Office of the Washington State Auditor
Pat McCarthy

# Financial Statements and Federal Single Audit Report

# Franklin County

**For the period January 1, 2023 through December 31, 2023**

*Published April 17, 2025*

Report No. 1037047

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# Office of the Washington State Auditor
# Pat McCarthy

April 17, 2025

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

### *Americans with Disabilities*

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**Franklin County**
**January 1, 2023 through December 31, 2023**

## 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 basic financial statements of the governmental activities, the aggregate discretely presented component units, each major governmental fund and the remaining governmental fund information in accordance with accounting principles generally accepted in the United States of America (GAAP); we were engaged to audit and we issued a disclaimer of opinion on  the business-type activities, the HAPO Operations fund and  remaining enterprise fund information.

Internal Control over Financial Reporting:

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

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

### Federal Awards

Internal Control over Major Programs:

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

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

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

## Identification of Major Federal Programs

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

| ALN | Program or Cluster Title |
|---|---|
| 21.027 | COVID-19 – Coronavirus State and Local Fiscal Recovery Funds |

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

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

## SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2023-001.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**Franklin County**
**January 1, 2023 through December 31, 2023**

## 2023-001 The County did not have adequate internal controls for ensuring accurate reporting of its financial statements.

### *Background*

State and federal agencies, County Commissioners and the public rely on information included in the financial statements and reports to make decisions. County management is responsible for designing, implementing and maintaining internal controls to ensure the financial statements and supplementary schedules are fairly presented, and to provide reasonable assurances regarding the reliability of financial reporting. The County prepares its financial statements in accordance with generally accepted accounting principles (GAAP).

The County owns an events center in Pasco called the HAPO Center. The County contracted with a third-party management company to manage the financial activity at the HAPO Center but did not effectively monitor this activity. The County was unable to provide underlying accounting records for the amounts reported on the financial statements related to the HAPO Center.

Our audit identified deficiencies in internal controls over accounting and financial reporting that affected the County's ability to produce accurate financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate a material weakness in internal controls, as defined in the Applicable Laws and Regulations section below, as a finding.

### *Description of Condition*

Our audit found material weaknesses in the County's internal controls over financial reporting. The County did not have effective internal controls to:

- Ensure it has adequate documentation to support all financial information it reports
- Reevaluate established accounting and reporting processes regularly to ensure they are accurate

### *Cause of Condition*

The County experienced turnover in in the County Administrator position three times during the period, which led to a lack of contract oversight for the HAPO Center operations.

The County did not dedicate sufficient resources to ensure accurate reporting of its financial statements.

### *Effect of Condition*

We were unable to obtain sufficient audit evidence for the County's Business Activities and HAPO Operations funds presented on the financial statements. Therefore, we are unable to express an opinion as to whether these funds are materially correct.

Further, because of the internal control deficiencies, the County's financial statements contained misstatements. Specifically, the County:

- Overstated revenue and expenditures in the governmental funds by $5 million
- Misclassified $1.5 million of governmental expenditures in the American Rescue Plan Fund as social service expenditures
- Incorrectly reported tax revenue of $6 million in debt service funds. This revenue should be reported in special revenue funds.
- Did not identify $1,992,541 as passed through to subrecipients on the Schedule of Expenditures of Federal Awards

We also noted several other minor errors in the management's discussion and analysis, financial statements, notes to the financial statements and related schedules. The County subsequently corrected the above bulleted errors.

### *Recommendation*

We recommend the County develop and implement processes to ensure the financial activity, specifically related to the HAPO Center, is supported by adequate documentation and contracts are adequately monitored. We also recommend the County improve its internal control processes to routinely reevaluate established accounting and reporting processes for accuracy.

## *County's Response*

*The County agrees with the finding. The County takes this finding seriously and is taking steps to prevent it from happening again.*

*The reported $5 million overstatement of revenues and expenditures in governmental funds resulted from misclassifying activity that should have been attributed to our HAPO Operations fund and Business Activities opinion units. This was a misallocation of existing activity, not a reporting of non-existent activity.*

*The issue of tax revenues incorrectly reported in the debt service funds was addressed prospectively while adopting the 2024 budgets in December 2023. At that time, a new special revenue fund was created, the balance of the affected debt service fund was transferred to the new fund, and future tax collections were directed to the new fund. While this change was implemented going forward, it was not retroactively applied to the 2023 financial statements as it should have been.*

*Franklin County is committed to producing timely and accurate financial statements and recognizes its responsibility. We continually improve our internal control processes and management oversight of financial statement preparation and review. This commitment to continuous improvement will ensure greater accuracy in future financial reporting.*

*Regarding The HAPO Center and Business Activities, the County agrees with the State Auditor's Office and has made the necessary changes to address their recommendations. A competitive process resulted in selecting an experienced management group that has addressed the internal control and reporting deficiencies.*

*The County has engaged the former vendor and requested that they supply the documentation and records they contractually agreed to compile and report to account for all public funds properly.*

*The County appreciates the time and effort of the State Auditor's Office and views the audit process as a valuable opportunity to strengthen our controls and processes.*

## *Auditor's Remarks*

We thank the County for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the County's corrective action during our next audit.

## *Applicable Laws and Regulations*

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

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

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

*Budgeting, Accounting and Reporting System* (BARS Manual), 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

1016 N 4th Ave, Pasco,
WA 99301
509-545-3502

# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

## Franklin County
## January 1, 2023 through December 31, 2023

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

| **Audit Period:** January 1, 2022 – December 31, 2022 | **Report Ref. No.:** 1033471 | **Finding Ref. No.:** 2022-001 | **Assistance Listing Number(s):** 21.027 |
|---|---|---|---|
| **Federal Program Name and Granting Agency:** COVID – 19 – Coronavirus State and Local Fiscal Recovery Funds; U.S. Department of Treasury | | **Pass-Through Agency Name:** N/A | |
| **Finding Caption:** The County's internal controls were inadequate for ensuring compliance with federal suspension and debarment and reporting requirements. | | | |
| **Background:** Suspension and Debarment<br><br>Our audit found the County's internal controls were inadequate for ensuring staff verified the suspension and debarment status of contractors for purchases exceeding $25,000, paid all or in part with federal funds. Specifically, the County did not verify 10 contractors were not suspended or debarred from participating in federal programs before entering into contracts with them or before charging costs to the federal award. The County paid these contractors $1,554,614 in 2022.<br><br>Reporting<br><br>Although the County had a process to ensure the report was submitted, its controls were inadequate for ensuring key line items were accurate. The County reported inaccurate key line items in each of the current and cumulative obligation and expenditure fields on the quarterly Project and Expenditure Reports submitted in 2022. Specifically, the County | | | |

| |
|---|
| reported the total cumulative expenditures in quarter four as $1,085,225; however, the County spent $3,422,930 in cumulative expenditures. |
| **Status of Corrective Action: (check one)**<br>☒ Fully Corrected ☐ Partially Corrected ☐ Not Corrected ☐ Finding is considered no longer valid |
| **Corrective Action Taken:**<br>*The county has:*<br>• *Added language to contracts requiring vendors to certify that they are not suspended or debarred and/or conducted suspension and debarment checks online via SAM.gov and printed the documentation.*<br>• *Ensured that quarterly reporting was done timely and accurately.*<br>• *Increased communication between the County Auditor's Office accounting department and the Project Manager for this grant to ensure all requirements are met.* |

## INDEPENDENT AUDITOR'S REPORT

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

**Franklin County**
**January 1, 2023 through December 31, 2023**

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 aggregate discretely presented component units, each major governmental fund and the remaining governmental fund information; and we were engaged to audit the business-type activities, the HAPO Operations fund and remaining enterprise fund information of Franklin County, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 16, 2025.

Our report disclaims an opinion on the business-type activities, the HAPO Operations fund and remaining enterprise fund information because the County was unable to provide adequate documentation to support financial activities for the year ended December 31, 2023, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures.

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the governmental activities**,** the aggregate discretely presented component units, each major governmental fund and the remaining governmental fund information, and in connection with our engagement to audit the business-type activities, the HAPO Operations fund and remaining enterprise fund information, we considered the County's internal control over financial reporting (internal control) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2023-001, that we consider to be material weaknesses.

## REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements of the governmental activities**,** the aggregate discretely presented component units, each major governmental fund and the remaining governmental fund information are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit or engagement to 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*.

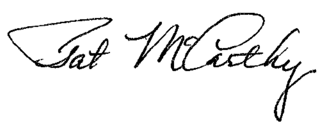
In connection with our engagement to audit the business-type activities, the HAPO Operations fund and remaining enterprise fund information we were unable to perform tests required by auditing standards, as described in the accompanying Schedule of Audit Findings and Responses in Finding 2023-001. If the scope of our work had been sufficient to enable us to express opinions on the business-type activities, the HAPO Operations fund and remaining enterprise fund information, instances of noncompliance or other matters may have been identified and reported herein.

## COUNTY'S RESPONSE TO FINDINGS

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to the findings identified in our audit; and engagement to audit and described in the accompanying Schedule of Audit Findings and Responses. The County's response was not subjected to the auditing procedures applied in the audit; and engagement to audit the financial statements and, accordingly, we express no opinion on the response.

## PURPOSE OF THIS REPORT

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



Pat McCarthy, State Auditor

Olympia, WA

April 16, 2025

# INDEPENDENT AUDITOR'S REPORT

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

**Franklin County**
**January 1, 2023 through December 31, 2023**

Board of Commissioners
Franklin County
Pasco, Washington

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

### Opinion on Each Major Federal Program

We have audited the compliance of Franklin County, with the types of compliance requirements identified as subject to audit 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, 2023. The County's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2023.

### Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the County's compliance with the compliance requirements referred to above.

## Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

## Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## REPORT ON 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### 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

April 16, 2025

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

**Franklin County**
**January 1, 2023 through December 31, 2023**

Board of Commissioners
Franklin County
Pasco, Washington

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Unmodified and Disclaimer of Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major governmental fund and the remaining governmental fund information; and we were engaged to audit the business-type activities, the HAPO Operations fund and remaining enterprise fund information of Franklin County, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the financial section of our report.

### Disclaimer of Opinion on the Business-Type Activities, the HAPO Operations Fund and Remaining Enterprise Fund Information

We do not express an opinion on the business-type activities, the HAPO Operations fund and remaining enterprise fund information of the County. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the business-type activities, the HAPO Operations fund and remaining enterprise fund information.

### Unmodified Opinions on the Governmental Activities, the Aggregate Discretely Presented Component Units, Each Major Governmental Fund and the Remaining Governmental Fund Information

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major governmental fund and the remaining governmental fund information of Franklin County, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, County Road, American Rescue Plan, Mental Health and Distressed County Public Facilities funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Disclaimer of Opinion on the Business-Type Activities, the HAPO Operations Fund and Remaining Enterprise Fund Information

The County experienced turnover in the County Administrator position which led to lack of contract monitoring of the HAPO Center Operations. The County was unable to provide support for the financial information it reports. As of the date of our audit report, the County is in the process of implementing processes for effectively monitoring the contract and financial activity at the HAPO Center. Because of this, we are unable to confirm or verify by alternative means the financial statement amounts for the business activities, the HAPO Operations Fund and the remaining enterprise fund information. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary for the amounts included in the Statement of Net Position – proprietary funds, Statement of Revenues, Expenses and Changes in Net Position – proprietary funds and Statement of Cash Flows – proprietary funds, business-type activities, the HAPO Operations fund, and remaining enterprise fund information are included in the County's basic financial statements and represent 100% of the business activity reported.

### Basis for Unmodified Opinions

We conducted our audit of the financial statements of the governmental activities**,** the aggregate discretely presented component units, each major governmental fund and the remaining governmental fund information in accordance with accounting principles generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions.

### Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

### Auditor's Responsibilities for the Audit of the Business-Type Activities, the HAPO Operations Fund and Remaining Enterprise Fund Information

Our responsibility is to conduct an audit of the County's financial statements in accordance with GAAS and *Government Auditing Standards* and to issue an audit report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the business-type activities, the HAPO Operations fund and remaining enterprise fund information. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

### Auditor's Responsibilities for the Audit of the Governmental Activities, the Aggregate Discretely Presented Component Units, Each Major Governmental Fund and the Remaining Governmental Fund Information>

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Required Supplementary Information

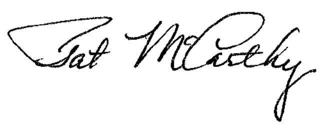
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 supplementary information 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 as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2025 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 the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

April 16, 2025

# FINANCIAL SECTION

**Franklin County**
**January 1, 2023 through December 31, 2023**

## REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023

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# 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, 2023. The County's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

## FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

- The assets and deferred outflows of resources of Franklin County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $222,618,236 (referred to as *net position* of the primary government). Of this amount, $27,854,973 represents unrestricted net position, which may be used to meet the County's short-term obligations to its vendors, creditors, employees, and customers.

- The County's total net position increased by $11,021,813, or 5.21%, over last year in part due to:

    - governmental fund revenues and other financing sources exceeding expenditures and other financing uses by $4,550,493
    - government-wide pension assets and deferred outflows of resources less pension liabilities and deferred inflows of resources increased by $2,548,024
    - increases to business-type activities capital assets of $5,014,035 and depreciation of $290,388, for a net increase to net position of $4,723,647

- The governmental activities component of net position increased by $6,203,768, or 3.04%, over last year while the business-type activities component of net position increased $4,818,046, or 65.44%.

- The County's governmental funds reported combined fund balance of $37,615,415, an increase of $4,550,493 from the prior year. Of this fund balance, $5,932,483, or 15.77%, is unassigned fund balance which is available for spending at the government's discretion.

- Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was $5,932,483, or approximately 13.53% of total annual General Fund expenditures, including transfers. Total fund balance for the General Fund decreased by $120,603, or 1.65%, from the prior year.

- Total liabilities of the County are $31,512,344, with nearly half of the total, or 48.50% due to bonds payable at $15,285,000.

## 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 HAPO Center and the Franklin County RV Park.

The County's government-wide financial statements include the financial data of other legally separate entities that are reported as discrete component units: the Horticultural Pest and Disease Board and the Franklin County Noxious Weed Control Board. While government standards call for these entities to be reported as part of the overall financial reporting entity, they are not included within the primary government.

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.

Franklin County maintains a General Fund (also called Current Expense) and several other individual governmental funds organized according to their type (special revenue, debt service, and capital projects). The County reports four governmental major funds, the General Fund, the American Rescue Plan Fund, the County Road Fund, and the Distressed County Public Facilities Fund. Each major fund is presented in a separate column in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single aggregated presentation as "nonmajor governmental funds."

***Proprietary funds*** are reported in the fund financial statements and generally report services for which the County charges customers a fee. The County operates four proprietary funds, which includes two enterprise funds and two internal service funds. The enterprise funds (HAPO 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, one small unemployment fund that the County uses to self-insure for actual unemployment claims, and an Insurance Claims fund that is used to accumulate all of the employee and employers medical costs and then pay the vendors. Services provided by these funds are internal to the County, and for the most part eliminated from the government-wide statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. This fund group also includes the investment trust funds that are used to report investment pool activity on behalf of special districts and public authorities. Since the resources of these funds are not available to support the County's own programs, they are not reflected in the government-wide financial statements. The basic fiduciary funds financial statements can be found immediately following the proprietary funds financial 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, which includes the County's Other Post Employment Benefit (OPEB) and Net Pension Liability (NPL) information.

**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 of resources exceeded liabilities and deferred inflows of resources by $222,618,236 at the close of the most recent year, which compares to $211,596,423 at the end of 2022.

The positive change was due in part to governmental fund revenues and other financing sources exceeding expenditures and other financing sources by $4,550,493. This $4.5 million includes an additional $626,975 in sales and use tax for chemical dependency or mental health treatment and therapeutic court programs and services that was approved via Ordinance 11-2021. This year was the first full year of this tax. In 2022, the County collected $2,150,188. Spending of this sales and use tax has been minimal at this point as only $332,140 was spent from the Mental Health Fund in 2022 and $381,532 in 2023. There was a net increase of $2,754,082 to net position attributed to the Mental Health fund in 2023.

Other positive impacts to net position were from increases to business-type activities capital assets of $5,014,035 and depreciation/amortization of $290,388, for a net increase to net position of $4,723,647. There were also net increases to government-wide pension assets and deferred outflows of resources less pension liabilities and deferred inflows of resources of $2,548,024.

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

**Statement of Net Position**

| | Governmental Activities 2023 | Business-Type Activities 2023 | Total 2023 |
|---|---|---|---|
| **Assets:** | | | |
| Current and Other Assets | 57,183,631 | 1,677,654 | 58,861,285 |
| Capital Assets | 182,420,312 | 11,193,969 | 193,614,281 |
| **Total Assets** | 239,603,943 | 12,871,622 | 252,475,566 |
| **Total Deferred Outflows of Resources** | 5,847,620 | 15,890 | 5,863,510 |
| **Liabilities** | | | |
| Long-Term Liabilities | 24,749,270 | 22,246 | 24,771,516 |
| Other Liabilities | 6,335,595 | 405,233 | 6,740,828 |
| **Total Liabilities** | 31,084,864 | 427,479 | 31,512,344 |
| **Total Deferred Inflows of Resources** | 3,929,245 | 279,251 | 4,208,496 |
| **Net Position** | | | |
| Investment in Capital Assets, Net of Debt | 167,199,366 | 11,193,969 | 178,393,335 |
| Restricted | 16,355,820 | 14,108 | 16,369,928 |
| Unrestricted | 26,882,268 | 972,705 | 27,854,973 |
| **Total Net Position** | 210,437,454 | 12,180,782 | 222,618,236 |

The County reported restricted net position of $16,369,928 in 2023, with 58.22% of that restricted for debt service and 38.14% tied to the County's net pension asset.

Approximately 79.45% of the governmental activities' net position is tied up in net investment of capital assets. This is because a majority of the County's governmental activities assets are capital assets at 76.13%. This 79.45% would be even higher, except for the County's related debt which amounts to $15,220,946 including the deferred outflow on refunding reducing that amount. Without the related debt, capital assets would account for 86.69% of net position.

Infrastructure, net of accumulated depreciation of $141,951,715 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.

Overall (Governmental and Business-type), the County had 86.97% of its net position contained in net investment in capital assets net of debt. As discussed above, capital assets related to infrastructure represent by far the largest portion of the County's net position.

Governmental activities accounted for 56.29% of the total improvement in net position of the County. The total revenues for governmental activities, including transfers and other financing sources, were $69,782,833. Economic environment accounted for $8,347,080, or 11.96%, of the total revenues and transportation accounts for $7,160,514, or 10.26% of the total. Economic environment revenue was a primary revenue source this year due to a Coronavirus State and Local Recovery Funds grant recognized as revenue by the County in 2023. Over $18 million total was received government-wide in 2021 and 2022 and $7,552,677 of this amount was recognized as revenue in 2023 within governmental activities.

Expenses, including transfers and other financing uses, for governmental activities during the year were $63,579,065. General government expenses account for $20,200,512, or 31.77% of the total expenses and public safety accounts for $21,560,891, or 33.91%.

Total program revenues less function/program expenses, including the general government and public safety programs listed above, led to a decrease in net position of $35,068,159. These program deficits were made up, and more, by general revenues of $41,283,281. These general revenues include sales and use taxes of $21,082,154, or 30.21% of total revenues, and property taxes of $15,791,036, or 22.63% of total revenues. These two revenues account for more than 50% of all governmental activities revenues at 52.84%.

Key elements of 2023's changes in net position are as follows:

**Summary of Changes in Net Assets**

| | Governmental Activities 2023 | Business-Type Activities 2023 | Total 2023 |
|---|---|---|---|
| Revenues: | | | |
| Program: | | | |
| Charges for Services | 9,555,037 | 707,084 | 10,262,121 |
| Operating Grants & Contributions | 14,930,185 | 5,176,535 | 20,106,720 |
| Capital Grants & Contributions | 4,014,331 | - | 4,014,331 |
| General: | | | |
| Property Taxes | 15,791,036 | - | 15,791,036 |
| Sales Taxes | 21,082,154 | - | 21,082,154 |
| Other Taxes | 1,797,038 | (52) | 1,796,986 |
| State Shared Revenues, Entitlements, and Impact Payments | 111,162 | - | 111,162 |
| Investment Earnings | 2,406,634 | 16,889 | 2,423,522 |
| Gain on sale of capital assets | 95,257 | - | 95,257 |
| Total Revenues | 69,782,833 | 5,900,455 | 75,683,288 |
| Program Expenses | | | |
| Judicial | 3,578,497 | - | 3,578,497 |
| General Government | 20,200,512 | - | 20,200,512 |
| Public Safety | 21,560,891 | - | 21,560,891 |
| Transportation | 14,960,568 | - | 14,960,568 |
| Natural Environment | 148,301 | - | 148,301 |
| Economic Environment | 1,555,417 | - | 1,555,417 |
| Social Services | 821,530 | - | 821,530 |
| Culture & Recreation | 311,627 | 1,034,961 | 1,346,588 |
| Loss on Sale of Capital Assets | - | 58,802 | 58,802 |
| Interest on Long-Term Debt | 430,368 | - | 430,368 |
| Total Expenses | 63,567,711 | 1,093,764 | 64,661,475 |
| Excess (Deficiency) | 6,215,122 | 4,806,691 | 11,021,813 |
| Transfers | (11,354) | 11,354 | - |
| Change in Net Position | 6,203,768 | 4,818,046 | 11,021,813 |
| Beginning Net Position - as Previously Reported | 203,837,735 | 6,522,453 | 210,360,189 |
| Add: Prior Period Adjustments (See Note 16) | 395,951 | 840,283 | 1,236,234 |
| Ending Net Position | 210,437,454 | 12,180,782 | 222,618,236 |

The business-type activities also have a high percentage of net capital assets to total net position, at 91.90%. The reason for high business-type activities percentage 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 HAPO and RV facilities and furnishings. Also, in 2023, the HAPO Operations Fund received $5,014,035 from the Coronavirus State and Local Fiscal Recovery Funds grant and $835,555 was received in 2022, which is recorded as a prior period adjustment.

Business-type activities accounted for 43.71% of the total improvement in net position of the County as business-type activities had a change in net position of $4,818,046. Many years, the Hapo facility has a negative change in net position, but it had an increase in

2023 due to the Coronavirus State and Local Fiscal Recovery Funds gran. The HAPO Operations Fund is funded by assessments received from both Franklin County and the City of Pasco. The RV Park facility generally has a positive change in net position as it did for 2023. A portion of the funding for the Hapo facility comes from the RV Park facility.

## 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 $37,615,415 for 2023, compared to $33,064,922 for 2022, an increase of $4,550,493, or 13.76%. Of the total 2023 fund balance, $5,932,483, or 15.77%, represents unassigned fund balance. The remaining fund balance is either nonspendable, restricted, committed, or assigned to indicate, respectively, that it is: 1) not in spendable form or legally required to be maintained intact ($1,355,911, or 3.60%), 2) restricted for particular purposes ($26,393,231, or 70.17%), 3) committed for particular purposes ($3,274,877, or 8.71%), and 4) assigned for particular purposes ($658,913, or 1.75%).

### *Major Governmental Funds*

***The General 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 decreased by $120,603 during 2023 to $7,206,092. This was a decrease of 1.65% to 2022's ending fund balance. While sales and use taxes have been a great benefit to the General Fund in recent years, the continuing increased costs to Public Safety and legal functions (e.g., Prosecuting Attorney, Office of Public Defense) has led to a decrease in fund balance.

Total General Fund revenues, including transfers and other financing sources, were $43,716,604 in 2023. Of this amount, $23,536,368 is from taxes, or 53.84%. This amount increases to $28,139,368, or 64.37%, when including the transfer from Other Governmental Funds, which originates from a sales and use tax. This transfer is to support Public Safety. The General Fund is extremely reliant on taxes to support operations.

Expenditures, including transfers, were $43,837,207. Current Public Safety costs account for $21,084,469, or 48.10% of total expenditures. Public Safety includes departments such as the Sheriff and Corrections. Current General Government expenditures totaled $16,759,662, or 38.23%, of total expenditures. General Government includes departments such as the Assessor, Auditor, Facilities, Information Services, and the Treasurer. These two functions account for 86.33% of the General Fund's expenditures.

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 2023 revenues and other financing sources were $10,895,297 with $6,938,947, or 63.69%, coming from intergovernmental revenues (e.g., grants) and $3,458,338, or 31.74%, received from property taxes. Many grants are awarded for specific projects and so can vary significantly from year-to-year.

During 2023, total expenditures and transfers out were $11,147,149. Most spending is due to the grants received for capital construction. Revenue and expenditure figures tend to mimic each other most years as road projects vary from year-to-year.

The ending fund balance for 2023 was $548,677 compared to $800,529 at the end of 2022, a decrease of $251,852, or 31.46%. A single capital project can cost several hundred thousand dollars to over one million dollars. So, large swings in fund balance can occur in the County Road funding due to the projects currently being funded. Typically, many state and federal grants also require County matching funds to receive funding from the grantor.

The ***American Rescue Plan Fund*** is funded with a grant from the U.S. Department of the Treasury. This fund was created during the 2021 budget adoption process to be able to better track spending for the Coronavirus State and Local Fiscal Recovery Funds grant (also known as the ARPA grant).

In 2023, the County recognized $7,552,677, or 99.92%, in revenue that was previously a deferred inflow on the balance sheet, which is for the ARPA grant previously discussed. There was slightly more expended, at $7,558,920, during the year. These expenditures included various projects and purposes including HVAC in the public safety building ($1,277,267) and the purchase of the "Davidson" building ($1,102,742) which the Coroner moved to in 2024. The revenue received, less the expenditures, led to an ending fund balance for 2023 of $0, as the revenue recognition for the remaining grant funds had not yet been met. The grant funds were received in advance of spending.

The ***Mental Health Fund*** is used to provide for the operation or delivery of chemical dependency or mental health treatment programs and services and for the operation or delivery of therapeutic court programs and services. The primary sources of revenue and property (RCW 71.20.110) and sales (RCW 82.14.460) taxes. Ordinance 11-2021 on December 7, 2021 approved the sales tax for Franklin County.

Revenues in 2023 totaled $3,135,614, with $2,777,163, or 88.57%, coming from the recently implemented sales and use tax. Expenditures totaled only $381,532 as plans are still being formulated as to how to best use these funds. The primary expenditure was transfers out totaling $340,973, which went to fund mental health-related costs in other funds (e.g., Corrections department in the General Fund). Fund balance grew by $2,754,082, or 63.38%, from 2022 to 2023, going from $4,345,125 in 2022 to $7,099,207 in 2023.

The ***Distressed County Public Facilities*** 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 2032.

Revenues for 2023 totaled $2,534,061, which was all the sales and use tax discussed previously. The only outflow was for Economic Environment totaling $1,062,795 to support economic development projects. There was $62,795 spent on a Reimann industrial center preparation for shovel ready projects and $1,000,000 for Railroad Avenue improvements at Reimann. Both projects were paid to the Port of Pasco. Fund balance increased by $1,471,266, or 24.39%, from $6,031,656 in 2022 to $7,502,922 in 2023.

***Proprietary Funds***

The HAPO Operations Fund is subsidized by Franklin County and City of Pasco's contributions. These contributions are not included in the operating income/(loss) of the fund. The City of Pasco subsidy is a non-operating revenue and the Franklin County subsidy is a transfer. As mentioned previously, the HAPO Operations fund generally has an operating loss. These subsidies are needed for the HAPO Operations fund to operate.

Total operating revenue for 2023 was $276,984. There was also $162,500 received from both the City of Pasco and transferred-in from other County funds. Total operating expenses were $719,345. These operating expenses do include some non-cash expenses, such as depreciation expense of $242,569. The subsidies received from the City of Pasco and Franklin County are operating subsidies that would fund cash transactions.

As of March 1, 2019, the TRAC (Trade Recreation Agriculture Center) has been officially renamed "The HAPO Center". Terms of the 10 year agreement include the County receiving $100,000 per year compensation and HAPO receiving the reserving of all naming rights (signage, marketing, correspondence etc.) to the full (formerly TRAC) venue. These rights include the parking area, the event space, the ice pavilion and the facility building and grounds, except for the Franklin County RV Park.

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 2023, the General Fund's adopted revenue and expenditure budgets increased over the 2022's adopted ending approved budget by $3,420,000 for total revenue and expenditure budgets of $47,690,000 for 2023 and $44,270,000 for 2022.

Some highlights between the 2023 and 2022 adopted budgets are as follows:

**2023 General Fund Budget Highlights**

| **Major Revenes Increases (Decreases)** | **2023** | **2022** | **Increase** | **% Change** |
|---|---|---|---|---|
| Property Taxes | 12,739,556 | 10,946,131 | 1,793,425 | 16.4% |
| Sales Taxes - General | 6,700,000 | 6,100,000 | 600,000 | 9.8% |
| .3% Criminal Justice Funding (transfer-in) | 4,603,000 | 2,835,000 | 1,768,000 | 62.4% |
| Board & Room of Prisoners | 763,953 | 739,113 | 24,840 | 3.4% |
| Beginning Fund Balance | 7,709,000 | 7,830,000 | (121,000) | -1.5% |
| Total Major Revenue Increases | **32,515,509** | **28,450,244** | **4,065,265** | **14.3%** |

| **Salary and Benefit Changes** | | | | |
|---|---|---|---|---|
| **Personnel Services** | **2023** | **2022** | **Increase** | **% Change** |
| Salary (net of contingency) | 17,541,892 | 15,468,749 | 2,073,143 | 13.4% |
| Benefits | 7,452,647 | 5,755,998 | 1,696,649 | 29.5% |
| **Subtotal Personnel Services** | **24,994,539** | **21,224,747** | **3,769,792** | **17.8%** |

| **Ending Fund Balances** | **2023** | **2022** | **Variance** | **% Change** |
|---|---|---|---|---|
| Ending Fund Balance | 3,600,000 | 4,000,000 | (400,000) | -10.0% |
| **Total Contingencies, Reserves, & Fund** | **3,600,000** | **4,000,000** | **(400,000)** | |

The General Fund's final budget differs from the original budget due to internal transfers between functions. Some of the more significant variations follow. Public safety's budget increased by $938,705 from $20,927,837 to $21,866,542 and Judicial's budget increased by $388,719 from $3,487,197 to $3,875,916. The capital outlay budget also increased by $163,931, with $109,949 to replace an HVAC in the courthouse. Generally, as needs arise throughout the year, requests are made to the County Commissioners and transfers are made, if approved, from the general government function (e.g., the County's contingency line) to the requesting department. Minor transfers, those for $25,000 and less, can be approved by the County Administrator.

There were several significant variations in the General Fund between the final budget and actual budgetary results. These variations included:

- There were retail sales and use tax budgets of $10,813,226 and revenues of $11,331,631. Retail sales and use taxes have continued strong in recent years even throughout the COVID-19 pandemic.

- Investment earnings of $2,204,658 on a budget of $1,267,670, or a variance of $936,988.

## DEBT ADMINISTRATION AND CAPITAL ASSETS

### *Long-term Debt*

At the end of the fiscal year, the County had total ending bonded debt outstanding of $15,285,000, compared to $16,065,000 for 2022, a decrease of $780,000. There is only one current bonded debt remaining at the County, which was for the construction of the Franklin County Justice Center and jail addition, and financial software. Franklin County debt is being retired with sales and use taxes.

In Early 2021 the county completed the refinancing of the debt related to the construction of the Jail Justice Center, Jail Remodel, and financial software purchase. The total refunding issue was $15,590,000. The amount of bonds that were refunded was $14,575,000.

Also, at the end of 2023, the County had $714,555 in Public Works Trust Fund revenue debt, compared to $952,790 at the end of 2022, a decrease of $238,235. 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, 2023:

| | Governmental Activities | | % |
|---|---|---|---|
| | **2023** | **2022** | **Change** |
| General Obligation Debt | $ 15,285,000 | $ 16,065,000 | -4.86% |
| PW Revenue Debt | 714,555 | 952,790 | -25.00% |
| Total | $ 15,999,555 | $ 17,017,790 | |

See Notes 17 and 18 for additional information about the County's long-term debt.

### *Capital Assets*

The following table provides a summary of capital asset activity:

| | Governmental Activities | | Business Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Non-Depreciable Assets: | | | | | | |
| Land | 1,304,647 | 1,160,566 | 25,407 | 25,407 | 1,330,054 | 1,185,973 |
| Construction in Progress | 11,641,280 | 7,636,151 | 5,849,590 | 835,555 | 17,490,870 | 8,471,706 |
| Total non-depreciable Assets | 12,945,927 | 8,796,717 | 5,874,997 | 860,962 | 18,820,924 | 9,657,679 |
| Depreciable Assets: | | | | | | |
| Lease Land | 89,482 | 89,482 | | | | |
| Buildings | 46,952,498 | 46,913,218 | 13,960,505 | 13,960,505 | 60,913,003 | 60,873,723 |
| Lease Building | 66,452 | 66,452 | | | | |
| Equipment | 19,054,494 | 18,161,110 | 881,482 | 1,116,586 | 19,935,977 | 19,277,697 |
| Lease Equipment | 158,024 | 126,838 | | | | |
| Lease Vehicles | 873,457 | 670,048 | | | | |
| Intangible Assets | 1,413,929 | 1,413,929 | | | 1,413,929 | 1,413,929 |
| Lease SBITAs | 139,525 | | | | | |
| Land Improvements | 645,739 | 537,188 | 1,367,794 | 1,367,794 | 2,013,533 | 1,904,982 |
| Other Improvements | | | 177,139 | 177,139 | 177,139 | 177,139 |
| Infrastructure | 277,942,271 | 277,746,215 | | | 277,942,271 | 277,746,215 |
| Total depreciable assets | 347,335,871 | 345,724,480 | 16,386,921 | 16,622,025 | 362,395,851 | 361,393,685 |
| Less accumulated depreciation | 177,861,485 | 168,903,818 | 11,067,949 | 10,953,863 | 188,929,435 | 179,857,681 |
| Book Value - Depreciable Assets | 169,474,385 | 176,820,661 | 5,318,972 | 5,668,162 | 173,466,417 | 181,536,004 |
| Percentage depreciated | 51% | 49% | 68% | 66% | 52% | 50% |
| Total book value | 182,420,312 | 185,617,379 | 11,193,969 | 6,529,124 | 192,287,341 | 191,193,683 |

Governmental Activities' increases to capital assets totaled $7,471,946 and included HVAC in the public safety building ($1,277,267) and the purchase of the "Davidson" building ($1,102,742) which the Coroner moved to in 2024. There was also $2,451,769 added to construction in progress for County Road fund infrastructure projects. Decreases to net capital assets included $9,566,463 of accumulated depreciation, mostly for infrastructure which totaled $6,943,463.

Business-type activities' increases to capital assets totaled $5,014,035 for an energy project at the Hapo facility. Accumulated depreciation totaled $290,388.

## ISSUES AND ECONOMIC CONDITIONS AFFECTING THE COUNTY

Items of note within Franklin County:

- The unemployment rate within Kennewick-Pasco-Richland, WA area was at 5.9% as of December 2023, which was the same rate as one year prior. As of December 2023, the state unemployment rate was 4.4% (4.2% as of December 2022) and nationally the rate was 3.7% (3.5% as of December 2022). Thus, the County's unemployment rate has stabilized, but still lags behind state and national rates.
- Taxable retail sales and use tax growth has been robust in recent years, before, but especially during the pandemic. The County is expecting those trends to level off from those previous highs. For 2024, the County budgeted a modest $100,000 increase to $6,800,000, or 1.49%, in its general retail sales and use tax, which is slightly below collection levels in 2023 ($6,973,056).
- The Tri-Cities area, which includes Franklin County, has had some of the highest population growths in the state in recent years. Housing prices have fluctuated up and down recently with home prices up 6.9% from December 2022 to December 2023 in Franklin County, but more recently down 6.2% year-over-year (April 2023 to April 2024). Median days on the market has increased from 49 to 77 from December 2022 to December 2023. Mortgage interest rates are up 0.19 percent from December 2022 (6.42%) to December 2023 (6.61%).

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Franklin County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed as indicated below.

Franklin County Auditor's Office
Director of Finance
1016 N 4th Ave
Pasco, WA 99301

| | Primary Government | | | |
|---|---|---|---|---|
| | **Governmental Activities** | **Business-type Activities** | **Total** | **Component Units** |
| **ASSETS** | | | | |
| Cash and cash equivalents | 29,738,025 | 1,410,947 | 31,148,972 | 412,513 |
| Investments | 7,327,929 | - | 7,327,929 | - |
| Receivables (net) | 9,993,590 | 329,117 | 10,322,707 | 15,682 |
| Internal balances | 76,997 | (76,997) | - | - |
| Due from component units | 1,586 | - | 1,586 | - |
| Inventories | 279,241 | - | 279,241 | - |
| Other prepayments | 1,362,266 | 478 | 1,362,744 | 5,078 |
| Net Pension Asset | 6,229,743 | 14,108 | 6,243,851 | 53,551 |
| Investment in joint ventures | 2,174,256 | - | 2,174,256 | - |
| *Capital Assets Not Being Depreciated:* | | | | |
| Land | 1,304,647 | 25,407 | 1,330,054 | - |
| Construction in progress | 11,641,280 | 5,849,590 | 17,490,870 | - |
| *Capital Assets Net of Accumulated Depreciation:* | | | | |
| Buildings | 20,458,684 | 5,154,788 | 25,613,472 | - |
| Improvements other than buildings | 212,632 | - | 212,632 | - |
| Machinery and equipment | 5,602,069 | 9,712 | 5,611,781 | 52,880 |
| Intangible assets | 1,249,285 | - | 1,249,285 | - |
| Improvements to land | - | 154,472 | 154,472 | - |
| Infrastructure | 141,951,715 | - | 141,951,715 | - |
| Total Capital Assets | 182,420,312 | 11,193,969 | 193,614,281 | 52,880 |
| **Total Assets** | 239,603,943 | 12,871,622 | 252,475,566 | 539,704 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Pension related | 5,076,364 | 15,890 | 5,092,254 | 48,886 |
| OPEB related | 78,183 | - | 78,183 | - |
| Deferred outflows on refunding | 693,073 | - | 693,073 | - |
| **Total Deferred Outflows of Resources** | 5,847,620 | 15,890 | 5,863,510 | 48,886 |
| **LIABILITIES** | | | | |
| Accounts payable and other accrued liabilities | 3,337,123 | 204,203 | 3,541,326 | 21,842 |
| Accrued interest payable | 184,570 | - | 184,570 | - |
| Unearned revenue | 2,813,901 | 201,030 | 3,014,932 | - |
| Due to primary government | - | - | - | 1,586 |
| *Noncurrent liabilities (current portion):* | | | | |
| Bonds/notes/loans payable | 1,023,733 | - | 1,023,733 | - |
| Compensated absences | 2,260,828 | 11,472 | 2,272,300 | 31,213 |
| Leases | 188,409 | - | 188,409 | - |
| SBITAs | 56,113 | - | 56,113 | |
| Claims and judgments | 165,755 | - | 165,755 | - |
| Net OPEB liability | 104,100 | - | 104,100 | |
| Due in more than one year: | | | | |
| Bonds/notes/loans payable | 14,890,285 | - | 14,890,285 | - |
| Compensated absences | 612,253 | 3,107 | 615,359 | 31,213 |
| Leases | 427,851 | - | 427,851 | - |
| SBITAs | 28,748 | - | 28,748 | - |
| Claims and judgments | 7,347 | - | 7,347 | - |
| Net pension liability | 1,998,579 | 7,668 | 2,006,247 | 29,105 |
| Net OPEB liability | 2,985,269 | - | 2,985,269 | - |
| **Total Liabilities** | 31,084,864 | 427,479 | 31,512,344 | 114,960 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Pension related | 3,128,394 | 16,473 | 3,144,867 | 31,715 |
| Advance property tax | 16,814 | - | 16,814 | - |
| Lease receivables | 784,037 | 262,778 | 1,046,815 | - |
| **Total Deferred Inflows of Resources** | 3,929,245 | 279,251 | 4,208,496 | 31,715 |
| **NET POSITION** | | | | |
| Net Investment in Capital Assets | 167,199,366 | 11,193,969 | 178,393,335 | 52,880 |
| *Restricted for:* | | | | |
| Debt service | 9,530,247 | - | 9,530,247 | - |
| Capital projects | 595,831 | - | 595,831 | - |
| Pension asset | 6,229,743 | 14,108 | 6,243,851 | 53,551 |
| Unrestricted | 26,882,267 | 972,705 | 27,854,973 | 335,485 |
| **Total Net Position** | 210,437,454 | 12,180,782 | 222,618,236 | 441,916 |

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, 2023**

| | Expenses | Program Revenues: Charges for Services | Grants and Contributions: Operating | Grants and Contributions: Capital | Net (Expense) Revenue and Changes in Net Position: Governmental Activities | Business-type Activities | Total | Component Units Total |
|---|---|---|---|---|---|---|---|---|
| **FUNCTIONS/PROGRAMS** | | | | | | | | |
| *Governmental Activities:* | | | | | | | | |
| Judicial | 3,578,497 | 1,337,281 | 227,463 | - | (2,013,753) | - | (2,013,753) | - |
| General government | 20,200,512 | 3,889,568 | 2,135,913 | - | (14,175,031) | - | (14,175,031) | - |
| Public safety | 21,560,891 | 2,361,986 | 2,005,168 | - | (17,193,737) | - | (17,193,737) | - |
| Transportation | 14,960,568 | 221,566 | 2,924,617 | 4,014,331 | (7,800,054) | - | (7,800,054) | - |
| Natural Environment | 148,301 | 107,047 | 37,749 | - | (3,505) | - | (3,505) | - |
| Economic environment | 1,555,417 | 752,754 | 7,594,326 | - | 6,791,662 | - | 6,791,662 | - |
| Social Services | 821,530 | 884,834 | 4,949 | - | 68,253 | - | 68,253 | - |
| Culture and recreation | 311,627 | - | - | - | (311,627) | - | (311,627) | - |
| Interest on long-term debt | 430,368 | - | - | - | (430,368) | - | (430,368) | - |
| Total Governmental Activities | 63,567,711 | 9,555,037 | 14,930,185 | 4,014,331 | (35,068,159) | - | (35,068,159) | - |
| *Business-type Activities:* | | | | | | | | |
| HAPO facility | 754,345 | 276,984 | 5,176,535 | - | - | 4,699,174 | 4,699,174 | - |
| RV Park Facility | 280,616 | 430,099 | - | - | - | 149,483 | 149,483 | - |
| Total Business-type Activities | 1,034,961 | 707,084 | 5,176,535 | - | - | 4,848,657 | 4,848,657 | - |
| **Total Primary Government** | 64,602,672 | 10,262,121 | 20,106,720 | 4,014,331 | (35,068,159) | 4,848,657 | (30,219,501) | - |
| **Component Units** | 894,243 | 226,164 | 54,530 | - | | | | (613,549) |
| General Revenues | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purposes | | | | | 15,791,036 | - | 15,791,036 | 691,000 |
| Sales and use taxes | | | | | 21,082,154 | - | 21,082,154 | - |
| Other taxes | | | | | 1,797,038 | (52) | 1,796,986 | - |
| State Shared Revenues, Entitlements, and Impact Payments | | | | | 111,162 | - | 111,162 | - |
| Unrestricted investment earnings | | | | | 2,406,634 | 16,889 | 2,423,522 | 13,903 |
| Gain (Loss) on sale of capital assets | | | | | 95,257 | (58,802) | 36,455 | - |
| Transfers | | | | | (11,354) | 11,354 | - | - |
| **Total General Revenues and Transfers** | | | | | 41,271,926 | (30,612) | 41,241,315 | 704,903 |
| **Change in Net Position** | | | | | 6,203,768 | 4,818,046 | 11,021,813 | 91,354 |
| **Net Position - Beginning, as Previously Reported** | | | | | 203,837,735 | 6,522,453 | 210,360,189 | 350,561 |
| Add: Prior Period Adjustment - Construction in Progress | | | | | (835,555) | 835,555 | | |
| Add: Prior Period Adjustment - Court Receivables | | | | | 1,100,757 | - | 1,100,757 | - |
| Add: Prior Period Adjustment - Inventory Adjustment | | | | | 49,320 | - | 49,320 | - |
| Add: Prior Period Adjustment - GASB 87 Leases | | | | | 81,430 | 4,728 | 86,158 | - |
| **Net Position - Beginning** | | | | | 204,233,687 | 7,362,736 | 211,596,423 | 350,561 |
| **Net Position - Ending** | | | | | 210,437,454 | 12,180,782 | 222,618,236 | 441,916 |

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

**Franklin County, Washington**
**Balance Sheet**
**Governmental Funds**
**December 31, 2023**

| | General Fund | American Rescue Plan Fund | County Road Fund | Mental Health Fund | Distressed County Public Facilities | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| **ASSETS and DEFERRED OUTFLOWS** | | | | | | | |
| Cash and cash equivalents | 1,590,424 | 2,644,444 | 421,390 | 6,686,740 | 7,039,805 | 10,467,597 | 28,850,399 |
| Investments | 3,196,199 | - | 835,079 | - | - | 3,296,651 | 7,327,929 |
| Receivables (net) | | | | | | | |
| Property taxes | 590,909 | - | 72,100 | 5,771 | - | 5,120 | 673,899 |
| Accounts | 129,962 | - | 3,067 | - | - | 73,750 | 206,779 |
| Notes | 5,043 | - | - | - | - | - | 5,043 |
| Interest | 71,479 | - | 975 | - | - | 19,186 | 91,640 |
| Court receivables | 914,582 | - | - | - | - | - | 914,582 |
| Opioid settlement receivables | - | - | - | - | - | 740,606 | 740,606 |
| Lease receivables | 89,767 | - | - | - | - | 731,916 | 821,683 |
| Due from other funds | 177,293 | - | - | - | - | 99,790 | 277,083 |
| Due from component unit | 1,586 | - | - | - | - | - | 1,586 |
| Due from other governments | 3,971,785 | - | 600,247 | 514,950 | 463,117 | 983,801 | 6,533,902 |
| Interfund loans | - | - | - | - | - | 500,000 | 500,000 |
| Other prepayments | 1,273,609 | - | 34,658 | - | - | 47,645 | 1,355,911 |
| Total Assets | 12,012,636 | 2,644,444 | 1,967,515 | 7,207,461 | 7,502,922 | 16,966,063 | 48,301,041 |
| **Total Assets and Deferred Outflows of Resources** | 12,012,636 | 2,644,444 | 1,967,515 | 7,207,461 | 7,502,922 | 16,966,063 | 48,301,041 |
| **LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES** | | | | | | | |
| *Liabilities:* | | | | | | | |
| Accounts payable | 1,306,921 | 138,330 | 568,810 | 8,088 | - | 138,673 | 2,160,821 |
| Accrued payroll and related liabilities | 896,847 | - | 126,895 | - | - | 18,960 | 1,042,702 |
| Due to other funds | 253,636 | - | 161,263 | 95,813 | - | 4,485 | 515,198 |
| Interfund loans | - | - | 500,000 | - | - | - | 500,000 |
| Unearned revenues | - | 2,506,115 | - | - | - | - | 2,506,115 |
| Bonds, notes, loans payable | - | | | | | - | - |
| Total Liabilities | 2,457,404 | 2,644,444 | 1,356,968 | 103,901 | - | 162,118 | 6,724,835 |
| *Deferred inflows of resources:* | | | | | | | |
| Property taxes | 472,850 | - | 61,870 | 4,353 | - | 3,588 | 542,661 |
| Court receivables | 914,582 | - | - | - | - | - | 914,582 |
| Opioid settlement receivables | - | - | - | - | - | 740,606 | 740,606 |
| Lease receivables | 87,225 | - | - | - | - | 696,812 | 784,037 |
| Unavailable revenue | 874,484 | - | - | - | - | 104,421 | 978,905 |
| Total Deferred inflows of resources | 2,349,141 | - | 61,870 | 4,353 | - | 1,545,427 | 3,960,791 |
| Total Liabilities Deferred Inflows of Resources | 4,806,544 | 2,644,444 | 1,418,838 | 108,254 | - | 1,707,546 | 10,685,626 |
| FUND BALANCES: | | | | | | | |
| Nonspendable | 1,273,609 | - | 34,658 | - | - | 47,645 | 1,355,911 |
| Restricted | - | - | - | 7,099,207 | 1,471,266 | 17,822,757 | 26,393,231 |
| Committed | - | - | - | - | 6,031,656 | (2,756,778) | 3,274,877 |
| Assigned | - | - | 514,019 | - | - | 144,893 | 658,913 |
| Unassigned | 5,932,483 | - | - | - | - | - | 5,932,483 |
| Total Fund Balance | 7,206,092 | - | 548,677 | 7,099,207 | 7,502,922 | 15,258,517 | 37,615,415 |
| **Total Liabilities, Deferred Inflows of Resources and Fund Balances** | 12,012,636 | 2,644,444 | 1,967,515 | 7,207,461 | 7,502,922 | 16,966,063 | 48,301,041 |

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, 2023**

| | |
|---|---|
| Fund balances of governmental funds: | 37,615,415 |
| 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. | 180,477,728 |
| Adjustment needed for receivables that are not recognized as current financial resources | 3,159,940 |
| Current bond interest payable is not accrued on the governmental statements. | (173,512) |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds. | (19,236,535) |
| Deferred amounts related to long-term liabilities are not due and payable in the current period and are not reported in the funds. | 693,073 |
| Deferred charges on refunding | |
| Pension amounts are reported in the government-wide statements, but are not reported in the governmental funds. | 6,121,090 |
| Other Postemployment Benefit amounts are reported in the government-wide statements, but are not reported in the governmental funds. | (3,011,186) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets, liabilities, and deferred inflows and outflows of resources are included in governmental activities in the statement of net position | 4,791,441 |
| Net Position of Governmental Activities | 210,437,454 |

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, 2023**

| | General Fund | American Rescue Plan Fund | County Road Fund | Mental Health Fund | Distressed County Public Facilities | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | |
| *Taxes:* | | | | | | | |
| Property | 11,827,829 | - | 3,458,338 | 344,707 | - | 160,162 | 15,791,036 |
| Retail Sales and Use | 11,331,631 | - | - | 2,777,163 | 2,534,061 | 4,439,299 | 21,082,154 |
| Other | 376,908 | - | 46,667 | 8,795 | - | 1,364,668 | 1,797,038 |
| Licenses and permits | 916,447 | - | 110 | - | - | - | 916,557 |
| Intergovernmental | 4,018,265 | 7,552,677 | 6,938,947 | 4,949 | - | 438,205 | 18,953,043 |
| Charges for services | 4,749,421 | - | 232,977 | - | - | 1,151,390 | 6,133,788 |
| Fines and forfeitures | 1,166,296 | - | - | - | - | 9,920 | 1,176,216 |
| Investment earnings | 2,204,658 | 139 | 10,910 | - | - | 213,027 | 2,428,734 |
| Rents and leases | 58,517 | - | - | - | - | 113,689 | 172,206 |
| Contributions and donations non-gov't | 4,685 | - | - | - | - | 18,050 | 22,735 |
| Miscellaneous revenues | 148,595 | 6,104 | 2,139 | - | - | 3,749 | 160,587 |
| **Total Revenues** | 36,803,251 | 7,558,920 | 10,690,089 | 3,135,614 | 2,534,061 | 7,912,159 | 68,634,094 |
| **EXPENDITURES** | | | | | | | |
| *Current:* | | | | | | | |
| Judicial | 3,574,063 | - | - | - | - | 89,739 | 3,663,803 |
| General government | 16,759,662 | 3,089,479 | 204,919 | - | - | 508,509 | 20,562,569 |
| Public safety | 21,084,469 | 86,736 | - | - | - | 620,995 | 21,792,200 |
| Transportation | - | - | 8,441,338 | - | - | - | 8,441,338 |
| Natural environment | - | - | - | - | - | 145,769 | 145,769 |
| Economic environment | 579,648 | - | - | - | 1,062,795 | 10,830 | 1,653,272 |
| Social Services | 289,686 | - | - | 40,559 | - | 491,648 | 821,893 |
| Culture and recreation | 317,253 | - | - | - | - | - | 317,253 |
| *Debt Service:* | | | | | | | |
| Principal | 59,905 | - | 3,050 | - | - | 1,060,229 | 1,123,184 |
| Interest | 3,194 | - | 34,177 | - | - | 357,290 | 394,660 |
| *Capital Outlay:* | | | | | | | |
| Judicial | 14,884 | 357,037 | - | - | - | 8,320 | 380,240 |
| General government | 215,184 | 1,649,576 | - | - | - | 108,503 | 1,973,263 |
| Public safety | 547,776 | 373,396 | - | - | - | 33,601 | 954,773 |
| Transportation | - | - | 2,451,769 | - | - | - | 2,451,769 |
| Health | 108,551 | - | - | - | - | - | 108,551 |
| **Total Expenditures** | 43,554,275 | 5,556,224 | 11,135,253 | 40,559 | 1,062,795 | 3,435,433 | 64,784,538 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | (6,751,024) | 2,002,696 | (445,164) | 3,095,055 | 1,471,266 | 4,476,726 | 3,849,555 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | |
| Transfers-in | 6,701,106 | - | 205,209 | - | - | 425,784 | 7,332,099 |
| Transfers-out | (282,932) | (2,002,696) | (11,896) | (340,973) | - | (4,750,133) | (7,388,631) |
| Proceeds of loans | 126,836 | - | - | - | - | 119,904 | 246,740 |
| Sale of capital assets | 85,411 | - | - | - | - | 425,319 | 510,729 |
| Extraordinary Item | - | - | - | - | - | - | - |
| **Total Other Financing Sources (Uses)** | 6,630,421 | (2,002,696) | 193,313 | (340,973) | - | (3,779,127) | 700,938 |
| **Net Change in Fund Balances** | (120,603) | - | (251,852) | 2,754,082 | 1,471,266 | 697,599 | 4,550,493 |
| **Fund Balances - Beginning, as Previously Reported** | 7,326,542 | - | 800,529 | 4,345,125 | - | 20,575,490 | 33,047,686 |
| Add: Prior Period Adjustment - Wrong Fund Type | 152 | - | - | - | - | 17,084 | 17,236 |
| Add: Prior Period Adjustment - GASB 87 Leases | - | - | - | - | 6,031,656 | (6,031,656) | - |
| **Fund Balances - Beginning** | 7,326,694 | - | 800,529 | 4,345,125 | 6,031,656 | 14,560,918 | 33,064,922 |
| **Fund Balances - Ending** | 7,206,092 | - | 548,677 | 7,099,207 | 7,502,922 | 15,258,517 | 37,615,415 |

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, 2023**

| | |
|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Net changes in fund balances - total governmental funds | 4,550,493 |
| Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. | (2,985,935) |
| State contributions for the LEOFF 2 Special Funding Situation are reported as revenues for governmental activities but do not get reported in governmental funds | 102,634 |
| The proceeds from the sale of assets are reported for governmental activities while the gain/loss from sales are reported on the government-wide statement of activities. | (409,533) |
| 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. | 79,958 |
| The issuance of long-term debt (loans and 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. | 1,123,184 |
| Some revenues are not collected for several months after the fiscal year-end, therefore, they are not considered "available" and are not reported as revenues in governmental funds. | 1,395,432 |
| An Other Financing Source is recognized for the initial recording of a lease in the governmental funds whereas the government-wide statements records a liability | (246,740) |
| 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. | 2,568,687 |
| 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. | 25,588 |
| **Change in Net Position - Governmental Activities** | 6,203,768 |

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, 2023**

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts - Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Beginning Fund Balance - January 1** | 8,209,000 | 8,209,000 | 7,326,542 | (882,458) |
| **Resources (Inflows)** | | | | |
| **Taxes** | | | | |
| Property | 11,832,771 | 11,832,771 | 11,827,829 | (4,942) |
| Sales | 10,813,226 | 10,813,226 | 11,331,631 | 518,405 |
| Other | 293,000 | 293,000 | 376,908 | 83,908 |
| **Total Taxes** | 22,938,997 | 22,938,997 | 23,536,368 | 597,371 |
| Licenses and permits | 659,100 | 659,100 | 916,447 | 257,347 |
| Intergovernmental | 3,871,555 | 3,871,555 | 4,018,265 | 146,710 |
| Charges for goods and services | 4,300,815 | 4,300,815 | 4,749,421 | 448,606 |
| Fines and forfeitures | 1,007,478 | 1,007,478 | 1,166,296 | 158,818 |
| Investment earnings | 1,267,670 | 1,267,670 | 2,204,658 | 936,988 |
| Contributions and donations from nongovernmental sources | 750 | 750 | 4,685 | 3,935 |
| Miscellaneous | 69,135 | 69,135 | 207,112 | 137,977 |
| **Total Revenues** | 34,115,500 | 34,115,500 | 36,803,251 | 2,687,751 |
| **Other Financing Sources** | | | | |
| Sale of Capital Assets | - | - | 85,411 | 85,411 |
| Proceeds of Loans | - | - | 126,836 | 126,836 |
| Other budgeted non-revenue | 2,500 | 2,500 | - | (2,500) |
| Transfers from other funds | 5,363,000 | 5,363,000 | 6,701,106 | 1,338,106 |
| **Total Other Financing Sources** | 5,365,500 | 5,365,500 | 6,913,353 | 1,547,853 |
| **Amounts Available for Appropriation** | 47,690,000 | 47,690,000 | 51,043,146 | 3,353,146 |
| **Charges to Appropriations (Outflows)** | | | | |
| Judicial | 3,487,197 | 3,875,916 | 3,574,063 | 301,853 |
| General government | 16,952,348 | 17,369,865 | 16,759,662 | 610,203 |
| Public safety | 20,927,837 | 21,866,542 | 21,084,469 | 782,073 |
| Economic environment | 604,813 | 694,038 | 579,648 | 114,390 |
| Social Services | 242,624 | 242,624 | 289,686 | (47,062) |
| Culture and recreation | 299,693 | 322,169 | 317,253 | 4,916 |
| Debt service-principal | - | - | 59,905 | (59,905) |
| Debt service-interest | - | - | 3,194 | (3,194) |
| Capital outlay | 816,500 | 980,431 | 886,395 | 94,036 |
| **Total Expenditures** | 43,331,012 | 45,351,585 | 43,554,275 | 1,797,310 |
| **Non-Expenditures** | | | | |
| Transfers to other funds | 758,988 | 778,988 | 282,932 | 496,056 |
| **Total Charges to Appropriations** | 44,090,000 | 46,130,573 | 43,837,207 | 2,293,366 |
| **Budgetary Fund Balance - December 31** | 3,600,000 | 1,559,427 | 7,205,939 | 5,646,512 |

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, 2023

| | Original and Final Budget | Actual Amounts - Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Beginning Fund Balance - January 1** | 960,000 | 800,529 | (159,471) |
| **Resources (Inflows)** | | | |
| **Taxes** | | | |
| Property | 3,150,000 | 3,458,338 | 308,338 |
| Other | - | 46,667 | 46,667 |
| **Total Taxes** | 3,150,000 | 3,505,005 | 355,005 |
| Licenses and permits | 500 | 110 | (390) |
| Intergovernmental revenue | 8,146,428 | 6,938,947 | (1,207,481) |
| Charges for goods and services | 210,050 | 232,977 | 22,927 |
| Investment earnings | 500 | 10,910 | 10,410 |
| Miscellaneous revenues | - | 2,139 | 2,139 |
| **Total Revenues** | 11,507,478 | 10,690,089 | (817,389) |
| Loans/Repayments Received | - | 1,000,000 | 1,000,000 |
| Transfers from other funds | 560,000 | 205,209 | (354,792) |
| **Total Other Financing Sources** | 560,000 | 1,205,209 | 645,209 |
| **Amounts Available for Appropriation** | 13,027,478 | 12,695,826 | (331,652) |
| **Charges to Appropriations (Outflows)** | | | |
| General government services | 495,000 | 204,919 | 290,081 |
| Transportation | 6,058,650 | 8,441,338 | (2,382,688) |
| Loans/Repayments Paid | 1,000,000 | 500,000 | 500,000 |
| Debt service-principal | - | 3,050 | (3,050) |
| Debt service-interest | 6,000 | 34,177 | (28,177) |
| Capital outlay | 4,321,789 | 2,451,769 | 1,870,020 |
| **Total Expenditures** | 11,881,439 | 11,635,253 | 246,186 |
| **Other Financing Uses** | | | |
| Transfers to other funds | 13,000 | 11,896 | 1,104 |
| **Total Charges to Appropriations** | 11,894,439 | 11,647,149 | 247,290 |
| **Budgetary Fund Balance - December 31** | 1,133,039 | 1,048,677 | (84,362) |

**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
## Budgetary Comparison Statement
## American Rescue Plan Fund
## For the Year Ended December 31, 2023

| | Original and Final Budget | Actual Amounts - Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Beginning Fund Balance - January 1** | 16,000,000 | - | (16,000,000) |
| **Resources (Inflows)** | | | |
| Intergovernmental revenue | - | 12,566,712 | 12,566,712 |
| Investment Earnings | - | 139 | 139 |
| Miscellaneous revenues | - | 6,104 | 6,104 |
| **Total Revenues** | - | 12,572,955 | 12,572,955 |
| **Amounts Available for Appropriation** | 16,000,000 | 12,572,955 | (3,427,045) |
| **Charges to Appropriations (Outflows)** | | | |
| General government | - | 90,669 | (90,669) |
| Public safety | - | 1,556,232 | (1,556,232) |
| Natural environment | - | 29,315 | (29,315) |
| Economic environment | 15,650,000 | - | 15,650,000 |
| Social services | - | 1,500,000 | (1,500,000) |
| Capital outlay | - | 7,394,044 | (7,394,044) |
| **Total Expenditures** | 15,650,000 | 10,570,259 | 5,079,741 |
| **Non-Expenditures** | | | |
| Transfers to other funds | 350,000 | 2,002,696 | (1,652,696) |
| **Total Charges to Appropriations** | 16,000,000 | 12,572,955 | 3,427,045 |
| **Budgetary Fund Balance - December 31** | - | - | - |

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

# Franklin County, Washington
## Budgetary Comparison Statement
## Mental Health Fund
## For the Year Ended December 31, 2023

| | Original and Final Budget | Actual Amounts - Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Beginning Fund Balance - January 1** | 3,000,000 | 4,345,125 | 1,345,125 |
| **Resources (Inflows)** | | | |
| **Taxes** | | | |
| Property | 344,611 | 344,707 | 96 |
| Mental Health .1% Sales Tax | 2,940,000 | 2,777,163 | (162,837) |
| Other | 7,500 | 8,795 | 1,295 |
| **Total Taxes** | 3,292,111 | 3,130,665 | (161,446) |
| Intergovernmental revenue | 3,750 | 4,949 | 1,199 |
| **Total Revenues** | 3,295,861 | 3,135,614 | (160,247) |
| **Amounts Available for Appropriation** | 6,295,861 | 7,480,739 | 1,184,878 |
| **Charges to Appropriations (Outflows)** | | | |
| Mental Health Services | 5,895,861 | 40,559 | 5,855,302 |
| **Total Expenditures** | 5,895,861 | 40,559 | 5,855,302 |
| **Non-Expenditures** | | | |
| Transfers to other funds | 400,000 | 340,973 | 59,027 |
| **Total Charges to Appropriations** | 6,295,861 | 381,532 | 5,914,329 |
| **Budgetary Fund Balance - December 31** | - | 7,099,207 | 7,099,207 |

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

# Franklin County, Washington
## Budgetary Comparison Statement
## Distressed County Public Facilities Fund
## For the Year Ended December 31, 2023

| | Original and Final Budget | Actual Amounts - Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Beginning Fund Balance - January 1** | 7,730,000 | 6,031,656 | (1,698,344) |
| **Resources (Inflows)** | | | |
| **Taxes** | | | |
| Distressed County Sales Tax | 2,732,000 | 2,534,061 | (197,939) |
| **Total Taxes** | 2,732,000 | 2,534,061 | (197,939) |
| **Amounts Available for Appropriation** | 10,462,000 | 8,565,717 | (1,896,283) |
| **Charges to Appropriations (Outflows)** | | | |
| Economic environment | - | 1,062,795 | (1,062,795) |
| **Non-Expenditures** | | | |
| Transfers to other funds | 10,462,000 | - | 10,462,000 |
| **Total Charges to Appropriations** | 10,462,000 | 1,062,795 | 9,399,205 |
| **Budgetary Fund Balance - December 31** | - | 7,502,922 | 7,502,922 |

**Note to Budgetary Comparison Statement**

*In 2024, the County created the Distressed County Public Facilities fund when it was realized that most of the activity in the debt service fund, the 1999 Distressed County LTGO Debt Service fund, would be more appropriately handled in a special revenue fund. The budget amounts listed above are from the 1999 Distressed County LTGO Debt Service fund.*

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

| | Enterprise Funds | | | |
|---|---|---|---|---|
| | **HAPO Operations Fund** | **RV Park Non Major Fund** | **Total Business-Type Activities** | **Governmental Activities-Internal Service Funds** |
| **ASSETS** | | | | |
| *Current Assets:* | | | | |
| Cash and cash equivalents | 798,012 | 612,935 | 1,410,947 | 887,625 |
| Receivables (net) | 16,454 | 65,100 | 81,554 | 5,045 |
| Accrued interest receivable | - | 2,529 | 2,529 | 411 |
| Due from other funds | 3,944 | 1,990 | 5,934 | 315,526 |
| Inventories | - | - | - | 279,241 |
| Prepayments | - | 478 | 478 | 6,354 |
| Total Current Assets | 818,410 | 683,033 | 1,501,443 | 1,494,202 |
| *Noncurrent Assets:* | | | | |
| Net Pension Asset | 3,233 | 10,875 | 14,108 | 75,399 |
| Leases Receivable | - | 245,034 | 245,034 | - |
| Capital Assets | | | | |
| Land | 25,407 | - | 25,407 | - |
| Construction in progress | 5,849,590 | - | 5,849,590 | - |
| Improvements to land | 467,567 | 900,227 | 1,367,794 | - |
| Improvements other than buildings | 177,139 | - | 177,139 | - |
| Equipment | 865,612 | 15,870 | 881,482 | 7,112,405 |
| Buildings | 13,854,005 | 106,500 | 13,960,505 | 181,086 |
| Intangible assets | - | - | - | 873,457 |
| Less: accumulated depreciation | (10,096,482) | (971,468) | (11,067,949) | (4,050,108) |
| Total Capital Assets (Net of Accumulated Depreciation) | 11,142,839 | 51,129 | 11,193,969 | 4,116,840 |
| **Total Assets** | 11,964,482 | 990,072 | 12,954,554 | 5,686,441 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred outflows related to pensions | 6,007 | 9,883 | 15,890 | 68,410 |
| **Total Deferred Outflows of Resources** | 6,007 | 9,883 | 15,890 | 68,410 |
| **LIABILITIES** | | | | |
| *Current Liabilities:* | | | | |
| Accounts payable and other accrued expenses | 194,812 | 9,391 | 204,203 | 133,600 |
| Due to other funds | 81,931 | 1,000 | 82,931 | 414 |
| Interest payable | - | - | - | 11,058 |
| Unearned Revenue | 201,030 | - | 201,030 | 307,787 |
| Lease liability | - | - | - | 125,793 |
| Compensated absences | - | 11,472 | 11,472 | 16,081 |
| Total Current Liabilities | 477,773 | 21,863 | 499,636 | 594,733 |
| *Noncurrent Liabilities:* | | | | |
| Net pension liability | 1,757 | 5,911 | 7,668 | 40,979 |
| Lease liability | - | - | - | 278,557 |
| Compensated absences | - | 3,107 | 3,107 | 4,355 |
| Total Noncurrent Liabilities | 1,757 | 9,018 | 10,775 | 323,891 |
| **Total Liabilities** | 479,530 | 30,880 | 510,411 | 918,624 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred inflows related to leases | - | 262,778 | 262,778 | - |
| Deferred inflows related to pensions | 10,075 | 6,398 | 16,473 | 44,786 |
| **Total Deferred Inflows of Resources** | 10,075 | 269,176 | 279,251 | 44,786 |
| **NET POSITION** | | | | |
| Investment in Capital Assets | 11,142,839 | 51,129 | 11,193,969 | 4,116,840 |
| Restricted for Pension Asset | 3,233 | 10,875 | 14,108 | 75,399 |
| Unrestricted | 334,811 | 637,894 | 972,705 | 599,202 |
| **Total Net Position** | 11,480,884 | 699,898 | 12,180,782 | 4,791,441 |

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, 2023**

| | Enterprise Funds | | | nternal Service Fund | |
|---|---|---|---|---|---|
| | **HAPO Operations Fund** | **RV Park Non Major Fund** | **Total Business-Type Activities** | **MVPW** | **Governmental Activities-Internal Service Funds** |
| **OPERATING REVENUES** | | | | | |
| *Charges for Services:* | | | | | |
| Public facilities | 276,984 | 430,099 | 707,084 | - | - |
| Interfund | - | - | - | 2,347,137 | 5,457,450 |
| Miscellaneous revenue | - | - | - | 10,305 | 10,305 |
| **Total Operating Revenues** | 276,984 | 430,099 | 707,084 | 2,357,442 | 5,467,755 |
| **OPERATING EXPENSES** | | | | | |
| Maintenance and operations | 476,776 | 232,797 | 709,573 | 1,646,524 | 4,876,798 |
| Amortization/Depreciation | 242,569 | 47,820 | 290,388 | 612,367 | 612,367 |
| **Total Operating Expenses** | 719,345 | 280,616 | 999,961 | 2,258,891 | 5,489,165 |
| **Operating Income (Loss)** | (442,361) | 149,483 | (292,878) | 98,551 | (21,410) |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | |
| Intergovernmental | 162,500 | - | 162,500 | - | - |
| Other non-operating expenses | (35,000) | - | (35,000) | | - |
| Non-operating grants | 5,014,035 | | 5,014,035 | - | - |
| Investment earnings | - | 16,889 | 16,889 | 11,827 | 11,827 |
| Interest expense | - | - | - | (4,067) | (4,067) |
| Gain (Loss) on sale of capital assets | (58,802) | - | (58,802) | (5,938) | (5,938) |
| Taxes | - | (52) | (52) | - | - |
| **Total Non-Operating Revenues (Expenses)** | 5,082,733 | 16,836 | 5,099,569 | 1,821 | 1,821 |
| **Income (Loss) Before Contributions and Transfers** | 4,640,372 | 166,320 | 4,806,691 | 100,372 | (19,589) |
| *Transfers:* | | | | | |
| Transfers-in | 162,500 | 5,863 | 168,363 | 35,177 | 45,177 |
| Transfers-out | (76,999) | (80,010) | (157,009) | - | - |
| **Change in Net Position** | 4,725,873 | 92,173 | 4,818,046 | 135,549 | 25,588 |
| **Total Net Position - Beginning, as Previously Reported** | 5,919,456 | 602,998 | 6,522,453 | 4,277,657 | 4,650,527 |
| **Add: Prior Period Adjustment - Construction in Progress** | 835,555 | - | 835,555 | - | - |
| **Add: Prior Period Adjustment - Inventory Adjustment** | - | - | - | 49,320 | 49,320 |
| **Add: Prior Period Adjustment - GASB 87 Leases** | - | 4,728 | 4,728 | 66,006 | 66,006 |
| **Total Net Position - Beginning** | 6,755,011 | 607,726 | 7,362,736 | 4,392,982 | 4,765,853 |
| **Total Net Position - Ending** | 11,480,884 | 699,898 | 12,180,782 | 4,528,531 | 4,791,441 |

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, 2023**

| | Enterprise Funds | | | |
|---|---|---|---|---|
| | HAPO Operations Fund | RV Park Non Major Fund | Total Business-Type Activities | Governmental Activities- Internal Service Funds |
| **Cash Flows From Operating Activities** | | | | |
| Receipts from customers | 220,908 | 437,505 | 658,413 | 115,346 |
| Payments to suppliers | (302,008) | (118,222) | (420,230) | (4,658,856) |
| Payments to employees | (39,970) | (92,350) | (132,320) | (607,601) |
| Internal activity - payments to other funds | 60,587 | (4,664) | 55,923 | (35,131) |
| Internal activity - payments from other funds | - | - | - | 5,298,822 |
| Net Cash Provided (Used) by Operating Activities | (60,483) | 222,269 | 161,787 | 112,581 |
| **Cash Flows from Noncapital Financing Activities** | | | | |
| Transfers-in | 161,876 | 5,863 | 167,739 | 45,177 |
| Other financing activities | (35,000) | - | (35,000) | - |
| Transfers-out | (76,999) | (80,325) | (157,324) | - |
| Grant proceeds not specifically restricted to capital purposes | 5,014,035 | - | 5,014,035 | - |
| External operating subsidies | 189,583 | - | 189,583 | 307,787 |
| Operating assessments and tax levies | - | (52) | (52) | - |
| Net Cash Provided (Used) by Noncapital Financing Activities | 5,253,496 | (74,514) | 5,178,981 | 352,964 |
| **Cash Flows From Capital and Related Financing Activities** | | | | |
| Proceeds from sale of equipment | - | - | - | 4,509 |
| Purchase of capital assets | (5,014,035) | - | (5,014,035) | (800,570) |
| Interest paid on capital debt | - | - | - | (4,067) |
| Net Cash Used by Capital and Related Financing Activities | (5,014,035) | - | (5,014,035) | (800,129) |
| **Cash Flows from Investing Activities** | | | | |
| Proceeds from sales and maturities of investments | | | | |
| Interest revenue | - | - | - | 14,267 |
| Net Cash Provided by Investing Activities | - | - | - | 14,267 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 178,978 | 147,755 | 326,733 | (320,316) |
| Cash and Cash Equivalents - Beginning of the Year | 619,034 | 465,180 | 1,084,214 | 1,207,942 |
| Cash and Cash Equivalents - End of the Year | 798,012 | 612,935 | 1,410,947 | 887,625 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities** | | | | |
| Operating income (loss) | (442,361) | 149,483 | (292,878) | (21,410) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Pension expense | 8,270 | (6,311) | 1,959 | (45,348) |
| Depreciation expense | 242,569 | 47,820 | 290,388 | 612,367 |
| Non-cash lease transactions | - | 7,498 | 7,498 | (242,334) |
| Change in assets and liabilities: | | | | |
| Unearned revenue | (43,770) | - | (43,770) | - |
| Receivables, net | (12,306) | (92) | (12,398) | 105,042 |
| Accounts and other payables | 130,527 | 2,886 | 133,414 | (262,104) |
| Accrued/(Prepaid) Salaries & Benefits | (2,312) | 1,399 | (913) | 5,750 |
| Prepaid Expenditures | - | 20,510 | 20,510 | 197,946 |
| Due to other funds | 60,587 | (4,664) | 55,923 | (35,131) |
| Due from other funds | - | - | - | (158,628) |
| Inventories | - | - | - | (48,844) |
| Compensated absences | (1,687) | 3,741 | 2,054 | 5,276 |
| Net Cash Provided (Used) by Operating Activities | (60,483) | 222,269 | 161,787 | 112,581 |

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, 2023**

| | Investment Trust Funds | Custodial Funds | External Investment Pool Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash, cash equivalents and pooled investments | - | 9,191,000 | 302,734,591 |
| Individual non-pooled investments | 18,043 | - | - |
| **Total Assets** | 18,043 | 9,191,000 | 302,734,591 |
| **LIABILITIES** | | | |
| Accounts payable and accrued expenses | - | 1,163,703 | - |
| Due to other governments | - | 701,914 | - |
| **Total Liabilities** | - | 1,865,617 | - |
| **NET POSITION** | | | |
| Restricted for: | | | |
| Pool participants | - | - | 302,734,591 |
| Individuals, organizations and other governments | 18,043 | 7,325,384 | - |
| Total net position | 18,043 | 7,325,384 | 302,734,591 |

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

## Franklin County, Washington
**Statement of Changes in Fiduciary Net Position**
**Fiduciary Funds**
**For the Year Ended December 31, 2023**

| | Investment Trust Funds | Custodial Funds | External Investment Pool Funds |
|---|---|---|---|
| **ADDITIONS** | | | |
| Contributions: | | | |
| Additions by participants | - | 158,558,193 | 329,700,436 |
| Other custodial fund collections | - | 678,390,739 | - |
| Total contributions | - | 836,948,932 | 329,700,436 |
| Investment earnings: | | | |
| Net increase (decrease) in fair value of investments | - | - | 10,926,387 |
| Interest | 111 | 7,903 | - |
| Total investment earnings | 111 | 7,903 | 10,926,387 |
| Less investment costs | - | - | (60,215) |
| Net investment earnings | 111 | 7,903 | 10,866,172 |
| Property tax collections for other governments | - | 104,342,753 | - |
| Other tax collections for other governments | - | 14,599,435 | - |
| **Total Additions** | 111 | 955,899,024 | 340,566,607 |
| **DEDUCTIONS** | | | |
| Deductions by participants | 111 | 331,978,406 | 158,558,209 |
| Other custodial disbursements | - | 573,843,012 | - |
| Payment of tax to other governments | - | 62,700,755 | - |
| **Total Deductions** | 111 | 968,522,174 | 158,558,209 |
| **CHANGE IN FIDUCIARY NET POSITION** | - | (12,623,150) | 182,008,398 |
| **Net Position - Beginning of Year** | 18,043 | 19,948,534 | 120,726,193 |
| **Net Position - End of Year** | 18,043 | 7,325,384 | 302,734,591 |

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 2023 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 began reporting the Franklin County Noxious Weed Board and the Franklin County Pest Control Board as ***discretely presented*** component units of the County, removing them from the fiduciary funds statements. The entity-wide financial statements also reflect these changes.

The Horticultural Pest and Disease Board (Pest Board) was formed in 1971 when the Franklin County Board of Commissioners passed Ordinance 5-71. The Board operates under the guidance of RCW's 15.08 and 15.09 and is charged with the responsibility of receiving complaints concerning pests and diseases in Franklin County and taking action to control priority pests and diseases that threaten agriculture in the County in an effort to preserve unobstructed sale of agricultural produce from the County. More information concerning the Pest Board can be found at https://www.co.franklin.wa.us/pestboard.

The Franklin County Noxious Weed Control Board (Weed Board) was created in 1986 by Franklin County Resolution 86-77. The primary responsibilities of the Weed Board are to survey, identify, and assist with the management of noxious weeds within Franklin County. The Weed Board's primary desire is to assist and encourage every land owner to do their part to control noxious weeds, but can step in under the authority of RCW 17.10 that allows for monetary penalties to be assessed per parcel, per noxious weed species, per day after expiration of a notice to control. Additional information relating to the Weed Board may be found at https://nwcb.wa.gov/franklin-county-noxious-weed-control-board.

Analysis of the following elements led to the reporting these two entities as discretely presented component units:

- A Franklin County Ordinance created the Pest Board, and a Franklin County Resolution created the Noxious Weed Board.
- RCW 17.10.050 gives the County authority to appoint at least a majority of the Weed Board's governing body, and RCW 15.09.030 gives the County authority to appoint at least a majority of the Pest Board's governing body.
- There is a burden to the County for these Boards, and the County can ultimately decide the method for how money is raised to operate the Boards, including funding them through the County's General Fund.
- Services rendered by the Boards are provided to the County as a whole.
- Liabilities are expected to be paid by the Weed and Pest Boards.
- The County's legal council affirmed their status as discretely presented 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 and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 ***American Rescue Plan Fund*** was created during 2021 as a result of receiving the first of two allocations from the U.S. Treasury due to the American Rescue Plan Act of 2021. The funds are to be used to help the County with recovery from the financial impacts experienced by the COVID-19 pandemic.

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 ***Mental Health Fund*** is used to provide for the operation or delivery of chemical dependency or mental health treatment programs and services and for the operation or delivery of therapeutic court programs and services. The primary sources of revenue and property and sales taxes.

The ***Distressed County Public Facilities 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 2032.

**The County reports the following major proprietary fund:**

**HAPO 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 HAPO 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.

## 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. 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.

## 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.

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

County Commissioners must approve transfers between departments or funds in the form of a Resolution during a public meeting, with the exception of transfers within the General Fund under $25,000, which may be authorized by the County Administrator.

When the County Board of County Commissioners determines that it is in the best interest of the County to increase or decrease the total appropriation of a particular fund, it may do so by resolution approved by one more than the majority after holding public hearing(s), if applicable. Amendments to non-General Fund budgets that do not affect the bottom line appropriations can be made with an email to the Auditor's Office.

Any Revisions that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must also be approved by the Board of County Commissioner.

Estimated amounts for unfilled positions (salary savings) are included in the budgeted Ending Fund Balance and can be allocated back to departmental budgets by the County Auditor's Office as necessary.

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.

**3. Excess of Expenditures over Appropriations**

There were no instances of excess of expenditures over appropriations that occurred during 2023.

**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, 2023, the Treasurer was holding $2,915,954 in short-term residual of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The General Fund is the recipient of all residual cash interest.

The amounts reported as cash and cash equivalents may also include compensating balances maintained with the bank in lieu of payments for services rendered. The average compensating balances maintained during 2023 were approximately $4,569,829.

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 4, *Deposits and Investments*)**

3. **Receivables**

*Taxes receivable* includes property taxes and related interest and penalties (see Note 6, *Property Tax*). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

*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 $22,957,018. 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 1.20% for Superior Court and 13.95% 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 2023 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 | $ 17,944,487 | 1.20% | $ 215,334 |
| District Court | $ 5,012,532 | 13.95% | 699,248 |
| **Total Estimated Collectible Amount** | | | **$ 914,582** |

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

*Opioid settlement receivables* are receivables from companies that were found responsible for fueling the opioid epidemic. These receivables, net of estimated uncollectible accounts, are offset by deferred inflow-unavailable revenue. The revenues from this settlement have to follow the State Opioid and Response Plan. Revenues are recognized when they are received within the period of availability within the governmental fund statements.

Not all of the opioid lawsuits have been settled and thus the full amount of those transaction is not recognized. Currently the National distributor settlement was settled and the full receivable outstanding is recognized in the governmental funds financial statements. The Walmart/CVS /Walgreens/Teva/Allergan settlements has settled, but only the initial payment due in 2024 has been scheduled. The remaining amount due will be recognized when available. The Johnson & Johnson settlement has a May 11, 2024 deadline for cities and counties to join the settlement. This settlement will be added to the financial statements once more information is available. Kroger has also recently reached a settlement with the Washingotn Attorney General's Office. This settlement will be added to the financial statements once more information is available.

Revenue from the opioid settlements is recognized within the government-wide financial statements when the receivable is first recorded.

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 either interfund loans receivable/payable. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. A separate schedule of interfund loans receivable and payable is furnished in Note 21, *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 by the weighted average method, which approximates the market value.

6. **Restricted Assets and Liabilities**

These accounts contain resources for construction and debt service. Specific debt service reserve requirements are described in Note 17, *Long-Term Debt*.

7. **Capital Assets -** See Note 7, *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. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 costs for normal maintenance and repairs are not capitalized.

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

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated 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, and in the year following the completion of the project. The County depreciates infrastructure over a 40-year useful life based on a combination of the relatively moderate weather in our area and local soils, which provide excellent drainage to minimize the erosion of the roadway.

8. **Leases –** See Notes 8 and 14 on Leases

**Lessee**: The County is a lessee for noncancelable leases. The County recognizes a lease liability and an intangible right-to-use lease asset in the government-wide and proprietary fund financial statements. The County  recognizes lease liabilities with an initial, individual value of $5,000 or more. In 2022, the value used was $10,000.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis method over its useful life.

Governmental funds recognize a capital outlay and other financing source at the commencement of a new lease. Lease payments in governmental funds are reported as debt service principal and debt service interest expenditures.

Key estimates and judgements related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

**Lessor**: The County is a lessor for noncancelable leases. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measure as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis method.

Key estimates and judgements related to lease include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The County uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are compose of fixed payments from the lessee.

The County monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

9. **Compensated Absences**

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

County employees receive Paid Time Off (PTO) at varying accrual rates depending on seniority. PTO is the combined total of Vacation, Sick and Personal Leaves.

As of December 31 of each year, PTO hours may not exceed a total of 760 hours for 37.5 hours per work week employees and 810 hours for 40 hours per work week employees. Any excess will be forfeit and leave balances reduced as of January 1 of the succeeding year to 760 hours or 810 hours respectively. Sheriff Deputies can carryover 910 hours.

Upon separation of employment, all unused accrued PTO hours, up to a maximum of 480 hours (37.5 hour work week) or 510 hours (40 hour work week), will be paid to the employee or their estate.

On December 31, 2023, the County-wide compensated absences payable amounted to $2,887,659, an increase of $43,188 over 2022. Also included in this total is $3,977 for accrued compensatory time.

10. **Pensions**

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

For purposes of calculating the restricted net position related to the net pension asset, the County includes the net pension asset only.

See Note 9 – *Pension Plans*.

11. **Other Accrued Liabilities**

These accounts consist of accrued wages and accrued employee benefits.

12. **Long-Term Debt -** See Note 17, *Long-Term Debt*.

13. **Unearned Revenues**

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

14. **Fund Balance Classifications.**

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.

To follow the guidance from the Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the County has divided its fund balances into the following types:

<u>Non-spendable Fund Balance</u>
Fund balances is only an approximate measure of liquidity. One reason is that some of the assets reported in governmental funds may be inherently nonspendable from the vantage point of the current period:

- Assets that will never convert to cash (e.g. prepaid items and inventories of supplies);
- Assets that will not convert to cash soon enough to affect the current period (.e.g. the long-term portion of loans receivable and non- financial assets held for resale, such as foreclosure properties); and
- Resources that must be maintained intact pursuant to legal or contractual requirements (e.g. the principal of an endowment or the capital of a revolving fund loan).

Restricted Fund Balance

Fund balances that are restricted reflect resources that are subject to *externally enforceable* legal restrictions. Such restrictions typically are imposed by enabling legislation from parties altogether outside the government:

- Creditors (e.g. through debt covenants);
- Grantors;
- Contributors; and
- Other Governments (e.g. through laws and regulations).

Likewise, a government's own constitution or charter also may impose legal restrictions on the use of resources reported in a governmental fund.

Committed Fund Balance

This portion of the fund balance represents resources whose use is constrained by limitations that the government imposes upon itself at its highest level of decision-making. In Franklin County's case, this authority rests within the three elected Board of County Commissioners (BOCC). The fund balance remains committed unless the Board removes the commitments in the same manner as it was enforced (Resolution, e.g.). The underlying action that imposed the limitation would need to occur no later than the close of the reporting period.

Assigned Fund Balance

County fund balances that are assigned are funds that are designated for an intended use of resources. Such intent needs to be established at either the highest level of decision-making (BOCC), or by a body (e.g. finance committee) or an official designated for that purpose. Also, amounts in excess of non-spendable, restricted, and committed fund balance in funds other than the general fund automatically would be reported as *assigned fund balance.*

Unassigned Fund Balance

The general fund (or current expense fund), as the principal operating fund of the government, often will have net resources in excess of what can properly be classified in one of the four categories described above. If so, that surplus is presented as unassigned fund balance.

If resources were not at least assigned, they could not properly be reported in a fund other than the general fund to begin with. Therefore, only the general fund can report a positive amount of *unassigned fund balance.* Conversely, any governmental fund in a deficit position could report a negative amount of *unassigned fund balance*.

Other Fund Balance Considerations

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.

15. **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.

16. **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 ($3,086,300 minimum for 2023 on the net operating budget of $44,090,000).* At year-end, the County held $9,349,842 in fund balance within Current Expense and Reserve Fund accounts, or $6,263,542 above the minimum reserve goal. County reserves are held in the General/Current Expense Fund and the Franklin County Reserve Fund.

17. **Net Position Classification**

For government wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

## NOTE 2 – PRIOR PERIOD ADJUSTMENTS

The County implemented GASB 87, Leases, in 2022. In 2023, the County switched its lease software used to account for these leases and in the process changed the lease threshold from \$10,000 to \$5,000. This led to more leases needing to be reported, as well as prior period adjustments to report leases that would have been reported previously. There was a \$81,430 prior period adjustment in Governmental Activities, which included \$66,006 from the Motor Vehicle Internal Service Fund. There was a \$4,728 prior period adjustment for business-type activities.

Also, there was an error made in adjusting inventory balances in 2022, which led to a prior period adjustment of \$49,320 in the Motor Vehicle Internal Service Fund for 2023.

Additionally, the County had reported a deferred inflow for court receivables on its entity-wide statements. A deferred inflow for court receivables should only be reported on the governmental fund statements and so this was removed from the entity-wide statements, which led to a prior period adjustment of \$1,100,757.

Finally, the beginning balance for governmental activities Construction in Progress was restated down \$835,555, and business-type activities up, for a Hapo energy project that was previously recorded as governmental activities that should have been reported in business-type activities.

## NOTE 3 – ACCOUNTING AND REPORTING CHANGES

The County implemented GASB 87, Leases, in 2022. In 2023, the County switched its lease software used to account for these leases and in the process decided to change the lease threshold from \$10,000 to \$5,000. This led to more leases needing to be reported. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The County implemented GASB 96, Subscription-Based Information Technology Arrangements, in 2023. The objective of this Statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs; improving the comparability of financial statements among governments that have entered into SBITAs; and enhancing the understandability, reliability, relevance, and consistency of information about SBITAs.

## NOTE 4 - DEPOSITS AND INVESTMENTS

### A. Deposits

Cash on hand at December 31, 2023 was $21,665,130. The carrying amount of the County's deposits, including certificates of deposit, was $67,461,025 and the reconciled bank balance was $21,753,215.

Custodial credit risk for deposits 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 certificates of deposit are mostly 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 does not have any bank balances that were exposed to credit risk.

### B. Investments

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.

**Investments are subject to the following risks**:

**Interest Rate Risk**: Interest rate risk is the risk the County may face should interest rate variances affect the fair value of investments. The County does not have a formal policy that addresses interest rate risk.

| Investment Type | | Fair Value | | Less Than 1 | | 1 to 5 | Quality |
|---|---|---|---|---|---|---|---|
| **Other Securities** | | | | | | | |
| U.S. Treasuries | $ | 3,104,126 | $ | 833,585 | $ | 2,270,541 | AA+/Aaa |
| U.S. Treasuries | $ | 2,623,803 | $ | 1,232,369 | $ | 1,391,434 | |
| Certificates of Deposits | | 1,600,000 | | 850,000 | | 750,000 | |
| **Total Debt Securities/Investments** | $ | 7,327,929 | $ | 2,915,954 | $ | 4,411,974 | |

In addition to the interest rate risk disclosed above, the County includes investments with fair value highly sensitive to interest rate changes.

Credit Risk: 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.

At December 31, 2023, due to the continued extremely low interest rates, most of the County's investments were held in the Local Government Investment Pool and in Certificates of Deposits, therefore the County maintained very low credit risk.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The County does not have a formal policy for concentration risk.

**Investments in Local Government Investment Pool (LGIP)**

The County is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated, and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP Does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. 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, 2023, the County had the following investments measured at fair value:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | 12/31/2023 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** | | | | |
| U.S. Securities | $ 5,727,929 | - | - | - |
| Certificates of Deposits | $ 1,600,000 | | | |
| **Total Investments by Fair Value Level** | 7,327,929 | - | - | - |
| **Total Investments Measured at Fair Value** | $ 7,327,929 | | | |
| **Other Securities Not Measured at Fair Value** | | | | |
| State LGIP | 244,699,894 | | | |
| | 244,699,894 | | | |
| **Total Investments** | $ 252,027,823 | | | |

## NOTE 5 – EXTERNAL INVESTMENT POOL

Revised Code of Washington (RCW) 36.29.022, 36.29.010, 36.29.020, authorize the County Treasurer to invest its surplus cash and any funds of municipal corporations which are not required for immediate expenditure and are in the custody or control of the County Treasurer. The External Investment Pool's investments are invested pursuant to the Revised Code of Washington. Any credits or payments to pool participants are calculated and made in a manner as required by RCW 36.29.024.

The investments are managed by the Treasurer, which reports investment activity to the County Finance Committee on a quarterly basis. Additionally, the County Treasurer investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The County has not provided nor obtained any legally binding guarantees during the year ended December 31, 2023, to support the value of shares in the Pool.

The External Investment Pool is not registered with the SEC and is not subject to any formal oversight other than that provided by the County Finance Committee. The Committee is responsible for adopting investment objectives and policies, for hiring investment advisors, and for monitoring policy implementation and investment performance. The Committee's primary role is to oversee the allocation of the Pool's portfolio among the asset classes, investment vehicles, and investment managers.

The interest or other earnings of income from the funds of any municipal corporation of which the governing body has not taken any action pertaining to the investment of funds and that have been invested in accordance with state statutes, shall be deposited in the Current Expense fund of the County and may be used for general County purposes. The total amount of income from the External Investment Pool assigned to the County's General Fund for the year was $1,965,114. These investments made by the County Treasurer on behalf of the participants is involuntary participation in the County Treasurer's Investment Pool as they are required to be invested by statute.

The County Treasurer's Pool consists largely of involuntary participants. Voluntary participants in the County Treasurer's Pool include entities that request specific amounts to be invested on their behalf by the County Treasurer. The deposits held for both involuntary and voluntary entities are included in the Pooled Investment Trust Fund.

The Treasurer also maintains Individual Investment Accounts, as directed by external depositors, which are invested pursuant to the Revised Code of Washington. This investment activity occurs separately from the County's Pool and is reported in the Individual Investment Trust Fund, in the amount of $18,043. Income from the specific investments acquired for the individual municipalities, and changes in the value of those investments, affect only the municipality for which they are acquired, and are aggregated in the Individual Investment Fund.

**Changes to the External Investment Fund can be found in the following Statement of Net Position:**

**Franklin County, Washington**
**Notes to the Basic Financial Statements**
**For the Year Ended December 31, 2023**

**Franklin County Treasurer's Investment Pool**
**Condensed Statement of Net Position**

| | | |
|---|---|---|
| **Assets** | | |
| Cash, Cash Equivalents & Pooled Investments | $ | 133,009,070 |
| Receivables | | - |
| Total Assets | | 133,009,070 |
| | | |
| **Liabilities** | | |
| Total Liabilities | | - |
| | | |
| **Net Position Held in Trust for Pool Participants** | $ | 133,009,070 |

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

| | | |
|---|---|---|
| Net Position Beginning of Year | $ | 133,009,070 |
| Net Change in Investments by Pool Participants | | 111,690,825 |
| | | |
| **Net Position Year End** | $ | 244,699,894 |

## NOTE 6 - PROPERTY TAX

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

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

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

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

The County's regular levy for 2023 was $0.85743944 per $1,000 on an assessed valuation of $13,800,124,462 for a total regular levy of $11,832,040.

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

The County is also authorized to levy $2.25 per $1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The County's road levy for 2023 was $0.91883676 per $1,000 on an assessed valuation of $3,745,881,977 for a total road levy of $3,441,824.

The following table depicts Franklin County's levy for 2023:

| Purpose of Levy | Levy Rate per $1,000 | Total Levy Amount |
|---|---|---|
| General Government | $0.857439 | $11,832,040 |
| County Road (on assessed value of unincorporate areas totaling $3,745,881,977) | $0.918837 | $3,441,824 |
| Mental Health | $0.025000 | $344,982 |
| Veteran's Relief | $0.011250 | $155,242 |
| Total | $1.812526 | $15,774,088 |

## NOTE 7 – CAPITAL ASSETS

**Governmental Activities:**
Capital assets activity for the year ended December 31, 2023 was as follows:

| Governmental Activities | Beginning Balance 01/01/2023 | Increases | Decreases | Ending Balance, 12/31/2023 |
|---|---|---|---|---|
| **Capital assets, not being depreciated:** | | | | |
| Land | 1,160,566 | 144,081 | - | 1,304,647 |
| Construction in Progress | 7,636,151 | 4,687,697 | (682,568) | 11,641,280 |
| **Total capital assets, not being depreciated** | 8,796,717 | 4,831,778 | (682,568) | 12,945,927 |
| **Capital assets, being depreciated** | | | | |
| Lease Land | 89,482 | - | - | 89,482 |
| Buildings | 46,913,218 | 39,280 | - | 46,952,498 |
| Lease Buildings | 66,452 | - | - | 66,452 |
| Machinery & Equipment | 18,161,110 | 1,435,649 | (542,265) | 19,054,494 |
| Lease Equipment | 126,838 | 31,187 | - | 158,024 |
| Lease Vehicles | 670,048 | 203,409 | - | 873,457 |
| Intangible Assets | 1,413,929 | - | - | 1,413,929 |
| Lease SBITA | - | 139,525 | - | 139,525 |
| Land Improvements | 537,188 | 108,551 | - | 645,739 |
| Infrastructure | 277,746,215 | 682,568 | (486,512) | 277,942,271 |
| **Total capital assets being depreciated/amortized** | 345,724,480 | 2,640,168 | (1,028,777) | 347,335,871 |
| **Less accumulated depreciation for:** | | | | |
| Lease Land | 13,765 | 13,765 | - | 27,530 |
| Buildings | 25,487,487 | 1,006,327 | - | 26,493,814 |
| Lease Buildings | 17,717 | 17,717 | - | 35,434 |
| Machinery & Equipment | 12,847,968 | 1,136,275 | (531,817) | 13,452,425 |
| M&E-Gov | 9,633,946 | 728,691 | (485,241) | 9,877,397 |
| M&E-MV | 3,214,021 | 407,583 | (46,577) | 3,575,028 |
| Lease Equipment | 14,939 | 28,259 | - | 43,198 |
| Lease Vehicles | 154,675 | 201,523 | | 356,198 |
| Intangible Assets | 842,569 | 147,832 | - | 990,401 |
| Lease SBITA | - | 38,823 | - | 38,823 |
| Land Improvements | 400,820 | 32,287 | - | 433,107 |
| Infrastructure | 129,123,879 | 6,943,655 | (76,979) | 135,990,555 |
| **Total accumulated depreciation** | 168,903,818 | 9,566,463 | (608,796) | 177,861,485 |
| **Governmental Activities Capital Assets, net** | **185,617,379** | **(2,094,517)** | **(1,102,549)** | **182,420,312** |

The beginning numbers above were restated with an increase of $8,091 to accumulated depreciation – machinery & equipment. This variance occurred in the Motor Vehicle fund and a prior period correction was made to reconcile capital asset records to the County's general ledger.

The total beginning depreciable asset balance was also increased and amounts were reallocated from intangible assets in 2022 to individual lease classification. Amounts were increased by $132,880 as we switched the software used to account for leases and in the process decided to change the lease threshold from $10,000 to $5,000. This led to more leases needing to be reported. Similar adjustments were made to accumulated depreciation balances leading to a decreased beginning balance of $28,477.

Finally, the beginning balance for Construction in Progress was restated down $835,555 for a Hapo energy project that was previously recorded as governmental activities that should have been reported in business-type activities.

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

| **Governmental Activities Depreciation/Amortization by Function:** | |
|---|---|
| Judicial | $ 40,719 |
| General Government | 980,985 |
| Public Safety | 933,784 |
| Natural Environment | 4,839 |
| Economic Environment | 11,751 |
| Transportation | 7,564,432 |
| Social Services | 9,781 |
| Culture and Recreation | 20,172 |
| **Total Depreciation - Governmental Activities** | $ 9,566,463 |

**Business-type Activities:**

| Business-Type Activities | Beginning Balance 01/01/2023 | Increases | Decreases | Ending Balance, 12/31/2023 |
|---|---|---|---|---|
| **Capital assets, not being depreciated:** | | | | |
| Land | 25,407 | - | - | 25,407 |
| Construction in Progress | 835,555 | 5,014,035 | - | 5,849,590 |
| **Total capital assets, not being depreciated** | 860,962 | 5,014,035 | - | 5,874,997 |
| **Capital assets, being depreciated** | | | | |
| Buildings | 13,960,505 | - | - | 13,960,505 |
| Machinery & Equipment | 1,116,586 | - | (235,104) | 881,482 |
| Improvements to Land | 1,367,794 | - | - | 1,367,794 |
| Other Improvements | 177,139 | - | - | 177,139 |
| **Total Capital Assets being depreciated** | 16,622,025 | - | (235,104) | 16,386,921 |
| **Less accumulated depreciation for:** | | | | |
| Buildings | 8,587,526 | 218,192 | - | 8,805,717 |
| Machinery & Equipment | 1,042,014 | 6,057 | (176,302) | 871,770 |
| Improvements to Land | 1,147,184 | 66,139 | - | 1,213,323 |
| Other Improvements | 177,139 | - | - | 177,139 |
| **Total accumulated depreciation** | 10,953,863 | 290,388 | (176,302) | 11,067,949 |
| **Business-Type Activities capital assets, net** | 6,529,124 | 4,723,647 | (58,802) | 11,193,969 |

The beginning balance for business-type activities Construction in Progress was restated up $835,555 for a Hapo energy project that was previously recorded as governmental activities that should have been reported in business-type activities.

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

| **Business-type Activities**: | |
|---|---|
| HAPO Multi-Use Facility | $242,569 |
| Other Non-Major Enterprise Funds (RV Park) | 47,820 |
| **Total Depreciation –Business-type Activities** | **$290,388** |

**NOTE 8 – LEASES (LESSORS)**

**Leases Receivable**

The County leases out its buildings and land. Most leases have initial terms of up to 20 year, and contain one or more renewal at our option, generally for three or five year periods. We have generally included these renewal periods in the lease term when it is reasonably certain that we will exercise the renewal option. The County's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the County's leases is not readily determinable, the County utilizes its incremental borrowing rate to discount the lease payments.

Although the County is exposed to changes in the residual value at the end of the current leases, the County typically enters into new operating leases and therefore will not immediately realize any reduction in residual value at the end of these leases.

**Minimum lease payments receivable on leases of investment properties are as follows:**

| | Governmental Funds | | Proprietary Funds | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| 2024 | 54,665.69 | 21,399.78 | 32,881.60 | 13,390.77 |
| 2025 | 58,281.61 | 19,023.58 | 35,801.21 | 11,627.97 |
| 2026 | 62,017.53 | 16,561.74 | 38,863.07 | 9,751.84 |
| 2027 | 41,074.04 | 14,227.92 | 29,408.51 | 7,860.10 |
| 2028 | 29,715.27 | 13,109.73 | 19,203.98 | 6,841.67 |
| 2029-2033 | 138,025.65 | 51,012.03 | 121,757.38 | 18,569.73 |
| 2034-2038 | 137,001.52 | 36,878.80 | - | - |
| 2039-2043 | 180,239.01 | 21,335.94 | - | - |
| 2044-2048 | 120,662.88 | 3,447.97 | - | - |
| **Total** | **821,683.20** | **196,997.49** | **277,915.75** | **68,042.08** |

**Total inflow of resources relating to leases recognized in 2023:**

| **Fund** | **Governmental** | **Proprietary** | |
|---|---|---|---|
| **Activity** | **Governmental** | **Business-type** | **Total** |
| Lease revenue | 70,455.41 | 37,646.03 | 108,101.44 |
| Interest revenue | 23,517.99 | 14,937.35 | 38,455.35 |

## NOTE 9 - PENSION PLANS

The following tables represent the aggregate pension amounts for all plans for the year 2023:

| Aggregate Pension Amounts – All Plans – Primary Government | |
|---|---|
| Pension liabilities | $2,006,247 |
| Pension assets | $6,243,851 |
| Deferred outflows of resources | $5,092,254 |
| Deferred inflows of resources | $3,144,867 |
| Pension expense/expenditures | ($516,378) |

| Aggregate Pension Amounts – All Plans – Discretely Presented Component Units | |
|---|---|
| Pension liabilities | $29,105 |
| Pension assets | $53,551 |
| Deferred outflows of resources | $48,886 |
| Deferred inflows of resources | $31,715 |
| Pension expense/expenditures | ($8,465) |

**State Sponsored Pension Plans**

Substantially all of Franklin 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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

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

**Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs.

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

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as 2% 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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). 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%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

| **PERS Plan 1** | | |
|---|---|---|
| **Actual Contribution Rates** | **Employer** | **Employee** |
| January – June | | |
| PERS Plan 1 | 6.36% | 6.00% |
| PERS Plan 1 UAAL | 3.85% | |
| Administrative Fee | 0.18% | |
| **Total** | **10.39%** | **6.00%** |
| July – August | | |
| PERS Plan 1 | 6.36% | 6.00% |
| PERS Plan 1 UAAL | 2.85% | |
| Administrative Fee | 0.18% | |
| **Total** | **9.39%** | **6.00%** |
| September – December | | |
| PERS Plan 1 | 6.36% | 6.00% |
| PERS Plan 1 UAAL | 2.97% | |
| Administrative Fee | 0.20% | |
| **Total** | **9.53%** | **6.00%** |

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. 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 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. 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. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

| PERS Plan 2/3 | | | |
|---|---|---|---|
| **Actual Contribution Rates** | **Employer 2/3** | **Employee 2*** | **Employee 3** |
| January – June | | | |
| PERS Plan 2/3 | 6.36% | 6.36% | Varies |
| PERS Plan 1 UAAL | 3.85% | | |
| Administrative Fee | 0.18% | | |
| **Total** | **10.39%** | **6.36%** | |
| July – August | | | |
| PERS Plan 2/3 | 6.36% | 6.36% | Varies |
| PERS Plan 1 UAAL | 2.85% | | |
| Administrative Fee | 0.18% | | |
| **Total** | **9.39%** | **6.36%** | |
| September – December | | | |
| PERS Plan 2/3 | 6.36% | 6.36% | Varies |
| PERS Plan 1 UAAL | 2.97% | | |
| Administrative Fee | 0.20% | | |
| **Total** | **9.53%** | **6.36%** | |

* For employees participating in the Judicial Benefit Multiplier (JBM) program, the contribution rate was 15.90%

The County's actual PERS plan contributions for its primary government were $506,860 to PERS Plan 1 and $916,100 to PERS Plan 2/3 for the year ended December 31, 2023.

The County's actual PERS plan contributions for its discretely presented component units were $7,353 to PERS Plan 1 and $13,289 to PERS Plan 2/3 for the year ended December 31, 2023.

**Public Safety Employees' Retirement System (PSERS)**

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006.

PSERS membership includes certain public employees whose jobs contain a high degree of physical risk to their own personal safety. In addition to meeting strict statutory work requirements, membership is further restricted to specific employers including:

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

- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the AFC times the member's years of service. The AFC is based on the member's 60 consecutive highest creditable months of service. 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. 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. Retirement before age 60 is considered an early retirement. PSERS members who retire before turning 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3% per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other benefits include a COLA, capped at 3% annually. 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 rates are adopted by the Pension Funding Council and are subject to change by the Legislature. The Plan 2 employer rates include components to address the PERS Plan 1 UAAL.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2023 were as follows:

| PSERS Plan 2 | | |
|---|---|---|
| **Actual Contribution Rates** | **Employer** | **Employee** |
| January – June | | |
| PSERS Plan 2 | 6.60% | 6.60% |
| PERS Plan 1 UAAL | 3.85% | |
| Administrative Fee | 0.18% | |
| **Total** | **10.63%** | **6.60%** |
| July – August | | |
| PSERS Plan 2 | 6.60% | 6.60% |
| PERS Plan 1 UAAL | 2.85% | |
| Administrative Fee | 0.18% | |
| **Total** | **9.63%** | **6.60%** |
| September – December | | |
| PSERS Plan 2 | 6.73% | 6.73% |
| PERS Plan 1 UAAL | 2.97% | |
| Administrative Fee | 0.20% | |
| **Total** | **9.90%** | **6.73%** |

The County's actual plan contributions were $225,298 to PSERS Plan 2 and $117,118 to PERS Plan 1 for the year ended December 31, 2023.

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

LEOFF was established in 1970, and its retirement benefit provisions are contained in Chapter 41.26 RCW. LEOFF membership includes all of the state's full-time, fully compensated, local law enforcement commissioned officers, fire fighters and, as of July 24, 2005, emergency medical technicians.

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-paid consecutive 24 months' 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 a COLA. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute 0%, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2023. Employers paid only the administrative expense of 0.20% of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the FAS per year of service (the FAS is based on the highest-paid 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 – 52, the reduction is 3% 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 a COLA (based on the CPI), capped at 3% annually. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The rates are adopted by the LEOFF Plan 2 Retirement Board and are subject to change by the Legislature.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2023.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

| **LEOFF Plan 2** | | |
|---|---|---|
| **Actual Contribution Rates** | **Employer** | **Employee** |
| January –August | | |
| State and local governments | 5.12% | 8.53% |
| Administrative Fee | 0.18% | |
| **Total** | **5.30%** | **8.53%** |
| September – December | | |
| State and local governments | 5.12% | 8.53% |
| Administrative Fee | 0.20% | |
| **Total** | **5.32%** | **8.53%** |

The County's actual contributions to the plan were $164,834 for the year ended December 31, 2023.

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 Office of the State Actuary 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, 2023, the state contributed $87,966,142 to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is $1,090,646.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study and the 2021 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.25% salary inflation
- Salary increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.

- Investment rate of return: 7.00%

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

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

**Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% 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 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

**Estimated Rates of Return by Asset Class**

The table below summarizes the 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, 2021. The inflation component used to create the table is 2.2% 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% | 1.5% |
| Tangible Assets | 7% | 4.7% |
| Real Estate | 18% | 5.4% |
| Global Equity | 32% | 5.9% |
| Private Equity | 23% | 8.9% |
| | **100%** | |

**Sensitivity of the Net Pension Liability/(Asset)**

The table below presents the County's proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

| **Primary Government** | | | |
|---|---|---|---|
| | **1% Decrease (6%)** | **Current Discount Rate (7%)** | **1% Increase (8%)** |
| PERS 1 | $2,802,879 | $2,006,247 | $1,310,975 |
| PERS 2/3 | $4,014,857 | ($3,691,416) | ($10,022,607) |
| PSERS 2 | $645,478 | ($416,282) | ($1,254,243) |
| LEOFF 1 | ($379,737) | ($428,256) | ($470,330) |
| LEOFF 2 | $282,782 | ($1,707,898) | ($3,337,098) |

| **Discretely Presented Component Unit** | | | |
|---|---|---|---|
| | **1% Decrease (6%)** | **Current Discount Rate (7%)** | **1% Increase (8%)** |
| PERS 1 | $40,662 | $29,105 | $19,019 |
| PERS 2/3 | $58,243 | ($53,551) | ($145,396) |

**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, 2022, the County reported its proportionate share of the net pension liabilities as follows:

| Primary Government | **Liability (or Asset)** |
|---|---|
| PERS 1 | $2,006,247 |
| PERS 2/3 | ($3,691,416) |
| PSERS 2 | ($416,282) |
| LEOFF 1 | ($428,256) |
| LEOFF 2 | ($1,707,898) |

| Discretely Presented Component Unit | **Liability (or Asset)** |
|---|---|
| PERS 1 | $29,105 |
| PERS 2/3 | ($53,550) |

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 | $428,256 | $1,707,898 |
| State's proportionate share of the net pension asset associated with the employer | $2,896,714 | $1,090,646 |
| TOTAL | $3,324,970 | $2,798.544 |

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

| Primary Government | | | |
|---|---|---|---|
| | **Proportionate Share 6/30/22** | **Proportionate Share 6/30/23** | **Change in Proportion** |
| PERS 1 | 0.091305% | 0.087888% | (0.003417%) |
| PERS 2/3 | 0.095987% | 0.090063% | (0.005924%) |
| PSERS 2 | 0.394531% | 0.392574% | (0.001957%) |
| LEOFF 1 | 0.015079% | 0.014429% | (0.000650%) |
| LEOFF 2 | 0.070787% | 0.071204% | 0.000417% |

| Discretely Presented Component Units | | | |
|---|---|---|---|
| | **Proportionate Share 6/30/22** | **Proportionate Share 6/30/23** | **Change in Proportion** |
| PERS 1 | 0.001374% | 0.001275% | (0.000099%) |
| PERS 2/3 | 0.001445% | 0.001307% | (0.000138%) |

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 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 2023. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). 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 2023, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

**Pension Expense**

For the year ended December 31, 2023, the County recognized pension expense as follows:

| Primary Government | Pension Expense |
|---|---|
| PERS 1 | ($133,720) |
| PERS 2/3 | ($449,760) |
| PSERS 2 | $107,462 |
| LEOFF 1 | ($21,312) |
| LEOFF 2 | ($19,049) |
| TOTAL | ($516,378) |

| Discretely Presented Component Units | Pension Expense |
|---|---|
| PERS 1 | ($1,940) |
| PERS 2/3 | ($6,525) |
| TOTAL | ($8,465) |

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

| PERS Plan 1 – Primary Government | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $0 | $0 |
| Net difference between projected and actual investment earnings on pension plan investments | $0 | $226,313 |
| Changes of assumptions | $0 | $0 |
| Changes in proportion and differences between contributions and proportionate share of contributions | $0 | $0 |
| Contributions subsequent to the measurement date | $277,200 | $0 |
| TOTAL | $277,200 | $226,313 |

| PERS Plan 1 – Discretely Presented Component Units | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $0 | $0 |
| Net difference between projected and actual investment earnings on pension plan investments | $0 | $3,283 |
| Changes of assumptions | $0 | $0 |
| Changes in proportion and differences between contributions and proportionate share of contributions | $0 | $0 |
| Contributions subsequent to the measurement date | $4,021 | $0 |
| TOTAL | $4,021 | $3,283 |

| PERS Plan 2/3 – Primary Government | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $751,937 | $41,244 |
| Net difference between projected and actual investment earnings on pension plan investments | $0 | $1,391,149 |
| Changes of assumptions | $1,549,784 | $337,792 |
| Changes in proportion and differences between contributions and proportionate share of contributions | $322,737 | $190,671 |
| Contributions subsequent to the measurement date | $460,586 | $0 |
| TOTAL | $3,085,044 | $1,960,856 |

| PERS Plan 2/3 – Discretely Presented Component Units | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $10,908 | $598 |
| Net difference between projected and actual investment earnings on pension plan investments | $0 | $20,181 |
| Changes of assumptions | $22,482 | $4,900 |
| Changes in proportion and differences between contributions and proportionate share of contributions | $4,792 | $2,752 |
| Contributions subsequent to the measurement date | $6,682 | $0 |
| TOTAL | $44,864 | $28,432 |

| PSERS Plan 2 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $130,258 | $107,118 |
| Net difference between projected and actual investment earnings on pension plan investments | $0 | $112,031 |
| Changes of assumptions | $186,245 | $72,438 |
| Changes in proportion and differences between contributions and proportionate share of contributions | $14,893 | $10,263 |
| Contributions subsequent to the measurement date | $114,531 | $0 |
| TOTAL | $445,926 | $301,850 |

| LEOFF Plan 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $0 | $0 |
| Net difference between projected and actual investment earnings on pension plan investments | $0 | $28,397 |
| Changes of assumptions | $0 | $0 |
| Changes in proportion and differences between contributions and proportionate share of contributions | $0 | $0 |
| Contributions subsequent to the measurement date | $0 | $0 |
| TOTAL | $0 | $28,397 |

| LEOFF Plan 2 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $697,628 | $14,051 |
| Net difference between projected and actual investment earnings on pension plan investments | $0 | $361,387 |
| Changes of assumptions | $436,276 | $140,290 |
| Changes in proportion and differences between contributions and proportionate share of contributions | $71,539 | $111,722 |
| Contributions subsequent to the measurement date | $78,640 | $0 |
| TOTAL | $1,284,083 | $627,451 |

| Totals – All Plans – Primary Government | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $1,579,823 | $162,413 |
| Net difference between projected and actual investment earnings on pension plan investments | $0 | $2,119,277 |
| Changes of assumptions | $2,172,305 | $550,520 |
| Changes in proportion and differences between contributions and proportionate share of contributions | $409,169 | $312,656 |
| Contributions subsequent to the measurement date | $930,958 | $0 |
| TOTAL | $5,092,255 | $3,144,866 |

| Totals – All Plans – Discretely Presented Component Units | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $10,908 | $598 |
| Net difference between projected and actual investment earnings on pension plan investments | $0 | $23,464 |
| Changes of assumptions | $22,482 | $4,900 |
| Changes in proportion and differences between contributions and proportionate share of contributions | $4,792 | $2,752 |
| Contributions subsequent to the measurement date | $10,703 | $0 |
| TOTAL | $48,885 | $31,714 |

Deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Primary Government | |
|---|---|
| **Year ended December 31:** | **PERS Plan 1** |
| 2024 | ($153,974) |
| 2025 | ($193,641) |
| 2026 | $119,396 |
| 2027 | $1,906 |
| 2028 | $0 |
| Thereafter | $226,313 |

| Discretely Presented Component Units | |
|---|---|
| **Year ended December 31:** | **PERS Plan 1** |
| 2024 | ($2,234) |
| 2025 | ($2,809) |
| 2026 | $1,732 |
| 2027 | $28 |
| 2028 | $0 |
| Thereafter | $0 |

| Primary Government | |
|---|---|
| **Year ended December 31:** | **PERS Plan 2/3** |
| 2024 | ($690,178) |
| 2025 | ($821,618) |
| 2026 | $1,205,956 |
| 2027 | $473,032 |
| 2028 | $453,944 |
| Thereafter | $42,467 |

| Discretely Presented Component Units | |
|---|---|
| **Year ended December 31:** | **PERS Plan 2/3** |
| 2024 | ($9,975) |
| 2025 | ($11,890) |
| 2026 | $17,521 |
| 2027 | $6,885 |
| 2028 | $6,594 |
| Thereafter | $616 |

| Year ended December 31: | PSERS Plan 2 |
|---|---|
| 2024 | ($67,004) |
| 2025 | ($83,661) |
| 2026 | $84,116 |
| 2027 | $13,775 |
| 2028 | $14,815 |
| Thereafter | $67,504 |

| Year ended December 31: | LEOFF Plan 1 |
|---|---|
| 2024 | ($19,470) |
| 2025 | ($24,433) |
| 2026 | $15,156 |
| 2027 | $349 |
| 2028 | $0 |
| Thereafter | $0 |

| Year ended December 31: | LEOFF Plan 2 |
|---|---|
| 2024 | ($148,858) |
| 2025 | ($207,218) |
| 2026 | $307,032 |
| 2027 | $108,944 |
| 2028 | $122,624 |
| Thereafter | $395,468 |

## NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2023:

| Aggregate OPEB Amounts – All Plans | |
|---|---|
| OPEB liabilities | $3,089,369 |
| OPEB assets | $0 |
| Deferred outflows of resources | $78,183 |
| Deferred inflows of resources | $0 |
| OPEB expenses/expenditures | $58,412 |

### OPEB 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.

**Employees covered by benefit terms:** At December 31, 2023, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 5 |
| Inactive employees entitled to but not yet receiving benefits | 0 |
| Active employees | 0 |
| Total | 5 |

The County does not issue a stand-alone financial report for its OPEB plan. The Office of the State Actuary, however, has issued a 2020 LEOFF 1 OPEB Actuarial Valuation Report, which may be obtained from Office of the State Actuary, P.O. Box 40914, Olympia, Washington 98504-0914 or online.

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, 2023, the County paid $130,585 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.

Assumptions and Other Inputs

We used the alternative measurement method permitted under GASB Statement No. 75, which determines the total OPEB liability using the following actuarial assumptions and other inputs:

| | |
|---|---|
| **Discount Rates:** | |
| Beginning of Measurement Year | 3.54% |
| End of Measurement Year | 3.65% |
| **Healthcare Trend Rates:** | |
| Medical Costs | Approximately 4.5%, varies by year |
| Long-Term Care | 4.75% |
| Medicare Part B Premiums | Approximately 5.0%, varies by year |
| **Mortality Rates:** | |
| Age Setback | -1 year Healthy/0 years Disabled |
| Projection Period | Generational |
| **Medicare Participation Rate** | 100% |

The discount rate was based on Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the PubS.H-2010 (Public Safety) Mortality Table, with adjustments for mortality improvements based on the MP-2017 Long-Term Rates.

Healthcare costs and trend rates were based on the 2022 LEOFF 1 OPEB Actuarial Valuation Report issued by the Office of the State Actuary (OSA).

The following presents the total OPEB liability of the County calculated using the current healthcare cost trend rate as well as what the OPEB liability would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| Total OPEB Liability | $2,751,787 | $3,089,369 | $3,483,615 |

The following presents the total OPEB liability of the County calculated using the discount rate of 3.65 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.65 percent) or 1-percentage point higher (4.65 percent) than the current rate.

| | 1% Decrease (2.65%) | Current Discount Rate (3.65%) | 1% Increase (4.65%) |
|---|---|---|---|
| Total OPEB Liability | $3,507,608 | $3,089,369 | $2,739,580 |

Changes in the Total OPEB Liability

| Plan Name | |
|---|---|
| **Total OPEB Liability at 06/30/2022** | $3,130,100 |
| Service cost | 0 |
| Interest | 109,066 |
| Changes of benefit terms | 0 |
| Changes in experience data and assumptions | (50,654) |
| Estimated benefit payments | (99,143) |
| Other changes | 0 |
| **Total OPEB Liability at 06/30/2023** | $3,089,369 |

The alternative measurement method was used in place of an actuarial valuation to measure the total OPEB liability. The measurement date used in the calculation was June 30, 2023. Pursuant to paragraph 168 of GASB Statement 75, the differences between expected and actual experience and changes of assumptions or other inputs is presented as a single amount.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.54% in 2022 to 3.65% in 2023.

Benefit payments include $35,420 attributable to the purchase of allocated insurance contracts. The premiums for these contracts provide medical insurance for retirees under 65, and Medicare reimbursement and the purchase of Medicare supplement insurance for retirees over 65. The obligation for the payment of benefits covered by allocated insurance contracts has been transferred from the County to the insurance companies with which the County contracts.

For the year ended June 30, 2023, the County recognized OPEB expense of $58,412.

At December 31, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $0 | $0 |
| Changes of assumptions | $0 | $0 |
| Payments subsequent to the measurement date | $78,183 | $0 |
| TOTAL | $78,183 | $0 |

Deferred outflows of resources of $78,183 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2024.

## NOTE 11 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The County 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, 2023:

| Project | Spent to Date through 12/31/23 | Remaining Commitment |
|---|---|---|
| **County Road Department** | | |
| Pasco-Kahlotus Road Reconstruction & Overlay II | 4,023,975 | 1,000 |
| Basin City Alternative Transportation Route Improvement II | 311,408 | 48,592 |
| Safety-LED Signs, Dynamic Signals & Reflective Posts | 516,530 | 3,470 |
| Glade North Rehabilitation I | 28,570 | 1,521,430 |
| Hollingsworth Bridge | 123,417 | 800,358 |
| Muse Drive Bridge | 1,606,150 | 8,850 |
| Ironwood Road Bridge | 722,186 | 1,164,859 |
| Glade North Road All-Weather VIII | 33,022 | 1,221,368 |
| Taylor Flats and Ringold Road Safety Improvements | 10,826 | 1,833,174 |
| Vineyard Drive East Bridge #886-2.74 Replacement | 4,296 | 1,843,564 |
| North Railroad Avenue | 3,516 | 2,131,484 |
| Vineyard Drive West & N. Railroad Ave Intersection | 3,450 | 2,377,550 |
| Taylor Flats All-Weather Improvement I | 1,502 | 3,663,498 |
| Glenwood Bridge #520-1.38 Replacement | - | 3,082,000 |
| Safety-Countywide Culvert/Drainage Improvements | - | 1,403,000 |
| Safety-Countywide Guardrail Improvements | - | 895,000 |
| Safety-Glade North Int. Illumination Improvements | - | 855,000 |
| **Total County Road Department** | 7,388,848 | 22,854,197 |

Of the committed balance of $22,854,197 the County will be required to raise approximately $2,432,922 in future financing.

## NOTE 12 – 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, 2023, 24 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, education, and claims administration. The Pool's liability program provides coverage for general liability, public officials liability, police professional liability, employment practices liability, and automobile liability. County deductibles range from $10,000 to $500,000. Reinsurance is purchased in several layers up to the policy limits of $10,000,000. Members may purchase an optional $5,000,000 excess of $20,000,000 layer of coverage. Allocated Loss Adjustment Expense (ALAE) is combined with losses for purposes of the Pool retention, excess insurance, and deductibles. For losses occurring in 2023, Franklin County selected a per-occurrence deductible of $25,000.

Members make an annual contribution to fund the Pool. The Pool acquires excess and reinsurance for further protection from larger losses. For the first $10,000,000 of coverage, the Pool acquires reinsurance. The reinsurance agreements are written with Self-Insured Retentions ("SIRs") equal to the amount of the layer of coverage below. For the Pool's 2020-21 Fiscal Year, the Pool's SIR was $2,000,000 and for the Pool's 2021-22 and 2022-23 Fiscal Years, the Pool's SIR was $3,000,000. The other reinsurance agreements respond up to the applicable policy limits and the agreements contain aggregate limits for the maximum annual reimbursements to the Pool of $30,000,000 (lowest reinsured layer), $50 million, (second layer). The Pool purchases excess coverage for the additional $10,000,000 with an aggregate limit of $100,000,000. Since the Pool is a cooperative program, there is a joint liability among the participating members. For the 2022-23 Fiscal Year, 15 of the Pool's 25 member counties group purchase an additional $5,000,000 policy in excess of the pooled $20,000,000.

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

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

During 2022-23, Franklin County was also one of twenty-four (24) 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. This group-purchased cyber coverage provides limits of $2,000,000 per claim and $5,000,000 in the aggregate. For 2023, the Pool's SIR for cyber claims was $500,000 from January 1 through December 31, with Franklin County having no deductible.

Beginning in the 2022-23 Fiscal Year, Franklin County was one of 23 counties that participated in a group purchased crime policy, which included limits of $2,000,000 and with a county deductible of $25,000.

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 review the Pool's financial health, b) approve case settlements exceeding the applicable member's deductible by more than $100,000, c). to authorize by two-thirds majority vote commencement of lawsuits in the name of the Pool.

During 2022-23, the WCRP's assets increased to $69,171,241 while its liabilities also increased to $44,769,402. The Pool's net position ended at $25,531,296. 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, 2023, was zero ($0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

## NOTE 13 – 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 other than as stated below regarding the Washington Voting Rights Act lawsuit.

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.

**Washington Voting Rights Act Lawsuit**

Franklin County entered into a Settlement Agreement with Portugal, et al. that requires Franklin County to reimburse $375,000 of the $1,420,000 in legal fees incurred by the plaintiffs regarding a suit filed against the County alleging violations of the Washington

Voting Rights Act, Chapter RCW 29A.92 ("Lawsuit").

In consideration of the payment, and to forever settle and resolve, and compromise any and all claims asserted in the lawsuit, the Parties agreed to change the election system in Franklin County to a single-member district for both primary and general elections for all three voting districts beginning with the 2024 election cycle. Also agreed upon to settle the lawsuit was the district map for single-member districts, known as "Option 2", that was approved and adopted by the Franklin County Board of Commissioners on December 28, 2021. The $375,000 settlement amount will be paid out in three equal annual installments commencing on August 1st, 2022.

**State v. Blake**
The County is in repayment of legal financial obligations pursuant to State v. Blake. The County considers these obligations of the State. These expenditures are paid on behalf of the State and thus are not recorded as an expenditure/expense within the County's financial statements. A revenue is also not recorded for the reimbursement of these costs. The County is currently being reimbursed for time spent, and other costs, working on these cases by the Administrative Office of the Courts (AOC). The revenue and expense/expenditures related to this time and other costs is recorded within the County's statements.

In 2023, the County received $68,478 for legal financial obligation payments made pursuant to State v. Blake. The County also received $182,085 in grant revenues for time spent and other costs working on these cases. It is unknown how much more will be paid out regarding State v. Blake.

## NOTE 14 – LEASES (LESSEES)

### Leases Payable

The County has entered into various lease agreements as lessee primarily for office space, land, office equipment, and vehicles. Most leases have initial terms of up to 20 years, and contain one or more renewal options, generally for three or five year periods. We have generally included these renewal periods in the lease term when it is reasonably certain that we will exercise the renewal option. The County's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes and insurance, which are expensed as incurred as variable lease payments. For the County's transportation equipment leases, variable payments include those for property taxes and mileage. For office space leases that include variable payments, those include payments for the County's proportionate share of the building's property taxes, insurance, and common area maintenance. The County's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the County's leases is not readily determinable, the County utilizes its incremental borrowing rate to discount the lease payments.

**The statement of net position shows the following amounts relating to leases as of 12/31/23:**

| Right-of-use assets | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| Equipment | 114,826.60 | - | 114,826.60 |
| Vehicles | - | 517,258.61 | 517,258.61 |
| Land | 61,951.63 | - | 61,951.63 |
| Buildings | 31,017.31 | - | 31,017.31 |
| Total | 207,795.53 | 517,258.61 | 725,054.15 |

| | Governmental Funds | Proprietary Funds | Total |
|---|---|---|---|
| **Lease payable** | **12/31/2023** | **12/31/2023** | **12/31/2023** |
| Current | 62,615.38 | 125,793.33 | 188,408.71 |
| Non-current | 149,293.42 | 278,557.47 | 427,850.89 |
| Total | 211,908.80 | 404,350.81 | 616,259.60 |

**Future principal and interest lease payments as of December 31, 2023:**

| | Governmental Funds | | Proprietary Funds | |
|---|---|---|---|---|
| **Fiscal year** | **Principal** | **Interest** | **Principal** | **Interest** |
| 2024 | 62,615.38 | 5,064.83 | 125,793.33 | 18,384.15 |
| 2025 | 58,731.11 | 3,921.85 | 131,093.84 | 13,083.64 |
| 2026 | 34,456.24 | 2,932.02 | 104,303.14 | 7,585.74 |
| 2027 | 18,247.87 | 2,093.58 | 43,160.50 | 2,805.43 |
| 2028 | 4,638.39 | 1,637.93 | - | - |
| 2029-2033 | 1,177.28 | 7,733.08 | - | - |
| 2034-2038 | 4,177.59 | 7,194.54 | - | - |
| 2039-2043 | 8,689.44 | 5,824.60 | - | - |
| 2044-2048 | 15,313.02 | 3,210.99 | - | - |
| 2049-2053 | 3,862.48 | 181.66 | - | - |
| Total | 211,908.80 | 39,795.08 | 404,350.81 | 41,858.96 |

## NOTE 15 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The County has entered into three Subscription Based Information Technology Arrangement (SBITA) agreements for software. One of the SBITA's has a term of three years. Two did not exceed one year with its' initial term but with extension options that are expected to be exercised their term is two years. As the interest rate implicit in the County's SBITAs is not readily determinable, the County utilizes its incremental borrowing rate to discount the SBITA payments.

**The statement of net position shows the following amounts relating to SBITAs as of 12/31/23:**

| Right-of-use assets | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| SBITA | 100,702.57 | - | 100,702.57 |
| | 100,702.57 | - | 100,702.57 |

| SBITA Payable | Governmental Funds | Proprietary Funds | Total |
|---|---|---|---|
| Current | 56,112.73 | - | 56,112.73 |
| Non-current | 28,747.92 | - | 28,747.92 |
| | 84,860.65 | - | 84,860.65 |

**Future principal and interest SBITA payments as of December 31, 2023:**

| | Governmental Funds | | Proprietary Funds | |
|---|---|---|---|---|
| Fiscal year | Principal | Interest | Principal | Interest |
| 2024 | 56,112.73 | 3,811.71 | - | - |
| 2025 | 28,747.92 | 1,254.03 | - | - |
| Total | 84,860.65 | 5,065.74 | - | - |

## NOTE 16 – PUBLIC-PRIVATE PARTNERSHIP

On October 11, 2022, the Franklin County Board of Commissioners approved a contract with Simmons Venue Management, LLC (SVM) to operate the Hapo Center on the County's behalf. This arrangement included a monthly management fee paid to SVM of $12,500 and other incentives that were to be negotiated based on targeted performance objectives. SVM was to be reimbursed for operating expenses, payroll and related expenses, fees and supplies that are not otherwise directly billed to the Hapo Center or supplied by the Hapo Center.

There are no installment payments due to Franklin County from SVM, other than remitting the revenue collected from the Hapo Center's operations. The revenues collected are variable, thus no receivable or deferred inflow is recognized for this partnership.

Franklin County retains title, ownership, and exclusive control of the Hapo Center and SVM does not acquire title to, any security interest in, or any rights of any kind in or to the Hapo Center (or any income, receipts, or revenues there from). SVM is not an employee, agent, joint venture, or partner of Franklin County. The intent was for SVM to operate as an indepent contractor. The County has the right to control or direct only the result of the work and not what was done and how it will be done.

The contract with SVM ended on September 30, 2023. A new contract was entered into with the Harris-White-Leasure group (HWL) subsequent to the SVM contract. The Hapo Center was operated similarly by HWL for the last three months of 2023.

## NOTE 17 - 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 |
|---|---|---|---|---|
| 2022 Software Costs - Refunding | 2022-2025 | 0.91% | 230,000 | 57,500 |
| 2022 Jail Project - Refunding | 2022-2042 | 0.91% | 15,360,000 | 732,500 |
| **Total** | | | $ 15,590,000 | $ 790,000 |

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

| Year Ending December 31 | Governmental Activities | |
|---|---|---|
| | Principal | Interest |
| 2024 | $ 790,000 | $ 334,013 |
| 2025 | 795,000 | 326,242 |
| 2026 | 685,000 | 321,748 |
| 2027 | 695,000 | 312,566 |
| 2028 | 705,000 | 301,957 |
| 2029-2033 | 3,715,000 | 1,306,064 |
| 2034-2038 | 4,140,000 | 849,358 |
| 2039-2042 | 3,760,000 | 223,526 |
| **Totals** | $ 15,285,000 | $ 3,975,473 |

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 |
| 2024 | $ 238,235 | $ 3,574 |
| 2025 | 238,235 | 2,382 |
| 2026 | 238,084 | 1,191 |
| **Totals** | $ 714,555 | $ 7,147 |

At December 31, 2023, the County has $8,060,470 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, 2023, $0 of bonds outstanding are considered defeased. The County is contingently liable for repayment of refunded debt.

In Early 2021 the County completed the refinancing of the debt related to the construction of the Jail Justice Center, Jail Remodel, and financial software purchase. The total refunding issue was $15,590,000, and the annual cost savings to the County will be approximately $86,350 per year through 2042 on a total savings of $1,813,375. The County's current bond rating of AA- was affirmed through the process.

## NOTE 18 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2023, the following changes occurred in long-term liabilities:

| Governmental Activities: | Beginning Balance 1/1/2023 | Additions | Reductions | Ending Balance 12/31/2023 | Due Within One Year |
|---|---|---|---|---|---|
| Bonds Payable: General Obligation Bonds | $ 625,000 | $ - | $ 625,000 | $ - | $ - |
| Refunding General Obligation Bonds | 15,440,000 | - | 155,000 | 15,285,000 | 790,000 |
| Add/(Less) Deferred Amounts for: | | | | | |
| Issuance Discounts | (90,038) | - | (4,502) | (85,536) | (4,502) |
| Loss on Refunding | (729,550) | - | (36,478) | (693,073) | (36,478) |
| **Total Bonds Payable** | **15,245,411** | **-** | **739,021** | **14,506,391** | **749,021** |
| Public Works Revenue Debt | 952,790 | - | 238,235 | 714,555 | 238,235 |
| Leases | 132,195 | 113,933 | 34,219 | 211,909 | 62,615 |
| Claims and judgments | 425,129 | - | 252,027 | 173,102 | 165,755 |
| Compensated Absences | 2,831,947 | - | 41,134 | 2,873,081 | 2,260,828 |
| OPEB Liability | 3,130,100 | - | 40,731 | 3,089,369 | 104,100 |
| Pension Liabilities | 2,493,454 | - | 494,875 | 1,998,579 | **N/A** |
| **Governmental Activity Long-Term Liabilities** | **$ 25,211,026** | **$ 113,933** | **$ 1,840,242** | **$ 23,566,985** | **$ 3,580,554** |
| **Business-Type Activities:** | | | | | |
| Compensated Absences | $ 12,524 | $ 2,054 | $ - | 14,578 | $ 11,472 |
| Pension Liabilities | 48,802 | - | 41,134 | 7,668 | **N/A** |
| **Business-Type Activities: Long-Term Liabilities** | **$ 61,326** | **$ 2,054** | **$ 41,134** | **$ 22,246** | **$ 11,472** |

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, $20,436 of internal service funds compensated absences are included in the amounts stated above.

Governmental activities' bonds are paid out of the County's debt service funds. The

Public Works' Revenue Debt is typically paid out of the County Road or the 2nd Quarter Percent Excise Tax fund. The Loan to Government Agency was paid out of the County Road fund. Claims are generally liquidated by the General Fund. Compensated absences, OPEB, and pension liabilities are mostly liquidated by the General and County Road funds with the remainder coming from various funds including the Motor Vehicle, Hapo Operations, Franklin County RV Facility, and Auditor O&M funds.

**Note 19 - 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, 2023, there was $918 of restricted component of net position in the Landfill Closure Trust Fund, essentially unchanged from the previous year. There was $0 paid out of this fund in 2023. 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.

In March of 2022, Franklin County contracted with PBS Engineering and Environmental, Inc. to conduct monitoring activities on behalf of Franklin County during the removal of approximately 35,000 drums and containers containing a broad variety of hazardous industrial waste broken out into the following tasks:

| Item | Description | Amount |
|---|---|---|
| Task 1 | Survey and CAD Support | $ 113,086 |
| Task 2 | Zone A Supplemental Groundwater Monitoring | 123,440 |
| Task 3 | Structure and Inspection Reporting | 1,540 |
| Task 4 | Perimeter and Structure Air Monitoring | 186,674 |
| Task 5 | Sediment and Erosion Control Inspections | 13,000 |
| Task 6 | Quality Assurance/Quality Control Waste Characterization and Profiling | 91,260 |
| Task 7 | Draft/Final Construction Completion Technical Memorandum | 71,000 |
| | **Total Project Cost** | **$ 600,000** |

Funding for this project is through a grant with the Department of Ecology in the amount of $600,000. There was $125,713 spent in 2023 and there is $106,776 remaining of the grant for this project.

## NOTE 20 – RESTRICTED COMPONENT OF NET POSITION

The government-wide statement of net position reports $16,369,928 of restricted component of net position, all of which is restricted by enabling legislation.

## NOTE 21 - 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. Some of the largest interfund balances at 2023 year-end were for equipment rental charges owed from the County Roads fund to Motor Vehicle. The total owed from County Roads to Motor Vehicle was $149,325 at year-end. Current Expense also transferred $153,893 to the Accumulated Leave Fund, and Internal Service Fund. This transfer was from a Local Assistance and Tribal Consistency Fund grant that was received by the County that is planned to be used for leave cash-outs.

Interfund balances at December 31, 2023 were as follows:

| | Due From Fund (Asset) | | | | | |
|---|---|---|---|---|---|---|
| | General Fund | Non-Major Governmental Funds | Hapo Center Operations Fund | Non-Major Enterprise Funds | Internal Service Funds | Total |
| **Due to Fund (Liability)** | | | | | | |
| General Fund | $ 76,410 | $ 8,942 | $ 3,944 | $ - | $ 164,340 | **$ 253,636** |
| County Roads Fund | 42 | 11,896 | - | - | 149,325 | **161,263** |
| Mental Health Fund | 95,813 | - | - | - | - | **95,813** |
| Non-Major Governmental Funds | 2,624 | - | - | - | 1,862 | **4,485** |
| The Hapo Center | 989 | 78,952 | - | 1,990 | - | **81,931** |
| Non-Major Enterprise Funds | 1,000 | - | | - | - | **1,000** |
| Internal Service Funds | 414 | - | | - | - | **414** |
| **Total** | **$ 177,293** | **$ 99,790** | **$ 3,944** | **$ 1,990** | **$ 315,526** | **$ 598,543** |

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, 2023 were as follows:

| | Transfer To Fund | | | | | | |
|---|---|---|---|---|---|---|---|
| | General Fund | County Roads Fund | Non-Major Governmental Funds | Hapo Center Operations Fund | Non-Major Enterprise Fund | Internal Service Funds | Total |
| Transfers From Fund | | | | | | | |
| General Fund | $ 20,000 | $ - | $ 248,988 | $ 3,944 | $ - | $ 10,000 | $ 282,932 |
| American Rescue Plan Act Fund | 1,727,133 | 205,209 | 29,315 | - | 5,863 | 35,177 | 2,002,696 |
| County Roads Fund | - | - | 11,896 | - | - | - | 11,896 |
| Mental Health Fund | 340,973 | - | - | - | - | - | 340,973 |
| Non-Major Governmental Funds | 4,613,000 | - | 58,587 | 78,546 | - | - | 4,750,133 |
| Hapo Center Operations Fund | - | - | 76,999 | - | - | - | 76,999 |
| Non-Major Enterprise Fund | - | - | - | 80,010 | - | - | 80,010 |
| Total | $ 6,701,106 | $ 205,209 | $ 425,784 | $ 162,500 | $ 5,863 | $ 45,177 | $ 7,545,639 |

## C. Interfund Loans

Loans between funds are classified as interfund loans receivable and payable on the Governmental Funds Balance Sheet. Interfund loans do not affect total fund net position.

The following table displays interfund loan activity during 2023:

| Borrowing Fund | Lending Fund | Balance 1/1/2023 | New Loans 2023 | Repayments 2023 | Balance 12/31/2023 |
|---|---|---|---|---|---|
| County Roads Fund | Non-Major Governmental Funds | $ - | $ 1,000,000 | $ 500,000 | $ 500,000 |
| Internal Service Funds | Non-Major Governmental Funds | - | 240,000 | 240,000 | - |
| Total | | $ - | $ 1,240,000 | $ 740,000 | $ 500,000 |

# NOTE 22 - JOINT VENTURES

## A. 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 2023 for these transactions was $53,706.

BI-PIN is currently in the process of implementing a new RMS/JMS system as well as upgrading all supporting infrastructure. Franklin County's equity interest in BI-PIN was $837,685 on December 31, 2023, which is reported as an investment in joint ventures in the government-wide statement of net position. The change in equity is reflected in the government-wide statement of activities under Public Safety. The County does not anticipate any income distributions from 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 $134,332 at June 30, 2023, and is shown as an investment in joint ventures on the government-wide Statement of Net Position. The change in equity is reflected in the government-wide Statement of Activities under Public Safety. The County does not anticipate any income 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.

**Benton County Emergency Services (BCES)** – BCES was formed January 1, 1997 through an interlocal agreement entered into by the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County. A second amended and restated interlocal agreement was made and entered into by and between the following entities: Benton County, Franklin County, the Cities of Kennewick, Richland, West Richland, Prosser, Benton City, and Pasco, Benton County Fire Protection Districts and the Public Utility District #1 of Benton County. An Executive Board oversees the operations of BCES and consists of the City Managers (or designee) from the Cities of Kennewick, Pasco and Richland, City Administrators from Prosser and West Richland, a Council member from Benton City, a Benton County Commissioner, a Franklin County Commissioner and a single representative collectively representing Benton County Fire Protection Districts. The City of Richland serves as the operating jurisdiction providing all the necessary administrative support services and reporting for BCES. The total amount paid by BCES in 2023 for these services was $483,288. No distributions of income to the County are expected since charges are assessed only to recover anticipated expenses.

**SECOMM** - SECOMM provides public safety communications services to the Cities of Kennewick, Richland, Pasco and the Counties of Benton and Franklin. Each owns an equal share of SECOMM's net assets. Financial participation is allocated among the five participants based on equal shares of capital expenses, predetermined fixed costs, direct costs and percentages of use. SECOMM also provides service through contracts to the Cities of West Richland and Prosser, Connell and the Benton and Franklin County Fire Protection Districts, Port of Pasco, Walla Walla Fire District #5 and the North Franklin County Hospital district. Service contract agencies are assessed on a cost per capita or cost per call basis. Franklin County's equity interest in SECOMM as of December 31, 2023 was $1,202,241 which is reported as an asset in the government-wide Statement of Net Assets. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

Complete and separate financial statements for all operations of Benton County Emergency Services may be obtained at the City of Richland, 625 Swift Blvd, Richland, Washington.

**REQUIRED SUPPLEMENTARY INFORMATION**

Franklin County
Schedule of Changes in Total OPEB Liability and Related Ratios
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1
For the year ended June 30, 2023
Last 10 Fiscal Years*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 20XX | 20XX | 20XX | 20XX |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total OPEB liability - beginning** | $ 3,130,100 | $ 3,662,271 | $ 3,749,077 | $ 3,423,988 | $ 3,613,359 | $ 3,759,863 | | | | |
| Service cost | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| Interest | 109,066 | 77,618 | 81,337 | 115,870 | 135,961 | 132,323 | | | | |
| Changes in benefit terms | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| Changes in experience data and assumptions | (50,654) | (471,326) | (30,019) | 438,036 | (123,102) | (150,314) | | | | |
| Benefit payments | (99,143) | (138,463) | (138,124) | (228,817) | (202,230) | (128,513) | | | | |
| Other changes | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| **Total OPEB liability - ending** | **3,089,369** | **3,130,100** | **3,662,271** | **3,749,077** | **3,423,988** | **3,613,359** | **0** | **0** | **0** | **0** |
| **Covered-employee payroll** | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| **Total OPEB liability as a % of covered payroll** | N/A | N/A | N/A | N/A | N/A | N/A | | | | |

**Notes to Schedule:**

* Until a full 10-year trend is compiled, only information for those years available is presented.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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.

**REQUIRED SUPPLEMENTARY INFORMATION**

Franklin County
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System Plan 1
As of June 30, 2023
Last 10 Fiscal Years*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 20XX |
|---|---|---|---|---|---|---|---|---|---|---|
| Employer's proportion of the net pension liability/(asset) | 0.087888% | 0.091305% | 0.100456% | 0.094429% | 0.093999% | 0.107012% | 0.110113% | 0.104946% | 0.108791% | |
| Employer's proportionate share of the net pension liability/(asset) | 2,006,247 | 2,542,256 | 1,226,806 | 3,333,840 | 3,614,594 | 4,779,186 | 5,224,949 | 5,636,109 | 5,690,801 | |
| Covered payroll | 15,554,255 | 14,754,820 | 15,287,760 | 14,185,463 | 13,058,982 | 14,108,665 | 13,857,588 | 12,475,346 | 12,299,295 | |
| Employer's proportionate share of the net pension liability/(asset) as a percentage of covered payroll | 12.90% | 17.23% | 8.02% | 23.50% | 27.68% | 33.87% | 37.70% | 45.18% | 46.27% | |
| Plan fiduciary net position as a percentage of the total pension liability/(asset) | 80.16% | 76.56% | 88.74% | 68.64% | 67.12% | 63.22% | 61.24% | 57.03% | 59.10% | |

**Notes to Schedule:**
*Until a full 10-year trend is compiled, only information for those years available is presented.

**REQUIRED SUPPLEMENTARY INFORMATION**

Franklin County
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System Plan 2/3
As of June 30, 2023
Last 10 Fiscal Years*

| | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 20XX |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Employer's proportion of the net pension liability/(asset) | % | 0.090063% | 0.095987% | 0.104404% | 0.099531% | 0.098409% | 0.114726% | 0.119259% | 0.115185% | 0.122740% | |
| Employer's proportionate share of the net pension liability/(asset) | $ | (3,691,416) | (3,559,953) | (10,400,322) | 1,272,948 | 955,887 | 1,958,846 | 4,143,693 | 5,799,455 | 4,385,563 | |
| Covered payroll | $ | 12,450,317 | 12,022,863 | 12,487,776 | 11,599,506 | 10,695,835 | 11,911,571 | 11,774,139 | 10,836,966 | 10,893,363 | |
| Employer's proportionate share of the net pension liability/(asset) as a percentage of covered payroll | % | -29.65% | -29.61% | -83.28% | 10.97% | 8.94% | 16.44% | 35.19% | 53.52% | 40.26% | |
| Plan fiduciary net position as a percentage of the total pension liability/(asset) | % | 107.02% | 106.73% | 120.29% | 97.22% | 97.77% | 95.77% | 90.97% | 85.82% | 89.20% | |

**Notes to Schedule:**
*Until a full 10-year trend is compiled, only information for those years available is presented.

**REQUIRED SUPPLEMENTARY INFORMATION**

Franklin County
Schedule of Proportionate Share of the Net Pension Liability
Public Safety Employees' Retirement System Plan 2
As of June 30, 2023
Last 10 Fiscal Years*

| | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 20XX |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Employer's proportion of the net pension liability/(asset) | % | 0.392574% | 0.394531% | 0.405101% | 0.412496% | 0.502264% | 0.538078% | 0.560662% | 0.473154% | 0.436486% | |
| Employer's proportionate share of the net pension liability/(asset) | $ | (416,282) | (282,090) | (930,675) | (56,759) | (65,314) | 6,667 | 109,851 | 201,081 | 79,667 | |
| Covered payroll | $ | 3,004,837 | 2,674,825 | 2,746,079 | 2,532,454 | 2,309,840 | 2,110,739 | 1,985,642 | 1,536,074 | 1,278,031 | |
| Employer's proportionate share of the net pension liability/(asset) as a percentage of covered payroll | % | -13.85% | -10.55% | -33.89% | -2.24% | -2.83% | 0.32% | 5.53% | 13.09% | 6.23% | |
| Plan fiduciary net position as a percentage of the total pension liability/(asset) | % | 107.90% | 105.96% | 123.67% | 101.68% | 101.85% | 99.79% | 96.26% | 90.41% | 95.08% | |

**Notes to Schedule:**
*Until a full 10-year trend is compiled, only information for those years available is presented.

**REQUIRED SUPPLEMENTARY INFORMATION**

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, 2023
Last 10 Fiscal Years*

| | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 20XX |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Employer's proportion of the net pension liability/(asset) | % | 0.014429% | 0.015079% | 0.014879% | 0.014520% | 0.014208% | 0.014292% | 0.014462% | 0.012434% | 0.011665% | |
| Employer's proportionate share of the net pension liability/(asset) | $ | (428,256) | (432,558) | (509,689) | (274,212) | (280,837) | (259,472) | (219,420) | (128,106) | (140,589) | |
| State's proportionate share of the net pension liability/(asset) associated with the employer | $ | (2,896,714) | (2,925,812) | (3,447,524) | (1,854,763) | (1,899,574) | (1,755,062) | (1,484,151) | (866,506) | (950,941) | |
| TOTAL | $ | (3,324,970) | (3,358,370) | (3,957,213) | (2,128,975) | (2,180,411) | (2,014,534) | (1,703,571) | (994,612) | (1,091,530) | |
| Covered payroll** | $ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Employer's proportionate share of the net pension liability/(asset) as a percentage of covered payroll | % | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | |
| Plan fiduciary net position as a percentage of the total pension liability/(asset) | % | 175.99% | 169.62% | 187.45% | 146.88% | 148.78% | 144.42% | 135.96% | 123.74% | 127.36% | |

**Notes to Schedule:**
*Until a full 10-year trend is compiled, only information for those years available is presented.

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, 2023
Last 10 Fiscal Years*

| | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 20XX |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Employer's proportion of the net pension liability/(asset) | % | 0.071204% | 0.070787% | 0.070919% | 0.065762% | 0.070562% | 0.072861% | 0.069678% | 0.064670% | 0.063203% | |
| Employer's proportionate share of the net pension liability/(asset) | $ | (1,707,898) | (1,923,777) | (4,119,269) | (1,341,449) | (1,634,705) | (1,479,237) | (966,905) | (376,140) | (649,600) | |
| State's proportionate share of the net pension liability/(asset) associated with the employer | $ | (1,090,646) | (1,246,181) | (2,657,378) | (857,755) | (1,070,513) | (957,778) | (627,213) | (245,216) | (429,516) | |
| TOTAL | $ | (2,798,544) | (3,169,958) | (6,776,647) | (2,199,204) | (2,705,218) | (2,437,015) | (1,594,118) | (621,356) | (1,079,116) | |
| Covered payroll** | $ | 3,139,064 | 2,861,724 | 2,745,120 | 2,495,950 | 2,481,030 | 2,410,235 | 2,179,634 | 1,959,118 | 1,834,403 | |
| Employer's proportionate share of the net pension liability/(asset) as a percentage of covered payroll | % | -54.41% | -67.22% | -150.06% | -53.75% | -65.89% | -61.37% | -44.36% | -19.20% | -35.41% | |
| Plan fiduciary net position as a percentage of the total pension liability/(asset) | % | 113.17% | 116.09% | 142.00% | 115.83% | 119.43% | 118.50% | 113.36% | 106.04% | 111.67% | |

**Notes to Schedule:**
*Until a full 10-year trend is compiled, only information for those years available is presented.

**REQUIRED SUPPLEMENTARY INFORMATION**

Franklin County
Schedule of Employer Contributions
Public Employees' Retirement System Plan 1
For the year ended December 31, 2023
Last 10 Fiscal Years*

| | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 20XX |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily or contractually required contributions | $ | 623,978 | 552,453 | 622,635 | 741,229 | 684,646 | 692,858 | 691,217 | 616,002 | 546,994 | |
| Contributions in relation to the statutorily or contractually required contributions*** | $ | (623,978) | (552,453) | (622,635) | (741,229) | (684,646) | (692,858) | (691,217) | (616,002) | (546,994) | |
| Contribution deficiency (excess) | $ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Covered payroll** | $ | 17,861,431 | 14,597,201 | 14,147,176 | 15,309,517 | 13,664,443 | 13,565,823 | 14,047,125 | 12,837,491 | 12,493,519 | |
| Contributions as a percentage of covered payroll | % | 3.49% | 3.78% | 4.40% | 4.84% | 5.01% | 5.11% | 4.92% | 4.80% | 4.38% | |

**Notes to Schedule:**
*Until a full 10-year trend is compiled, only information for those years available is presented.

**REQUIRED SUPPLEMENTARY INFORMATION**

Franklin County
Schedule of Employer Contributions
Public Employees' Retirement System Plan 2/3
For the year ended December 31, 2023
Last 10 Fiscal Years*

| | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 20XX |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily or contractually required contributions | $ | 916,100 | 748,416 | 837,032 | 990,114 | 859,606 | 847,420 | 806,873 | 680,248 | 606,544 | |
| Contributions in relation to the statutorily or contractually required contributions*** | $ | (916,100) | (748,416) | (837,032) | (990,114) | (859,606) | (847,420) | (806,873) | (680,248) | (606,544) | |
| Contribution deficiency (excess) | $ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Covered payroll** | $ | 14,404,085 | 11,767,286 | 11,577,451 | 12,501,956 | 11,159,025 | 11,301,423 | 11,934,077 | 10,976,421 | 10,969,351 | |
| Contributions as a percentage of covered payroll | % | 6.36% | 6.36% | 7.23% | 7.92% | 7.70% | 7.50% | 6.76% | 6.20% | 5.53% | |

**Notes to Schedule:**
*Until a full 10-year trend is compiled, only information for those years available is presented.

**REQUIRED SUPPLEMENTARY INFORMATION**

Franklin County
Schedule of Employer Contributions
Public Safety Employees' Retirement System Plan 2
For the year ended December 31, 2023
Last 10 Fiscal Years*

| | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 20XX |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily or contractually required contributions | $ | 225,298 | 180,957 | 173,484 | 198,043 | 174,777 | 150,904 | 133,909 | 116,000 | 49,033 | |
| Contributions in relation to the statutorily or contractually required contributions*** | $ | (225,298) | (180,957) | (173,484) | (198,043) | (174,777) | (150,904) | (133,909) | (116,000) | (49,033) | |
| Contribution deficiency (excess) | $ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Covered payroll** | $ | 3,400,079 | 2,773,625 | 2,519,452 | 2,750,590 | 2,451,417 | 2,206,132 | 2,011,727 | 1,760,807 | 748,454 | |
| Contributions as a percentage of covered payroll | % | 6.63% | 6.52% | 6.89% | 7.20% | 7.13% | 6.84% | 6.66% | 6.59% | 6.55% | |

**Notes to Schedule:**
*Until a full 10-year trend is compiled, only information for those years available is presented.

**REQUIRED SUPPLEMENTARY INFORMATION**

Franklin County
Schedule of Employer Contributions
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2
For the year ended December 31, 2023
Last 10 Fiscal Years*

| | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 20XX |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily or contractually required contributions | $ | 164,834 | 153,578 | 138,331 | 137,394 | 136,518 | 122,552 | 118,794 | 98,483 | 99,711 | |
| Contributions in relation to the statutorily or contractually required contributions*** | $ | (164,834) | (153,578) | (138,331) | (137,394) | (136,518) | (122,552) | (118,794) | (98,483) | (99,711) | |
| Contribution deficiency (excess) | $ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Covered payroll** | $ | 3,219,410 | 2,999,542 | 2,693,155 | 2,667,856 | 2,624,207 | 2,334,336 | 2,311,313 | 1,950,171 | 1,974,465 | |
| Contributions as a percentage of covered payroll | % | 5.12% | 5.12% | 5.14% | 5.15% | 5.20% | 5.25% | 5.14% | 5.05% | 5.05% | |

**Notes to Schedule:**
*Until a full 10-year trend is compiled, only information for those years available is presented.

FRANKLIN COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For Fiscal Year Ended December 31, 2023**

| Do Not Print These Columns | | | | | | | | Expenditures | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ref# | Fund # | New BARS Number | Federal Agency/Pass Through Agency Name | Federal Program Name | ALN Number | COVID-19 Expenditures | Other I.D. Number | From Pass-Through Awards | From Direct Awards | Total | Passed Through to Subrecipients | Footnote Ref. |
| 1-1 | 114 | 33316588 | *WA State Department of Commerce* | Violence Against Women Formula -Stop Grant | 16.588 | | F22-31103-033 | 34,698 | - | 34,698 | - | 1,3 |
| | | | | | | | **Total ALN 16.588** | **34,698** | **-** | **34,698** | **-** | |
| | | | **Washington State Patrol** | | | | | | | | | |
| 1-2 | 101220 | 33316742 | *Washington State Patrol* | Paul Coverdell Forensic Sciences Improvement | 16.742 | | K18905 | 7,000 | - | 7,000 | - | 1,3 |
| | | | | | | | **Total ALN 16.742** | **7,000** | **-** | **7,000** | **-** | |
| | | | **US Department of Transportation/Federal Highway Administration** | | | | | | | | | |
| 1-3 | 150 | 33320210 | *Washington State Dept of Transportation* | Highway Planning and Construction | 20.205 | | TAP-2011(052) | 225,849 | - | 225,849 | - | 1,3 |
| 1-4 | 150 | 33320220 | *Washington State Dept of Transportation* | Highway Planning and Construction | 20.205 | | BROS-2011(049) | 28,260 | - | 28,260 | - | 1,3 |
| 1-5 | 150 | 33320220 | *Washington State Dept of Transportation* | Highway Planning and Construction | 20.205 | | BROS-2011(053) | 511,117 | - | 511,117 | - | 1,3 |
| 1-6 | 150 | 33320220 | *Washington State Dept of Transportation* | Highway Planning and Construction | 20.205 | | BROS-2011(054) | 43,732 | - | 43,732 | - | 1,3 |
| 1-7 | 150 | 33320220 | *Washington State Dept of Transportation* | Highway Planning and Construction | 20.205 | | BROS-01AH(001) | 1,333,707 | - | 1,333,707 | - | 1,3 |
| 1-8 | 150 | 33320220 | *Washington State Dept of Transportation* | Highway Planning and Construction | 20.205 | | BROS-2011(055) | 3,915 | - | 3,915 | - | 1,3 |
| 1-9 | 150 | 33320220 | *Washington State Dept of Transportation* | Highway Planning and Construction | 20.205 | | STPR/STPUL-Z911(001) | 2,023 | - | 2,023 | - | 1,3 |
| 1-10 | 150 | 33320220 | *Washington State Dept of Transportation* | Highway Planning and Construction | 20.205 | | North Railroad Ave | 2,108 | - | 2,108 | - | 1,3 |
| 1-11 | 150 | 33320230 | *Washington State Dept of Transportation* | Highway Planning and Construction | 20.205 | | HSIP-000S(552) | 459,628 | - | 459,628 | - | 1,3 |
| 1-12 | 150 | 33320230 | *Washington State Dept of Transportation* | Highway Planning and Construction | 20.205 | | HSIP-000S(551) | 7,621 | - | 7,621 | - | 1,3 |
| 1-13 | 150 | 33320230 | *Washington State Dept of Transportation* | Highway Planning and Construction | 20.205 | | HSIP-000S(641) | 2,297 | - | 2,297 | - | 1,3 |
| | | | **Subtotal US Department of Transportation** | | **20.205** | | | 2,620,257 | - | 2,620,257 | - | |
| 1-14 | 101521 | 33320600 | *Washington Traffic Safety Commission* | State and Community Highway Safety | 20.600 | | 2023-HVE-4695-Region 14 Target Zero Task Force | 7,092 | - | 7,092 | - | 1,3 |
| 1-14 | 101521 | 33320600 | *Washington Association of Sheriffs & Police Chiefs* | State and Community Highway Safety | 20.600 | | 2023-HVE-4695-Region 14 Target Zero Task Force | 3,800 | - | 3,800 | - | 1,3 |
| | | | **Subtotal US Department of Transportation CFDA 20.600** | | **20.600** | | | 10,892 | - | 10,892 | - | |
| | | | **Total US Department of Transportation** | | **20.xxx** | | | **2,631,149** | **-** | **2,631,149** | **-** | |
| | | | **US Department of the Treasury** | | | | | | | | | |
| 2-1 | 119 | 33121027 | *US Department of the Treasury* | Coronavirus State and Local Fiscal Recovery Funds | 21.027 | COVID-19 | N/A | - | 12,566,712 | 12,566,712 | 1,992,541 | 1,3 |
| | | | **Total US Department of the Treasury** | | **21.027** | | | **-** | **12,566,712** | **12,566,712** | **1,992,541** | |
| | | | **US Department of Health and Human Services** | | | | | | | | | |
| 2-2 | 101500/ 101160 | 33393561/ 33393563 | *Department of Social and Health Services* | Child Support Enforcement | 93.563 | | 2110-80460 | 381,298 | - | 381,298 | - | 1,2,3 |
| 2-3 | 101540 | 33393788 | *Washington State Health Care Authority* | Opioid STR | 93.788 | | K6657 | 59,817 | - | 59,817 | - | 1,3 |
| 2-4 | 101540 | 33393788 | *Washington State Health Care Authority* | Opioid STR | 93.788 | | K6458 | 522,112 | - | 522,112 | | 1,3 |
| | | | **Total US Department of Health and Human Services** | | **93.xxx** | | | **963,227** | **-** | **963,227** | **-** | |
| | | | **Department of Homeland Security** | | | | | | | | | |
| 2-5 | 130 | 33397012 | *Washington State Parks and Recreation Commission* | Boating Safety Financial Assistance | 97.012 | | MLE 123-452 | 10,271 | - | 10,271 | - | 1,3 |
| | 130 | 33397012 | *Washington State Parks and Recreation Commission* | Boating Safety Financial Assistance | 97.012 | | MLE 123-345 | 36,553 | | 36,553 | | |
| | | | **Total Department of Homeland Security** | | **97.012** | | | **46,823** | **-** | **46,823** | **-** | |
| | | | **Military Department** | | | | | | | | | |
| 2-6 | 150 | 33397036 | *Wa State Military Department* | Disaster Grants- Public Assistance | 97.036 | | CRMP 20-002 | 593,833 | - | 593,833 | - | 1,3 |
| | | | **Total Military Department** | | **97.xxx** | | | **593,833** | **-** | **593,833** | | |
| | | | **Total Federal Awards Expended** | | | | | **$ 4,276,731** | **$ 12,566,712** | **$ 16,843,442** | **$ 1,992,541** | |

*The Accompanying Notes To The Schedule Of Expenditures of Federal Awards Are An Integral Part Of This Schedule*

**Franklin County**

**Notes to the Schedule of Expenditures of Federal Awards**
**For the Year Ended December 31, 2023**

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 – Indirect Cost Rate

The County has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The amount expended includes $40,765 claimed as an indirect cost recovery using an approved indirect cost rate of 10-percent.

Note 3 – 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.

FRANKLIN COUNTY, WA
Matt Beaton AUDITOR
ELECTIONS
LICENSING
RECORDING
ACCOUNTING

1016 N 4th Ave, Pasco,
WA 99301
509-545-3502

# CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

## Franklin County
## January 1, 2023 through December 31, 2023

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:** 2023-001 | **Finding caption:** The County did not have adequate controls for ensuring accurate reporting of its financial statements. |
|---|---|
| **Name, address, and telephone of County contact person:**<br>Tim Anderson, Director of Finance<br>1016 N 4th Avenue<br>Pasco, WA 99301<br>509-545-3545 | |
| **Corrective action the auditee plans to take in response to the finding:**<br>*Franklin County is committed to producing timely and accurate financial statements and recognizes its responsibility. We continually improve our internal control processes and management oversight of financial statement preparation and review. This commitment to continuous improvement will ensure greater accuracy in future financial reporting. Regarding The HAPO Center and Business Activities, the County has made the necessary changes to address the audit finding. A competitive process resulted in selecting an experienced management group that has addressed the internal control and reporting deficiencies.* | |
| **Anticipated date to complete the corrective action: December 31, 2024** | |

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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