asset**
Employer's proportionate share	$966,905	$219,420
State's proportionate share of the net pension asset associated with the employer	627,213	1,484,154
TOTAL	1,594,118	1,703,574

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

	Proportionate Share 6/30/16	**Proportionate Share 6/30/17**	**Change in Proportion**
PERS 1	0.104813%	0.110113%	0.005300%
PERS 2/3	0.115016%	0.119259%	0.004243%
PSERS 2	0.473154%	0.560662%	0.087508%
LEOFF 1	0.012434%	0.014462%	0.002028%
LEOFF 2	0.064670%	0.069678%	0.005008%

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

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

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

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

Pension Expense

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

	Pension Expense
PERS 1	($93,964)
PERS 2/3	(228,195)
PSERS 2	21,375
LEOFF 1	(57,904)
LEOFF 2	(95,115)
TOTAL	($453,803)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$0	$194,980
Contributions subsequent to the measurement date	$341,720	$0
TOTAL	$341,720	$194,980

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$419,854	$136,279
Net difference between projected and actual investment earnings on pension plan investments	$0	$1,104,609
Changes of assumptions	$44,014	$0
Changes in proportion and differences	$218,258	$151,775

between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	$420,056	$0
TOTAL	$1,102,181	$1,392,663

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$64,970	$7,804
Net difference between projected and actual investment earnings on pension plan investments	$0	$77,046
Changes of assumptions	$931	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$28,034	$6,738
Contributions subsequent to the measurement date	$67,189	$0
TOTAL	$161,124	$91,589

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$0	$20,389
TOTAL	$0	$20,389

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$42,497	$36,667
Net difference between projected and actual investment earnings on pension plan investments	$0	$217,077
Changes of assumptions	$1,164	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$30,516	$105,164
Contributions subsequent to the measurement date	$59,165	$0

TOTAL	$133,343	$358,907

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$527,321	$180,750
Net difference between projected and actual investment earnings on pension plan investments	$0	$1,614,101
Changes of assumptions	$46,109	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$276,808	$263,677
Contributions subsequent to the measurement date	$888,130	$0
TOTAL	$1,738,368	$2,058,528

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

Year ended December 31:	PERS 1
2018	($131,794)
2019	41,610
2020	(9,661)
2021	(95,134)
2022	0
Thereafter	0
Total	($194,980)

Year ended December 31:	PERS 2/3
2018	($433,845)
2019	92,114
2020	(86,635)
2021	(420,886)
2022	60,723
Thereafter	78,940

Total	($709,589)

Year ended December 31:	PSERS 2
2018	($13,556)
2019	16,714
2020	6,695
2021	(13,211)
2022	1,340
Thereafter	4,365
Total	$2,346

Year ended December 31:	LEOFF 1
2018	($12,796)
2019	3,451
2020	(1,378)
2021	(9,666)
2022	0
Thereafter	0
Total	($20,389)

Year ended December 31:	LEOFF 2
2018	($114,904)
2019	7,406
2020	(30,078)
2021	(102,678)
2022	(7,942)
Thereafter	(36,533)
Total	($284,730)

NOTE 7 – RISK MANAGEMENT

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2016, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are $25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: $10,000, $25,000, $50,000, $100,000, $250,000 or $500,000. For losses occurring in 2016, Franklin County selects a per-occurrence deductible of $25,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the greater of the deductible for the member with the claim or $100,000. More recent years' reinsurance programs have included "corridor deductibles" with aggregated stop losses which have the effect of increasing the Pool's SIR. For 2015-16, this "corridor" increased the SIR to $2 million, but with an aggregated stop loss of $3.45 million. Other reinsurance agreements respond to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of $40 million (lowest reinsured layer), $20 million, (second layer), $30 million (third layer) and $50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

The Pool is fully funded by its member participants. Claims are filed directly with the

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

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

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

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

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

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

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2016 was zero ($0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

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 a 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 property and sales taxes. 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	3.00%	$ 6,605,000	$ 640,000
2014 RV Park Refunding	2014-2022	1.30%	850,000	90,000
2006 Distressed Counties Limited	2006-2022	4.50%	2,025,000	145,000
2012 Software Costs	2013-2025	2.00%	1,220,000	100,000
2012 Jail Project	2013-2042	2.00%	19,125,000	455,000
2014 Criminal Jus/Juv/Jail Remodel/Distressed Counties Lmtd Refunding	2014-2022	2.15%	3,180,000	370,000
Total			$ 33,005,000	$ 1,800,000

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2018	1,800,000	867,535
2019	1,840,000	821,485
2020	1,885,000	770,763
2021	1,940,000	712,730
2022	1,995,000	649,118
2023-2027	3,095,000	2,701,806
2028-2032	3,265,000	2,160,563
2033-2037	3,960,000	1,437,250
2038-2042	4,880,000	503,600

The revenue debt currently outstanding is as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2006 PWTF Loan	2007-2026	0.50%	$ 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
2018	238,235	10,721
2019	238,235	9,529
2020	238,235	8,338
2021	238,235	7,147
2022	238,235	5,956
2023-2027	952,776	11,912
Totals	$ 2,143,953	$ 53,603

At December 31, 2017, the County has $4,440,184 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, 2017, $6,840,000 of bonds outstanding are considered defeased. The County is contingently liable for repayment of refunded debt.

During 2014, Franklin 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 $27,900 per year for the remaining eight years that the bonds are outstanding.

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NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2017, the following changes occurred in long-term liabilities:

Governmental Activities:	Beginning Balance 1/1/2017	Additions	Reductions	Ending Balance 12/31/2017
Bonds Payable: General Obligation Bonds	$ 19,550,000	$ -	$ 675,000	$ 18,875,000
Refunding General Obligation Bonds	6,860,000	-	1,075,000	5,785,000
Add/(Less) Deferred Amounts for:				
Bond Issuance Premiums	152,167	-	15,361	136,806
Loss on Refunding	(208,235)	-	(34,706)	(173,529)
Total Bonds Payable	26,353,932	-	1,730,655	24,623,277
Public Works Revenue Debt	2,382,202	-	238,235	2,143,967
Accrued Interest Payable	363,569	907,121	915,182	355,508
Liabilities Payable from Restricted Assets	**29,099,703**	**907,121**	**2,884,072**	**27,122,752**
Claims & Judgments	272,500	-	98,643	173,857
Compensated Absences	1,342,020	93,735	-	1,435,755
Net Other Postemployment Benefits Obligation	1,951,399	207,196	82,011	2,076,584
Pension Liabilities	10,828,530	8,964,635	10,828,530	8,964,635
Other Noncurrent Liabilities	**14,394,449**	**9,265,566**	**11,009,184**	**12,650,831**
Governmental Activity Long-Term Liabilities	**$ 43,494,152**	**$ 10,172,687**	**$ 13,893,256**	**$ 39,773,583**
Business-Type Activities:				
Compensated Absences	$ 55,769	$ -	$ 1,202	$ 54,567
Pension Liabilities	792,463	-	278,604	513,859
Business-Type Activities: Long-Term Liabilities	**$ 848,232**	**$ -**	**$ 279,806**	**$ 568,426**

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, $20,624 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.

NOTE 11 – RESTRICTED COMPONENT OF NET POSITION

The government-wide statement of net position reports $4,705,858 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.

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Interfund balances at December 31, 2017 were as follows:

	Due From Fund (Asset)							
	General Fund	E911/State Contract Fund	County Road Fund	Other Govern-mental Funds	TRAC Operations Fund	Other Non-Major Enterprise Fund	Internal Service Funds	Total
Due To Fund (Liability)								
General Fund	$ 159,648	$ -	$ 1,789	$ -	$ 6,643	$ 170	$ 34,183	$ 202,433
E911/State Contract Fund	138,801	-				-	-	138,801
County Road Fund	139,501	2,067	-	12,501		-	100,701	254,769
Other Governmental Funds	5,049	-	25,815	-	7,338	-	-	38,202
TRAC Operations Fund	69,169	-	-	-		-	236	69,405
Other Non-Major Enterprise Fund	226	-	-	-	7,862	-	-	8,088
Internal Service Funds	44,266	-	-	-		-	-	44,266
Total	$ 556,660	$ 2,067	$ 27,604	$ 12,501	$ 21,843	$ 170	$ 135,119	$ 755,964

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, or 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, 2017 were as follows:

	Transfer To Fund				
	General Fund	County Roads Fund	Other Govern-mental Funds	TRAC Operations Fund	Total
Transfers From Fund					
General Fund	$ -	$ -	$ 45,000	$ 72,493	$ 117,493
County Roads Fund	-	-	12,501	-	12,501
.3% CJ Sales Tax LTGO Debt Svc Fund	1,337,525	-	-	-	1,337,525
Other Governmental Funds	10,000	600,133	292,444	80,084	982,661
TRAC Operations Fund	-	-	12,000	-	12,000
Franklin County RV Facility	-	-	-	85,805	85,805
Total	$ 1,347,525	$ 600,133	$ 361,945	$ 238,382	$ 2,547,985

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 2017:

Borrowing Fund	Lending Fund	Balance 1/1/2017	New Loans 2017	Repayments 2017	Balance 12/31/2017
Other Governmental Funds	County Road	$ 35,931	$ -	$ 7,137	$ 28,794
Motor Vehicle	County Road	248,149	-	61,926	186,223
Other Governmental Funds	Other Governmental Funds	-	120,000	-	120,000
County Road	Other Governmental Funds	-	900,000	450,000	450,000
Total		$ 284,080	$ 1,020,000	$ 519,063	$ 785,017

NOTE 13 - JOINT VENTURES

A. Bi-County Police Information Network

Bi-County Police Information Network

The Bi-County Police Information Network (BI-PIN) was established November 24, 1982, when an Interlocal Agreement was entered into by eight participating municipal corporations; the cities of Kennewick, Pasco, Richland, Connell West Richland, and Prosser, and Benton and Franklin Counties. 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 position will be shared based upon participant contribution.

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

Franklin County's equity interest in BI-PIN was $69,852 on December 31, 2017, which is reported as an investment in joint ventures in the government-wide statement of net position. The $11,114 change in equity is reflected in the government-wide statement of activities under Public Safety. The City 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

W. 6th Ave., Kennewick, Washington, 99336.

Metro Drug Forfeiture Fund

The Metropolitan Controlled Substance Enforcement Group (Metro) was established prior to 1987, when an Interlocal Agreement was entered into by six participating municipal corporations: the cities of Kennewick, Pasco, Richland, and West Richland, and Benton and Franklin Counties. Metro was established to account for the proceeds of forfeitures, federal grants, and court ordered contributions, and to facilitate the disbursement of those proceeds for the purpose of drug enforcement and investigations. Metro is served by an Executive Committee composed of the City Manager or designee of each of the cities and a member from each of the Boards of County Commissioners of Benton and Franklin Counties. In addition, a Governing Board consisting of the Chiefs of Police from the cities and the Sheriffs from the counties administers daily activity.

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

Franklin County's equity interest in Metro was $37,459 at June 30, 2017, and is shown as an investment in joint ventures on the government-wide Statement of Net Position. The $16,604 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, 2017 was as follows:

Retirees and Beneficiaries Receiving Benefits	6
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	0
Total	**6**

The County does not issue a stand-alone financial report for its OPEB plan. The Office of the State Actuary, however, has issued a 2015 Other Post-Employment Benefits Actuarial Valuation Report and a 2013 LEOFF 1 Medical Benefits Study Report, 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, 2017, the County paid $82,011 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)	$304,651
Net OPEB Obligation interest	78,056
Net OPEB Obligation amortization	(175,511)
Annual OPEB Cost	207,196

Contributions made	(82,011)
Increase in net OPEB obligation	125,185
Net OPEB obligation - beginning of year	1,951,399
Net OPEB obligation - end of year	2,076,584

The annual required contribution (ARC) includes $0 of normal cost or the portion of liability that is earned in one year's time, and $304.651 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 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Plan Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2017	$ 207,196	$ 82,011	39.58%	$ 2,076,584
12/31/2016	$ 234,339	$ 91,325	38.97%	$ 1,951,399
12/31/2015	$ 353,208	$ 152,300	43.12%	$ 1,808,385

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 April 23, 2017 based on December 31, 2017 data.

The funded status of the plan as of December 31, 2016, was as follows:

Actuarial accrued liability (AAL)	$3,387,224
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	$3,387,224
Funded ratio (actuarial value of plan Assets / AAL)	0.00%
Covered payroll (active plan members)	$0
UALL as a percentage of covered payroll	0%

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 55.3 was assumed for all active members for the purpose of 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, 2014, actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was the 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, 2017, there was $21,774 of restricted component of net position in the Landfill Closure Trust Fund. Although there were no expenditures made from the fund during 2017, it has not been determined if the remainder of the funds held for remediation costs will be adequate to cover the County's future liability.

Note 16 – PRIOR PERIOD ADJUSTMENTS

As mentioned in Note 1.E.7, a prior period adjustment was made to the entity-wide beginning net position, in the amount of ($4,136,372) resulting from the City of Pasco's annexations of 24.3 miles of county roads. The annexations were made in prior periods, but the adjustment to beginning net position was made only for FY 2017. The previously reported beginning net position was adjusted from $198,315,364 to $194,178,992.

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, 2015 through 2017

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)
2017	4/23/2018	-	3,387,224	3,387,224	0.00%	-	0.00%
2016	5/9/2017	-	3,609,604	3,609,604	0.00%	49,566	7282.39%
2015	3/28/2016	-	4,515,511	4,515,511	0.00%	82,328	5484.81%

Schedule of Employer Contributions

Fiscal Year	Annual Employer Contribution (a)	Annual Required Contribution (ARC) (b)	Percentage of Annual Required Contribution Contributed (a / b)
2017	82,011	304,651	26.92%
2016	91,325	324,652	28.13%
2015	152,300	433,487	35.13%

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, 2015 through 2017

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 April 23, 2018 predicts that the Unfunded Actuarial Accrued Liability will continue to increase until around 2036 and thereafter begin to decline.

Franklin County
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System Plan 1
As of June 30, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.108389%	0.104813%	0.110113%	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability	$5,669,763	$5,628,935	$5,224,949	-	-	-	-	-	-	-
Employer's covered employee payroll	$126,549	$124,712	$129,653	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	4480.29%	4513.54%	4029.95%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	-	-	-	-	-	-	-

* Information by year will be included in this schedule as the historical data becomes available.

Franklin County
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System Plan 2/3
As of June 30, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.122441%	0.115016%	0.119259%	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability	$4,374,880	$5,790,977	$4,143,694	-	-	-	-	-	-	-
Employer's covered employee payroll	$11,013,374	$8,932,599	$11,934,078	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	39.72%	64.83%	34.72%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	-	-	-	-	-	-	-

* Information by year will be included in this schedule as the historical data becomes available.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Franklin County
Schedule of Proportionate Share of the Net Pension Liability
Public Safety Employees' Retirement System Plan 2
As of June 30, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	0.436486%	0.473154%	0.560662%	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability	$79,667	$201,081	$109,851	-	-	-	-	-	-	-
Employer's covered employee payroll	$1,429,633	$1,536,074	$2,011,727	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	5.57%	13.09%	5.46%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	95.08%	90.41%	96.26%	-	-	-	-	-	-	-

* Information by year will be included in this schedule as the historical data becomes available.

Franklin County
Schedule of Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1
As of June 30, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	-0.011665%	-0.012434%	-0.014462%	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability/(asset)	($140,589)	($128,106)	($219,420)	-	-	-	-	-	-	-
Employer's covered employee payroll	$80,238	$80,238	$0	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-175.21%	-159.66%	0.00%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	127.36%	123.74%	135.96%	-	-	-	-	-	-	-

* Information by year will be included in this schedule as the historical data becomes available.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Franklin County
Schedule of Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2
As of June 30, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	-0.063203%	-0.064670%	-0.069678%	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability/(asset)	($649,600)	($376,140)	($966,905)	-	-	-	-	-	-	-
LEOFF 2 employers only - State's proportionate share of the net pension liability (asset) associated with the employer	($258,558)	($866,504)	($627,213)	-	-	-	-	-	-	-
TOTAL	($908,158)	($1,242,644)	($1,594,118)	-	-	-	-	-	-	-
Employer's covered employee payroll	$1,946,461	$1,959,118	$2,311,313	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-46.66%	-63.43%	-68.97%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	111.67%	106.04%	113.36%	-	-	-	-	-	-	-

* Information by year will be included in this schedule as the historical data becomes available.

Franklin County
Schedule of Employer Contributions
Public Employees' Retirement System Plan 1
As of December 31, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions **	$553,056	$615,218	$691,217	-	-	-	-	-	-	-
Contributions in relation to the statutorily or contractually required contributions	($553,056)	($615,218)	($691,217)	-	-	-	-	-	-	-
Contribution deficiency (excess)	$0	$0	$0	-	-	-	-	-	-	-
Covered employer payroll	$124,643	$125,970	$129,653	-	-	-	-	-	-	-
Contributions as a percentage of covered employee payroll	443.71%	488.39%	533.13%	-	-	-	-	-	-	-

* Information by year will be included in this schedule as the historical data becomes available.

** Excludes administrative fee.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Franklin County
Schedule of Employer Contributions
Public Employees' Retirement System Plan 2/3
As of December 31, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions **	$599,996	$679,383	$806,874	-	-	-	-	-	-	-
Contributions in relation to the statutorily or contractually required contributions	($599,996)	($679,383)	($806,874)	-	-	-	-	-	-	-
Contribution deficiency (excess)	$0	$0	$0	-	-	-	-	-	-	-
Covered employer payroll	$10,850,951	$10,962,450	$11,934,078	-	-	-	-	-	-	-
Contributions as a percentage of covered employee payroll	5.53%	6.20%	6.76%	-	-	-	-	-	-	-

* Information by year will be included in this schedule as the historical data becomes available.
** Excludes administrative fee.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Franklin County
Schedule of Employer Contributions
Public Safety Employees' Retirement System Plan 2
As of December 31, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions **	$91,340	$116,000	$133,909	-	-	-	-	-	-	-
Contributions in relation to the statutorily or contractually required contributions	($91,340)	($116,000)	($133,909)	-	-	-	-	-	-	-
Contribution deficiency (excess)	$0	$0	$0	-	-	-	-	-	-	-
Covered employer payroll	$1,413,660	$1,760,807	$2,011,727	-	-	-	-	-	-	-
Contributions as a percentage of covered employee payroll	6.46%	6.59%	6.66%	-	-	-	-	-	-	-

* Information by year will be included in this schedule as the historical data becomes available.
** Excludes administrative fee.

Franklin County
Schedule of Employer Contributions
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1
As of December 31, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions **	$0	$0	0	-	-	-	-	-	-	-
Contributions in relation to the statutorily or contractually required contributions	$0	$0	$0	-	-	-	-	-	-	-
Contribution deficiency (excess)	$0	$0	$0	-	-	-	-	-	-	-
Covered employer payroll	$90,456	$54,607	$0	-	-	-	-	-	-	-
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	-	-	-	-	-	-	-

* Information by year will be included in this schedule as the historical data becomes available.
** Excludes administrative fee.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Franklin County
Schedule of Employer Contributions
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1
As of December 31, 2017
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions **	$160,963	$162,981	$118,794	-	-	-	-	-	-	-
Contributions in relation to the statutorily or contractually required contributions	($160,963)	($162,981)	($118,794)	-	-	-	-	-	-	-
Contribution deficiency (excess)	$0	$0	$0	-	-	-	-	-	-	-
Covered employer payroll	$1,974,465	$1,950,171	$2,311,313	-	-	-	-	-	-	-
Contributions as a percentage of covered employee payroll	8.15%	8.36%	5.14%	-	-	-	-	-	-	-

* Information by year will be included in this schedule as the historical data becomes available.
** Excludes administrative fee.

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Bureau Of Land Management, Department Of The Interior	Recreation and Visitor Services	15.225	L16AC00096-0001-0000	-	48,473	48,473	-	1
Office For Victims Of Crime, Department Of Justice (via WA State Department of Commerce)	Crime Victim Assistance	16.575	S17-31102-510/2015-VA-GX-0031/S18-31102-510/2016-VA-GX-0044	72,977	-	72,977	-	1, 2
Violence Against Women Office, Department Of Justice (via WA State Department of Commerce)	Violence Against Women Formula Grants	16.588	F16-31103-022/2016-WF-AX-0036	33,650	-	33,650	-	1, 2
National Institute Of Justice, Department Of Justice (via WA State Patrol)	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2016-CD-BX-0078	3,125	-	3,125	-	1, 2
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(385)	8,190	-	8,190	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPR-F115(003)	28,750	-	28,750	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPR-E112(002)	86,210	-	86,210	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPR-F114(003)	10,932	-	10,932	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	TAP-B111(005)	3,387	-	3,387	-	1, 2

The accompanying notes are an integral part of this schedule.

Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(392)	327,681	-	327,681	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	ER-1701(040)	11,764	-	11,764	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	ER-1701(041)	53,159	-	53,159	-	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	ER-1701(042)	2,988	-	2,988	-	1, 2
			Total CFDA 20.205:	**533,061**	**-**	**533,061**	**-**	
Federal Highway Administration (fhwa), Department Of Transportation	Federal Lands Access Program	20.224	DTFH7016E0003 4	-	23,500	23,500	-	1, 2
			Total Highway Planning and Construction Cluster:	**533,061**	**23,500**	**556,561**	**-**	
Highway Safety Cluster								
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	4,930	-	4,930	-	1, 2
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Association of Sheriffs & Police Chiefs)	State and Community Highway Safety	20.600	N/A	1,000	-	1,000	-	1, 2
			Total Highway Safety Cluster:	**5,930**	**-**	**5,930**	**-**	
Administration For Children And Families, Department Of Health And Human Services (via Department of Social and Health Services)	Child Support Enforcement	93.563	N/A	363,083	-	363,083	-	1, 2, 3
United States Coast Guard (uscg), Department Of Homeland Security (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3317FAS170153	16,022	-	16,022	-	1, 2

The accompanying notes are an integral part of this schedule.

United States Coast Guard (uscg), Department Of Homeland Security (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3316FAS160153	15,181	-	15,181	-	1, 2
			Total CFDA 97.012:	**31,203**	**-**	**31,203**	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Federal Emergency Management Agency)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D17-101	1,042,044	-	1,042,044	-	1, 2
		Total Federal Awards Expended:		**2,085,073**	**71,973**	**2,157,046**	**-**	

The accompanying notes are an integral part of this schedule.

Franklin County

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Note 1 – Basis of Accounting

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

Note 2 – Program Costs

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

Note 3 – Indirect Cost Rate

The amount expended includes $43,219 claimed as an indirect cost recovery using an approved indirect cost rate of 10.00 percent. The County has elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

FRANKLIN COUNTY
PUBLIC WORKS DEPARTMENT

Matt Mahoney, Public Works Director
Craig Erdman, PE, County Engineer/Asst. Public Works Director

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Franklin County
January 1, 2017 through December 31, 2017

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

Finding ref number: 2017-001	**Finding caption:** The County did not have adequate internal controls in place to ensure compliance with suspension and debarment requirements.

Name, address, and telephone of County contact person:
Tom Westerman, Finance Director
1016 N. 4th Avenue
Pasco, WA 99301, 509-545-3540

Corrective action the auditee plans to take in response to the finding:

The Franklin County Public Works Department acknowledges its failure to comply with the suspension and debarment requirements. This is a requirement that we are fully aware of, and comply with on Federally Funded Transportation projects.

Failure to comply, in this case, was due to the nature of the work being completed (response to a County and State wide emergency). In other words, with all that was going on, it was missed.

To insure that we don't miss it in the future, regardless of the nature of the work, and our compliance with the subject CFR and with Finding Reference Number 2017-001 we have added this vital step to our internal project checklist so that compliance can and will be documented at the time and date it happens, along with the appropriate supporting documentation.

Anticipated date to complete the corrective action:
Corrective action was taken on September 12, 2018.

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.

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Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov